CALIFORNIA BOARD OF ACCOUNTANCY

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

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

PROC MEETING
NOTICE & AGENDA

Tuesday, August 30, 2011
10:00 a.m. – 2:00 p.m.

Crowne Plaza LAX
5985 West Century Boulevard
Los Angeles, CA 90045-5463
Telephone: (310) 642-7500
FAX: (310) 649-4035

PROC Purpose Statement
To engender confidence in the California Peer Review Program by performing oversight of the program and providing recommendations to the CBA on the effectiveness and continued reliance of the Program.

10:00-10:05 I. Roll Call and Call to Order **(Nancy Corrigan, Chair)**.

10:05-10:30 II. Report of the Committee Chair **(Nancy Corrigan)**.

A. Approval of the July 8, 2011 PROC Minutes.

B. Report on the July 21, 2011 CBA Meeting.

C. Report on the August 16, 2011 NASBA PROC Summit.

10:30-10:45 III. Report on PROC Activities **(Nancy Corrigan)**.

A. Report on the August 10, 2011 American Institute of Certified Public Accountants' Peer Review Board Meeting.

B. Report on CalCPA Report Acceptance Body (RAB) Meetings:

i. July 26, 2011 RAB.

ii. August 10, 2011 RAB.

iii. August 25, 2011 RAB.

10:45-11:00 IV. Reports and Status of Peer Review Initial Implementation **(Kathy Tejada, Enforcement Manager, and April Freeman, CBA Staff)**.

A. Status of Senate Bill 543.

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

C. Status of Correspondence to Licensees Regarding Peer Review Reporting.

11:00-11:30 V. Discussion Regarding PROC Procedures Manual **(Rafael Ixta, Enforcement Chief)**.

11:30-12:30 **LUNCH**

12:30-1:30 VI. Status of PROC Roles and Responsibilities **(Rafael Ixta)**.

A. PROC Roles & Responsibilities Activity Tracking

B. Administrative Site Visit Checklist

1:30-1:45 VII. Discussion Regarding PROC Assignments **(Nancy Corrigan)**.

1:45-1:50 VIII. Future Agenda Items **(April Freeman)**.

1:50-2:00 IX. Public Comment for Items Not on the Agenda.

X. Adjournment.

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

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

For further information regarding this meeting, please contact:

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

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

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PROC Agenda Item II.A.
August 30, 2011

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

DRAFT

MINUTES OF THE
July 8, 2011
PROC MEETING

California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 94815
Telephone: (916) 263-3680

PROC Members:
Nancy Corrigan, Chair
Katherine Allanson
Gary Bong
T. Ki Lam
Sherry McCoy
Robert Lee
Seid M. Sadat

Staff and Legal Counsel:
Rafael Ixta, Chief, Enforcement Division
Kathy Tejada, Manager, Enforcement Division
April Freeman, 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 10:10 a.m.

II. Report of the Committee Chair.

A. Approval of May 6, 2011 Minutes.

Ms. Corrigan asked members if they had any changes or corrections to the minutes of May 6, 2011, PROC meeting. No edits were necessary.

It was motioned by Robert Lee, seconded by Seid Sadat, and unanimously carried by those present to adopt the minutes of the May 6, 2011 PROC meeting.

B. Report on the May 19-20, 2011 CBA Meeting

Ms. Corrigan summarized her report to the California Board of Accountancy (CBA) at its May 19-20, 2011 meeting. She spoke about the presentation by the American Institute of Certified Public Accountants (AICPA) and National Association of State Boards of Accountancy (NASBA), advising the CBA that California is among only six other states that have an active PROC. She also updated CBA members on the conflict of interest issue, the development of procedures and checklists, and gave a summary of the May 3, 2011, AICPA Peer Review Board meeting.

Rafael Ixta commented that the conflict of interest issue has been reassigned to a different attorney. Members of the PROC requested that an opinion be issued before the next PROC meeting on August 30, 2011.

C. Report on the June 2-3, 2011 California Society of CPAs (CalCPA) Peer Review Committee Meeting.

Ms. Corrigan and Katherine Allanson attended the meeting in person. The agenda included, but was not limited to, reports from the AICPA Peer Review Board, the National Peer Review Committee, and CalCPA, discussion of the annual oversight report, and technical issues. In addition, three Report Acceptance Body meetings were held.

Ms. Allanson stated that the meeting was a challenge because she and Ms. Corrigan did not have access to the meeting materials. She does not believe the PROC can evaluate the effectiveness of a meeting without appropriate materials. Mr. Ixta clarified that the CalCPA agreed to provide materials to PROC members when they attend meetings in person, but not when they attend via teleconference.

Linda McCrone explained that the AICPA requires that CalCPA have a document destruction policy in place stating that specific documents be destroyed 120 days after the peer review report is accepted. Since this issue has not been resolved, Ms. McCrone agreed to have materials available for members who attend meetings in person, but cannot send them ahead of time. Mr. Ixta will revisit the document destruction issue with legal counsel.

Ms. McCrone added that PROC members are welcome to visit the CalCPA office in Glendale and San Mateo to review RAB materials.

D. Report on CalCPA Report Acceptance Body (RAB) Meetings.

i. June 15, 2011 RAB. Robert Lee and Sherry McCoy attended the meeting via teleconference. Mr. Lee commented that RAB meetings really only focus on problem peer review reports.

ii. July 7, 2011 RAB. T. Ki Lam, Robert Lee, and Nancy Corrigan attended the meeting via teleconference. Ms. Corrigan stated that the meeting dealt with a lot of technical issues. Mr. Lee felt the RAB was very competent and knowledgeable. Ms. Lam stated the meeting was very candid, although she would have liked to have had the meeting materials.

III. Reports and Status of Peer Review Initial Implementation.

A. Pending Regulations Revised Proposed Legislative Language to Extend the Sunset Date on Mandatory Peer Review.

Ms. Tejada advised members that the author of Senate Bill 542 has decided to use the bill for other purposes. The language extending the sunset date and the report to the Legislature has been moved to SB 543. The bill passed through the Senate and has been re-referred to the Committee on Business, Professions and Consumer Protection.

B. Statistics of Licensees who have Reported their Peer Review Information to the CBA.

Ms. Tejada reported that as of June 24, 2011, 17,972 licensees have reported peer review information. The breakdown is as follows: 1,639 firms required to undergo peer review, 3,382 firms not required to undergo peer review, and 12,951 licensees not operating as a firm.

April Freeman added that telephone and email contacts concerning peer review have increased significantly. Since March 2011, telephone calls have increased 787% and emails have increased 2,490%.

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

Ms. Freeman stated that approximately 20,000 notification letters will be sent to licensees who are required to submit a reporting form by July 1, 2012. Further revisions have been made to those letters to make the requirements more clear. The letters are expected to be mailed in mid-July.

IV. Discussion Regarding the Draft Checklists for Report Acceptance Body (RAB) Meetings and CalCPA Peer Review Committee Meetings.

Ms. Allanson explained that she approached the development of the checklist for the Peer Review Committee (PRC) meetings by asking herself what she wants to accomplish when attending a meeting. She started with the checklist obtained from the Texas Board of Accountancy and then, during the June 2-3, 2011 PRC meeting, edited it to correspond to the way California conducts its meeting.

Ms. McCoy stated that she included a purpose statement at the top of the checklist for RAB meetings. The checklist includes an evaluation of the technical aspects of the meeting and an evaluation of the general meeting process. She used the checklists during the June 15th RAB meeting.

Members discussed the checklists and agreed on several minor edits. Staff will make the edits and ensure the format is consistent with other CBA documents. The checklists will remain in draft form until members determine they meet all PROC needs.

Members agreed to provide copies of the draft checklists to NASBA's Compliance Assurance Committee to be used at the upcoming PROC Summit.

Mr. Lee asked if each member in attendance would complete a checklist and what would be done with the completed checklists. Mr. Ixta suggested that each member in attendance

complete their own checklist. All completed forms, along with the meeting agenda and a summary of the meeting, should be returned to CBA staff to be kept in a PROC library.

Ms. McCrone explained the process of selecting RAB members as each meeting has a different combination of PRC members. All RAB members are at the Team Captain level. She added that she makes sure each RAB has members with experience in high-risk industries such as ERISA and A-133 audits.

V. Discussion Regarding the Roles and Responsibilities Portion of the PROC Procedure Manual.

Seid Sadat explained that he and Gary Bong used two separate documents to refine the roles and responsibilities portion of the PROC procedure manual. Those documents were the *Continued Consideration of Key Policy Issues Related to Mandatory Peer Review* and the accountancy regulations. He clarified that this will be a working document.

Mr. Ixta pointed out the PROC Program Detail, beginning on page 4, will need to be edited to reflect the roles and responsibilities outlined on pages 1 and 2.

Mr. Ixta stated that if the PROC is ready to adopt the draft procedure manual, staff will continue working on the manual with input from the PROC.

It was motioned by Katherine Allanson, seconded by T. Ki Lam, and unanimously carried by those present to adopt the draft roles and responsibilities portion of the PROC procedures manual with the edits discussed, to direct staff to continue working on the manual, and to share the draft checklists for the RAB and PRC meetings with NASBA for the PROC Summit to be held August 16, 2011.

VI. Discussion Regarding Table of Contents for the Annual Report to the CBA.

Ms. Corrigan stated that the PROC's annual report to the CBA would be targeted for the March 2012 CBA meeting. She asked members if they had any comments on the draft table of contents prepared by staff. Mr. Ixta reminded members that items may change as the report is written.

Members suggested a few edits which staff will make and bring back to the next meeting.

VII. Discussion Regarding PROC Activities and Assignments.

Ms. Corrigan confirmed/assigned the following events:

- July 18-19, 2011 "How To Conduct A Review Under the AICPA" – Sherry McCoy, Katherine Allanson, Robert Lee, and possibly Gary Bong.
- July 26, 2011 RAB Meeting – T. Ki Lam and Sherry McCoy
- August 10, 2011 AICPA PRB Meeting – Gary Bong, Seid Sadat and T. Ki Lam
- August 16, 2011 NASBA PROC Summit – Staff will follow-up with NASBA to determine if a scholarship would be available for Nancy Corrigan to attend.
- August 25, 2011 RAB Meeting – TBD. Ms. McCrone will research the availability of the CalCPA Glendale office so that members in Southern California do not have to travel to San Mateo to view materials.
- October 20-21, 2011 CalCPA PRB – Nancy Corrigan and Seid Sadat
- October 26, 2011 AICPA PRB – Katherine Allanson and Robert Lee

VIII. Future PROC Meetings and Agenda Items.

The PROC set the following meeting dates for late 2011 and 2012:

- Friday, December 9, 2011 – Southern California
- Friday, February 10, 2012 – Northern California
- Friday, April 20, 2012 – Southern California
- Friday, June 15, 2012 – Northern California
- Friday, August 24, 2012 – Southern California
- Friday, October 19, 2012 – Northern California
- Tuesday, December 4, 2012 – Southern California

Agenda Items:

- Status of PROC Activities
- File Testing

IX. Public Comment for Items Not on the Agenda.

No public comment.

X. Adjournment.

There being no further business, the meeting was adjourned at 1:55 p.m.

_____

Nancy Corrigan, Chair

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

State of California
Department of Consumer Affairs

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

M e m o r a n d u m

PROC Agenda Item II.C.
August 30, 2011

To : PROC Members

Date : August 22, 2011
Telephone: (916) 561-1731
Facsimile : (916) 263-3673
E-mail : rixta@cba.ca.gov

From : Rafael Ixta, Chief
Enforcement Division

Subject : Report of the August 16, 2011 NASBA PROC Summit

Attached are the materials that were presented at the NASBA Peer Review Oversight Committee (NASBA PROC) Summit held in Charleston, South Carolina on August 16, 2011.

The materials are as follows:

- NASBA PROC Summit Agenda **(Attachment 1)**
- NASBA PROC in Action:
  - Presentation from the Oklahoma Accountancy Board **(Attachment 2)**
  - Presentation from the Mississippi State Board of Public Accountancy **(Attachment 3)**
- Legal Support for Peer Review Oversight **(Attachment 4)**
- Practical Steps for Implementation
  - Presentation on PROC Checklists **(Attachment 5)**
  - NASBA PROC Reports **(Attachment 6)**
- Presentation by AICPA **(Attachment 7)**

Staff will be available at the meeting to answer any questions you may have.

Attachments

PEER REVIEW AGENDA

OVERSIGHT COMMITTEE SUMMIT

CHARLESTON, SC
AUGUST 16, 2011

7:30 – 8:30 a.m.	**HOSPITALITY BREAKFAST** *(Calhoun)*
8:30 – 8:45 a.m.	**WELCOME** *(Colonial Ballroom)*
8:45 – 9:45 a.m.	**PROC IN ACTION** Review the successes achieved by the peer review oversight committees from two different states from the perspectives of an Executive Director and also a member of a PROC.
9:45 – 10:15 a.m.	**LEGAL SUPPORT FOR OVERSIGHT** Ensuring that your laws/rules have the appropriate verbiage for obtaining information to perform peer review oversight and develop a successful PROC.
10:15 – 10:30 a.m.	**BREAK**
10:30 a.m. – 12:00 p.m.	**PRACTICAL STEPS FOR IMPLEMENTATION** *(Colonial Ballroom)* Identify forms and other oversight methods that are being used to carry out an effective oversight strategy in other states; focusing specifically on a charter, checklists, and reporting guidance.
12:00 – 1:00 p.m.	**LUNCH** *(Calhoun)*
1:00 – 2:00 p.m.	AICPA Report *(Colonial Ballroom)* The AICPA and associated societies play a critical role in the peer review process. How do they ensure quality in their programs and the firms that rely on these programs?
2:00 – 2:30 p.m.	**COMPLIANCE ASSURANCE COMMITTEE (CAC) REPORT** Status report from the committee that represents the state boards of accountancy.
2:30 – 3:30 p.m.	**OPEN FORUM DISCUSSION AND SUMMATIONS** Attendees discuss their thoughts about implementation and work to over come potential obstacles in their state.
3:30 p.m.	**ADJOURN**

Oklahoma Accountancy Board

Peer Review Oversight Committee

How did we get where we are now?

Safeguarding the Public Welfare

Presenter

Colin Autin
Oklahoma Accountancy Board
Deputy Director &
Peer Review

Disclaimer…

Any views expressed in this presentation are those of the presenter and do not represent the views of Oklahoma Accountancy Board.

What is a PROC?

- Peer Review Oversight Committee
- Oklahoma PROC consist of three non-Board members
- Review qualifications of sponsoring organizations
- Review every peer review submitted to the OAB
- Implement remedial action when necessary
- Report all activities quarterly and annually to the OAB

Requirement for PROC Membership…

- Must be active in public accounting at supervisory level or above; or
- Supervisory level while serving in an audit function of a state or local government
- The member or member's firm must be enrolled in an OAB approved sponsoring organization's peer review program

Requirement for PROC Membership Cont.…

- Result of that firm's most recent peer review must result in a pass report
- A majority of the committee members must satisfy the qualifications required of system peer review team captains

Initial Challenges…

- Do not reinvent the wheel
- What is the PROC's purpose/operating statement?
- What are the objectives?
- Establishing a process
- Scheduling

What are other PROCs Doing?

- Mississippi Peer Review Oversight Committee
- Texas Peer Review Oversight Committee

PROC Operating Statement

"To evaluate and monitor the Peer Review Program established by the Oklahoma Accountancy Board to provide reasonable assurance that the American Institute of Certified Public Accountant's Peer Review Program Standards are being properly administered in the State of Oklahoma making referrals to the Oklahoma Accountancy Board as needed for further action as needed."

OAB Peer Review Oversight Committee is established by 10:15-33-7 of the Oklahoma Administrative Code

PROC is Designed to:

- Provide reasonable assurances to the OAB that peer reviews are being administered in accordance with AICPA Standards for Performing and reporting on peer reviews
    - Review the AICPA oversight report for each entity administering peer reviews to OAB registrants.
    - Make recommendations annually to the OAB as to the continuing qualifications of each entity as an approved sponsoring organization

PROC is Designed to Cont.:

- Go beyond monitoring to an actual hands on approach during peer review oversight process
- Emphasize education
- Monitor Firms' Compliance with Professional Standards
- Implement appropriate remedial procedure if necessary

Objectives and Procedures…

- Review applications from entities requesting approval as a sponsoring organization (10:15-33-7a2)
- Annually obtain and review most recent sponsoring organization AICPA oversight report (10:15-33-7a1)
- Periodically, no less than annually, make recommendations for sponsoring organizations to the Board for approval (10:15-33-7d)

Objectives and Procedures Cont.…

- Ensure firms undergo peer review as required (10:15-33-7e2)
- Consent agenda item to accept all *pass* reports submitted to the Board (10:15-33-7e4)
- Review and discuss all *pass with deficiencies* and *fail* reports (10:15-33-7e4)
- Assess remedial action prescribed by the sponsoring organization for appropriateness and prescribe additional remedial action if deemed necessary (10:15-33-7e1)

Objectives and Procedures Cont.…

- Monitor firm compliance with prescribed remedial action (10:15-33-7e2)
- Refer firms to Enforcement Committee as deemed appropriate: (10:15-37-1a)
    - Firms not submitting required reports (10:15-33-6)
    - Firms requiring continued oversight following deficient reports as described in 10:15-33-5
    - Others as deemed appropriate by the PROC

Objectives and Procedures Cont.…

- Regularly communicate results of PROC operations to the OAB. (10:15-33-7a3)
- Annually report conclusions and recommendations regarding evaluation and monitoring of peer review program to Board (10:15-33-7a3)
- Communicate problems encountered to sponsoring organizations as needed (10:15-33-7e5)

Establishing a Process…

- Essentially a six-step process:
  - Retrieve report with required documentation [State Board Facilitate Access Website]
  - Record to database
  - Present all peer reviews to PROC received by OAB during preceding quarter

Establishing a Process Cont.…

- Every *Fail* and *Pass with Deficiency* report is heavily scrutinized along with firm peer review history [The PROC makes every effort to review all substandard reports prior to the issuance of the final letter of acceptance]
- Prescribe follow up action when necessary
- Notify firms after PROC has reviewed its peer review report

Scheduling…

- At least one member of the PROC attends each OSCPA Peer Review Committee meeting (10:15-33-7e3)
- PROC will meet at least quarterly (10:15-33-7e4)
- Schedule meetings after Oklahoma Society of CPAs Peer Review Committee meetings
- PROC will submit a quarterly report as well as as annually report on its activity (10:15-33-7d)

Questions?

Safeguarding the Public WELFARE

Oklahoma Accountancy Board

201 N.W. 63rd Street, Suite 210
Oklahoma City, Oklahoma 73116
www.ok.gov/oab

Peer Review Oversight

AICPA Peer Review Oversight Handbook

Oversight agreement allowed between State Board and administering entity (sponsoring organization) for an oversight board or committee (PROC).

NASBA Compliance Assurance Committee - Model Program

Mission

- Compliance Assurance
  Wherein a State Board appoints Peer Review Oversight Committee (PROC) with responsibility for independent oversight of peer review program:
  -Administration,
  -Application of established standards,
  -Qualification of reviewers, and
  -Quality control process - peer review providers.
- Peer review is a requirement for licensure of CPA firms performing attest services.

NASBA Compliance Assurance Committee - Model Program

Purpose

- Compliance with administrative procedures,
- Peer reviews conducted in accordance with UAA
- Rule 7.3-7.5 and Board standards,
  -Results are evaluated consistently,
  -Accurate and timely peer review information,
  -Board advised on related matters.

NASBA Compliance Assurance Committee - Model Program

Key Provisions

- Membership
- Qualifications
- Operations
- Confidentiality
- Reporting

Boards' Current Peer Review Oversight Committees

Discussion

- Member qualifications
- Makeup
- Independence
- Compensation
- Confidentiality
- Other

AICPA Peer Review Oversight Handbook

Recommended Structure - Oversight Committee

- Two CPA members
  - -extensive experience in accounting & auditing
  - - currently in practice of public accounting (similar to system review team captain)
- One public member
  - -background using public accounting services
- Appointments made by the State Board with input by administering entity (sponsoring organization).

AICPA Peer Review Oversight Handbook

Restrictions - Oversight Committee

- Not member of State Board or ethics committee
- Non-board/committee member liaison not involved in Board enforcement work, ethics committee or other regulatory body.

AICPA Peer Review Oversight Handbook

Restrictions - Oversight Committee

- Oversight Board/Committee access to peer program records:
  - Standards, procedures, training materials, etc.,
  - Peer review committee meetings and minutes,
  - Information related to committee monitoring of technical reviewers working papers, and
  - Statistical data related to results of peer reviews.

AICPA Peer Review Oversight Handbook

Restrictions - Oversight Committee

- On a reasonable sample basis Oversight Committee may have access to:
  - Report, letter of comments, firm letter of response,
  - Firm-wide summary review memorandum,
  - Team captain/reviewer's checklist,
  - Working papers, notes, related documentation,
  - Correspondence, etc. related to acceptance of the peer review, corrective actions, monitoring, and results.

Board Oversight Committee

Members

- Cannot be a member or employee of State Board or Society
- Cannot be on AICPA or Society ethics committees
- Mississippi licensed CPA, extensive A&A experience, in public accounting, partner or equivalent, members of Society or AICPA.
- Terms: three to five years
- Confidentiality
- Reporting

Practice Review

- Mandatory Peer Review
- Requirements of Sponsoring Organizations
- Independent Board Oversight Committee
- Does not prohibit the Board from investigations of alleged violations against a practice unit.

Mississippi Time Line

1996 - Planning and drafting agreement with the administering agency (Society)
1997 - Executed operating agreement with Society to monitor AICPA program
1998 - Surveyed other Boards – only 9 had PROC; few with strong written procedures or reporting
1999 - Final year that Board performed own reviews
2000 - Mandatory Peer Review & independent Board oversight

Requirements
Sponsoring Organization

Operating Agreement

- Purpose
- Board Oversight Committee
  - -Structure
  - -Operation and Function
  - -Confidentiality
- Reporting - annual listing & discontinued firms
- Funding
- Conclusion

Requirements
Sponsoring Organization

- Minimum Standards *AICPA Standards for Performing and Reporting on Peer Reviews*
- Subject to independent review - Board Oversight Committee (with availability of records, documents and peer reviews to committee)
- Administration plan – peer review committee, documented program and procedures, records, evaluate reviewers, reports
- Responsibilities of the peer review committee

Board Oversight Committee

Objective - Provide independent means to evaluate and monitor the peer review program.

Goals

- Continuous monitoring, reasonable assurance that peer reviews are being conducted and reported on in accordance with standards.
- Annual reports to Board – conclusions, recommendations, opinion on the continued reliance on the program.

Board Oversight Committee

Guidelines

- Evaluate policies, procedures, standards, interviews.
- Review peer review committee meeting minutes.
- Meet/telephone conference with committee.
- Review committees application of procedures techniques, and follow-up/monitoring.
- Sample peer reviews (on-site and off-site).
- Evaluate documentation for appropriate actions.
- Compile statistics related to outcome of sampled peer reviews.
- Annual written report.

Board Oversight Committee

Suggested Programs

- Summary of Oversight Visit – Peer Review Committee.
- Information on a Sampled Peer Review.
- Summary of Oversight Visit – Administrative.

Oversight Visit
Peer Review Committee

- Technical reviews performed within reasonable time after peer review documents submitted?
- Technical reviewers:
  - -Resolve inconsistencies before accepting reports?
  - -Make committee aware of important matters?
  - -Available during meeting to answer questions?
  - -Knowledgeable?

    Function, scope, appropriate formats, substandard engagements, inspection issues, governmental issues, corrective or monitoring actions?

Oversight Visit
Peer Review Committee

- Inspect files-selected firms.

  (*Information on Sampled Peer Review form*)
- Select from files reviewed within last 90-days.

  Assess:
  - -Quality of technical review,
  - -Appropriateness of procedures, and
  - -Reasonable nature of the decisions on the reviews.
- Determine -working paper retention policies followed?
- Form preliminary conclusions.
- Attend the Peer Review Committee meetings as an observer.

Oversight Visit
Peer Review Committee

- Manuals available – program, administrative, AICPA handbook?
- At least 3 members present?
- Extent of committee reviews appear appropriate?
- Appropriate decisions? – substandard engagements, inspection issues, government issues, scope, revisions, corrective or monitoring action, issuance of team captain feedback, requests for extensions, handling problems?
- Rate committee's knowledge of acceptance procedures and corrective actions

Oversight Visit
Administrative

- Prior to visit - obtain prior annual reports and pertinent information, contact Society to arrange visit.
- Interview staff responsible and document:
  - -Review process and procedures,
  - -Committee acceptance process and philosophy of peer review program,
  - -Percentage of reviews scheduled and follow-up,
  - -Monitoring of reviews through completion, and
  - -Receipt of review documents on a timely basis.
- Are administrative individuals knowledgeable?

Oversight Visit
Administrative

- Are actions taken to monitor completion of follow-up actions?
- Are program letters generated for reviewers': poor performance or tardiness?
- Are acceptance letters sent in timely manner?
- Rate the staff's knowledge of administrative and computer procedures.
- Areas needing improvement or training?

Board Oversight Committee
Annual Reporting

- June 30 within 90-days
- Opinion - continued reliance on the program
- Disclose - methods used to reach opinion
  - scope of review,
  - procedures utilized,
  - statistical data on review of sampled items
  - acceptability or deficiencies of items

Board Oversight Committee Annual Reporting

- Peer Review Program Participation
  CPA firms enrolled, performing A&A work,
  Enrolled in Center for Public Company Audit Firms,
  Terminations, voluntary withdrawals, firms added,
- Statistics on peer reviews (current and prior year):
  -Unmodified without letter of comment,
  -Unmodified with letter of comment,
  -Modified,
  -Adverse. AND

Whether system, engagement, or report reviews.

Board Oversight Committee Annual Reporting

- AICPA Peer Review Board (PRB) Oversight Program
  Responsibility, objectives, PRB oversight visit.
- AICPA Full Working Paper Review
  Described and outcome.
- Peer Review Committee
  Responsibility, members qualifications.

Board Oversight Committee Annual Reporting

- Peer Review procedures described:
  - -Technical Review,
  - -Peer Review Committee,
  - -MSCPA Oversight Program (subcommittee).

- Board Oversight Committee procedures described:
  - -Peer reviews,
  - -Administrative,
  - -Conclusion,
  - -Exhibits.

Questions?

Peer Review Oversight

August 16, 2011

Legal Support for Peer Review Oversight

NASBA Peer Review Oversight Committee Summit

Charleston, S.C. August 16, 2011

Noel Allen, Legal Counsel, NASBA

I. Introduction

Despite reported cases reflecting legal challenges to state boards' peer review programs, the Uniform Accountancy Act and Model Rules provide a framework for an effective, legally defensible peer review program that effectively advances public protection through effective state board oversight.

II. Uniform Accountancy Act Provisions

Recent case law and federal enforcement developments have shown that a clearly articulated statutory framework for peer review is necessary and that some degree of oversight might be essential. The UAA statutory language provides a template that has been substantially adopted in most jurisdictions. The following are the relevant provisions of the UAA:

Uniform Accountancy Act § 3(o). "Peer Review" means a study, appraisal, or review of one or more aspects of the professional work of a certificate holder or CPA firm that issues attest or compilation reports, by a person or persons who hold certificates and who are not affiliated with the certificate holder or CPA firm being reviewed.

Uniform Accountancy Act § 4(h). The Board may adopt rules governing its administration and enforcement of this Act and the conduct of licensees, including but not limited to—

> (7) Rules regarding peer review that may be required to be performed under provisions of this Act;

Uniform Accountancy Act § 7(a). The Board shall grant or renew permits to practice as a CPA firm toapplicants that demonstrate their qualifications therefor in accordance with this Section.

> (2) A firm which does not have an office in this state may perform services described in subsections 3(b)(2) or 3(f) for a client having its home office in this state and may use the title "CPA" or "CPA firm" without a permit issued under this Section only if:
>
> > (A) it has the qualifications described in subsections 7(c) [ownership] and 7(h) [peer review], and
> >
> > (B) it performs such services through an individual with practice privileges under Section 23 of the Act.

Uniform Accountancy Act § 13(c). Before reissuing, or terminating the suspension of, a certificate, permit or registration under this Section or of privileges under Section 23, and as a condition thereto, the Board may require the applicant therefor to show successful completion of

specified continuing professional education; and the Board may make the reinstatement of a certificate, permit or registration or of privileges under Section conditional and subject to satisfactory completion of a peer review conducted in such fashion as the Board may specify.

Uniform Accountancy Act § 18. Except by permission of the client for whom a licensee performs services or the heirs, successors, or personal representatives of such client, a licensee under this Act, shall not voluntarily disclose information communicated to the licensee by the client relating to and in connection with services rendered to the client by the licensee. Such information shall be deemed confidential, provided, however, that nothing herein shall be construed as prohibiting the disclosure of information required to be disclosed by the standards of the public accounting profession in reporting on the examination of financial statements or as prohibiting compliance with applicable laws, government regulations or PCAOB requirements, disclosures in court proceedings, in investigations or proceedings under Sections 11 or 12 of this Act, in ethical investigations conducted by private professional organizations, or in the course of peer reviews, or to other persons active in the organization performing services for that client on a need to know basis or to persons in the entity who need this information for the sole purpose of assuring quality control.

Uniform Accountancy Act § 19(a). Subject to the provisions of Section 18, all statements, records, schedules, working papers, and memoranda made by a licensee or a partner, shareholder, officer, director, member, manager or employee of a licensee, incident to, or in the course of, rendering services to a client while a licensee except the reports submitted by the licensee to the client and except for records that are part of the client's records, shall be and remain the property of the licensee in the absence of an express agreement between the licensee and the client to the contrary. No such statement, record, schedule, working paper, or memorandum shall be sold, transferred, or bequeathed, without the consent of the client or the client's personal representative or assignee, to anyone other than one or more surviving partners, stockholders, members or new partners, new stockholders, or new members of the licensee, or any combined or merged firm or successor in interest to the licensee. Nothing in this Section should be construed as prohibiting any temporary transfer of workpapers or other material necessary in the course of carrying out peer reviews or as otherwise interfering with the disclosure of information pursuant to Section 18.

II. UAA Model Rules Provisions

The Model Rules, developed by NASBA in consultation with the AICPA, provide a path for implementation of state board oversight of peer review. The following are the pertinent provisions of the Model Rules regarding peer review oversight.

Rule 6-10 Peer review for certificate holders who do not practice in a licensed firm.

A certificate holder who issues compilation reports as defined in this Act other than through a CPA firm that holds a permit under Section 7 of this Act must undergo a peer review as required under Rules 7-3 and 7-4.

Rule 7-3 Successful completion of an approved Compliance Assurance Program as a condition for renewal of permit.

(a) In furtherance of its duty to protect the public regarding attest services, the Board requires all CPA firms offering or rendering such services to be enrolled in and undergo a transparent compliance assurance program approved by the Board and to comply with the applicable compliance assurance standards of that program. As used herein, the term "Compliance Assurance Program" includes, but is not limited to, "peer review" programs or other comparable programs which have been approved by the Board in accordance with the requirements set forth below.

(b) The Compliance Assurance functions may be performed by a committee established by the Board, qualified contractors approved by the Board or substantially equivalent programs [such as the peer review program administered by the AICPA] acceptable to the Board.

The Board may establish procedures to perform the following functions:

(1) Review of financial statements and the reports of licensees thereon, to assess their compliance with applicable professional standards;

(2) Improvement of reporting practices of licensees through education and remediation;

(3) Referrals to the Board of cases requiring further investigation by the Board or its designees;

(4) Verification that individuals in the firm responsible for supervising compilation or attest services and signing the accountants' report on financial statements on behalf of the firm meet the competency requirement set out in applicable professional standards;

(5) Verification that a certificate holder who issues compilation reports for the public other than through a CPA firm, who supervises such services and/or signs the compilation report on such financial statements, meets the competency requirements set out in applicable professional standards; and

(6) Such other functions as the Board may assign to its designees.

(c) On and after _____, each applicant for renewal of a certificate under Section 6 of the Act in the case of a certificate holder who issues compilation reports to the public other than through a CPA firm and each applicant for renewal of a firm permit to practice under Section 7 of the Act shall furnish in connection with their application, with respect to each office maintained by the applicant in this State, one copy of each of the following kinds of reports, together with their accompanying financial statements, issued by the certificate holder or office during the twelve month period next preceding the date of application, if any report of such kind was issued during such period:

(1) A compilation report;

(2) A review report;

(3) An audit report;

(4) A report of the examination of prospective financial information.

(d) The Board may also solicit for review reports of licensees and related financial statements from clients, public agencies, banks, and other users of financial statements.

(e) Any documents submitted in accordance with subsection (b) may have the name of the client, the client's address and other identifying facts omitted, provided that the omission does not render the type or nature of the enterprise undeterminable. The identities of the sources of financial statements and reports received by the Board from other than the licensees who issued the reports shall be preserved in confidence. Reports submitted to the Board pursuant to subsection (b), and comments of reviewers and of the Board on such reports or workpapers relating thereto, also shall be preserved in confidence except that they may be communicated by the Board to the licensees who issued the reports.

(f) The review of financial statements and reports of the licensees thereon shall be directed toward the following:

(1) Presentation of financial statements in conformity with generally accepted accounting principles;

(2) Compliance by licensees with generally accepted auditing standards;

(3) Compliance by licensees with other professional standards; and

(4) Compliance by licensees with the Rules of the Board and other regulations relating to the performance of compilation and attest services as herein defined.

(g) The reviews of the financial statements and the reports of the licensees shall be conducted as follows:

(1) Compilation level services will be subject to a desk review

(2) Review level services will be subject to a field review in the offices of the licensee

(3) Audit level services and reports of examination of prospective financial information will be subject to a field review in the offices of the licensee

(4) Additional reports and financial statements may be selected during the performance of a desk review or an on-premise field review based upon the size and complexity of the reviewed firm as judged by the Board or its designee to adequately assess the quality of the reviewed firm's professional attest practice.

(h) A firm's review shall result in one of three findings:

(1) Pass

(2) Pass with deficiencies

(3) Fail.

(i) In any instance where the Board finds a deficiency in the professional work of a licensee, it shall advise the licensee in writing of the deficiency. The Board may request the licensee to

meet with it to discuss deficiencies. If the Board determines that a report is substandard or seriously questionable, the Board may direct that a review of the workpapers be conducted by an independent reviewer other than the person who performed the review of the report. The findings of any such review of the workpapers shall be transmitted by the reviewer to the Board.

(j) In gathering information about the professional work of licensees, the Board may make use of investigators, either paid or unpaid, who are not members of the Board.

(k) The results of the reviews will be transmitted to the Board's office within 45 days after completion of any review report.

Rule 7-4 - Equivalent reviews as a condition for renewal of a permit.

(a) The requirements of Rule 7-3 shall not apply with respect to any firm or certificate holder which within the three years immediately preceding the application had been subjected to a comprehensive and appropriately administered compliance assurance program as determined and approved by the Board.

(b) An oversight committee shall be appointed by the Board to monitor the compliance assurance programs and report to the Board that the programs meet the requirements set out in the Act and these Rules. The oversight committee shall:

(1) only include individuals who are not members of the Board;

(2) have full access to the peer review process which is subject to oversight and may be required to sign a confidentiality agreement to have this access;

(3) provide the Board with the names of those certificate holders and firms which have undergone and have had accepted an equivalent review as well as whether such certificate holders and firms are meeting the terms, conditions, and remedial actions, if any, required by the reviewing organization;

(4) establish, as directed by the Board, procedures designed to ensure confidentiality of documents furnished or generated in the course of the review;

(5) coordinate oversight functions conducted within the state with national oversight objectives and procedures adopted by the NASBA Compliance Assurance Review Board (CARB).

(c) The Board shall establish procedures and take all action necessary to ensure that the above materials remain privileged as to any third parties, except those materials subject to public disclosure as provided herein.

Rule 7-5 – Submission of compliance assurance reports to the Board.

(a) Firms qualifying for exemption from compliance assurance review as provided by the provisions of Rule 7-4 shall notify and affirmatively request the administering entity performing the qualifying satisfactorily equivalent compliance assurance reviews [such as those conducted by AICPA peer review programs and the entities administering those reviews] to provide Board

access to the reports within 45 days after the administering entity's acceptance of any review report.

(b) Regarding any report required to be submitted to the Board pursuant to this rule, the reviewed firm must retain, for a period of seven (7) years from the date of the report acceptance, all of the following: compliance assurance report [or "peer review report"], letter of comments, letter of response, acceptance letter signed by the reviewed firm agreeing to take corrective actions and letter of completion indicating that the firm's compliance assurance review is complete. Upon request of the Board, the reviewed firm or individual shall timely submit such documentation to the Board;

(c) The objective of this reporting rule is primarily to reinforce the Board's efforts to ensure that only appropriately qualified CPA firms are engaged in the offering and rendering of services subject to compliance assurance. Based upon its review of the reports submitted pursuant to this rule, the Board may consider, pursuant to hearing or by consent, additional corrective actions such as probation, practice limits, additional continuing education, pre-issuance reviews, more frequent peer reviews, and other measures, including, in severe cases, discipline against the reviewed firm and any individual licensees employed or contracted by the reviewed firm.

(d) For good cause shown the Board may grant or renew applications for a reasonable period of time pending completion.

Rule 10-1 - Grounds for enforcement actions against licensees.

The grounds for revocation and suspension of certificates, registrations and permits, and other disciplinary action against licensees and individuals with privileges under Section 23, are set out in Section 10 of the Act in both specific and general terms. The general terms of that provision of the Act include the following particular grounds for such disciplinary action:

(c) Violations of the Act or of Rules promulgated under the Act, within the meaning of Section 10(a)(6) of the Act, include—

> (6) Failure to comply with professional standards as to the attest and/or compilation competency requirement for those who supervise attest and/or compilation engagements and sign reports on financial statements or other compilation communications with respect to financial statements; or
>
> (7) Failure to comply with the applicable peer review requirements set out in Section 6(j) and Section 7(h) of the Act and these Rules.

Rule 11-2 – Reporting convictions, Judgments, and administrative proceedings.

(a) Subject to UAA §4(j), Licensees shall notify the Board, on a form and in the manner prescribed by the Board, within thirty (30) days of:

> (1) Receipt of an adverse peer review or a PCAOB firm inspection report containing criticisms of or identifying potential defects in the quality control systems.
>
> (2) Receipt of a second consecutive peer review report that is adverse or modified, including a report review report that contains significant comments;

IV. Cases and Attorney General Opinions Regarding Peer Review

Since the 1980s peer review requirements have been the subject of several court decisions and state attorney general opinions. Each ruling shows potential vulnerabilities but are generally limited to the facts of a particular case or the specific language of a particular state's statute or rules.

> *Boever v. South Dakota Board of Accountancy*, 561 N.W.2d 309 (S.D. 1997). Statute empowering board to promulgate rules for quality reviews of public accounting firms held to be constitutional.

A CPA challenged the South Dakota board's right to perform quality reviews of public accounting firms. The state supreme court held that the statute granting review powers to the board was not an unconstitutional delegation of legislative power and that. There was sufficient legislative intent to protect the public interest by requiring renewal affirmations of an accountant's expertise through the use of a quality review program. The statute was not unconstitutionally vague because persons of "common intelligence" did not need to guess at its meaning.

> *Bryant v. State Bd. of Accountancy*, No. 01-A-01-9303-CH-00088, 1993 Tenn. App. LEXIS 582 (Tenn. Ct. App. Sept. 1, 1993). Court reversed revocation for violating consent order requirement of peer review because absence of evidence in the record showing either the "the purpose of intent" of a peer review or the CPA's unsuitability. [unpublished]

The Board and Bryant settled a previous case involving charges that Bryant prepared two substandard audits and falsely listed individuals as partners in his firm. Under the consent order, Bryant agreed to pre-issuance review of all government audits performed by him in Tennessee for two years, to complete additional hours of CPE, and to have a peer review of his firm. Bryant thereafter sold his Tennessee firm and associated as a non-principal with a new firm. The Board subsequently charged Bryant with discreditable acts and revoked Bryant's license on the grounds that he failed to have a peer review and that he had not had all of his government audits reviewed prior to issuance. Bryant challenged the revocation, asserting that the Board's decision was not supported by substantial and material evidence and was otherwise arbitrary and capricious. The court found no evidence in the record that negatively reflected upon Bryant's suitability or qualifications to practice as a CPA. According to the court: "[t]here is nothing in the record however, as to what constitutes "peer review," nor the purpose or intent of a "peer reviews." No statute or Board regulation presented to this court contains provisions relative to "peer review." The court also found there had been a peer review of the Bryant's current firm and that the audits lacking pre-issuance review had occurred primarily prior to the date of the consent order.

> *Colorado State Board of Accountancy v. Arthur Andersen LLP*, 116 P.3d 1245 (Colo. App. 2005), *reh'g denied*, No. 03CA1872 (Colo. App. Mar. 17, 2005), *cert. denied*, No. 05SC278 (Colo. July 25, 2005). Board had authority to investigate firm that voluntarily relinquished its license.

Arthur Andersen served as the outside auditor for a company that filed for bankruptcy. The bankruptcy trustee brought an action against the accounting firm, alleging that its audits were not conducted in accordance with generally accepted auditing standards. The matter was brought to the attention of the Colorado board, which started an investigation as to whether the firm violated the Accountancy Act. When the firm, which had voluntarily relinquished its Colorado license, questioned the Board's jurisdiction, the Board brought an *ex parte* petition seeking to enforce the subpoena. The district court granted the petition, but modified the subpoena to limit some of the Board's document requests. Both parties appealed.

Arthur Andersen argued that the Board could not enforce the subpoena because its license had been voluntarily relinquished and the subpoena was not for a lawful purpose. The court of appeals disagreed. Pursuant to Colo. Rev. Stat. § 12-2-126(I)(a)(I), the Board was authorized to investigate "any person." The court concluded that the legislature's use of the term "any person" permitted the Board to investigate complaints against person or entities other than current licensees. If the firm did misrepresent the financial condition of the bankrupt company and its audits violated generally accepted auditing standards, the firm was in violation of the Accounting Act. Therefore, the Board's investigation was for a lawfully authorized purpose. In addition, the trial court had acted within its equitable authority when it modified the Board's subpoena. Audit manuals completed after the date that the firm stopped representing the bankrupt client and peer reviews of work done for other clients were not relevant to the Board's investigation. The trial court's judgment was affirmed.

> *State Board of Certified Public Accountants of Louisiana v. Donnelly,* 688 So. 2d 127 (La. Ct. App.), *cert. denied,* 694 So. 2d 247 (La. 1997). Reprimand of CPA for failure to pay involuntary papers' review costs was upheld, where CPA neglected to appeal Board's Order within 30 days of issuance, thus making the Board's decision final.

The Board held a working papers review of defendant's CPA practice in conformity with statute. Statute authorizes voluntary or involuntary review for CPAs, and all CPAs are randomly and periodically reviewed. Defendant sent the Board the appropriate papers, but included a notice that he believed the procedure to be without merit and that he did not consider himself responsible for review expenses. Following the review, the Board found that defendant was substantially complying with the applicable standards for CPAs. CPA refused to pay the above costs. The Louisiana board filed a Petition to Enforce Decision and Order reprimanding a CPA for failing to pay working papers review costs, and ordering him to pay those costs, a fine of $500, and all costs incurred by the board associated with the proceedings. Summary judgment was granted by the district court, and the CPA appealed. The Board asserts that defendant failed to appeal the decision of the Board within 30 days and thus, the decision of the Board became final. The appellate court concluded that because there had been no appeal by the CPA of the original decision, the trial court did not have jurisdiction to alter the decision of the board. Since defendant failed to appeal the decision, there were no genuine issues as to material fact regarding the merits of the decision.

Scott A. Whisenant CPA v. Alabama State Board of Public Accountancy Et Al, 03-CV-2010-900736.00 (December 7, 2010). The Circuit Court of Alabama affirmed a Board Order that suspended CPA's license and fined him $2,000.00 for failure to complete a Peer Review program.

Whisenant, prior to May 10, 2010, was licensed as a CPA and provided accounting services through a firm licensed by the Alabama State Board of Public Accountancy (ASPBA). On November 23, 2009, the ASBPA filed a complaint against Whisenant, alleging that he had failed to comply with ASBPA's peer review requirements. Following a hearing on the matter, the ASBPA issued an Order containing Findings of Facts and Conclusions of Law. In pertinent part, ASBPA found that: evidence presented at the hearing established that Whisenant failed to complete the requirements of the Peer Review Program established by the Board as specifically set forth in Board rules and failed to satisfy the Peer Review requirements to notify the Board that a Peer Review was completed not less than each third fiscal year since the last submission. The ASBPA suspended his license to practice public accountancy for one (1) year and fined him two thousand dollars ($2,000.00).

Whisenant brought an action against the Board in the Circuit Court of Alabama, asserting that the May 10, 2010 Board Order "was arbitrary and capricious in nature, and not tied to any ascertainable standard or methodology" and that the requests that formed the basis for the Board's Order were "ambiguous, unrealistic, and arbitrary." After arguments at a bench trial and upon review, the court affirmed the board's decision.

State Board of Accountancy v. James F. Ferris, Jr., CPA, No. 10-0210 AC 2010 Mo. Admin.Hearings LEXIS 176 (Dec. 8, 2010). CPA's individual and firm license were subject to Board discipline for failure to enroll in a peer review program and failure to respond to Board correspondence.

During the relevant licensing periods, Ferris (an out-of-state CPA, performing services in Missouri) performed attest services for clients in Missouri that required his enrollment in a peer review program. Despite notice from the Board, Ferris did not enroll and failed to answer correspondence from the Board. The Board subsequently filed a Complaint with the Missouri Hearing Commission and also served Request for Admissions upon Ferris. He did not file a response to the Requests; therefore, the matters asserted in the Requests were deemed admitted, with "no further proof required". At the hearing before the Commission, Ferris did not appear, nor was he represented by counsel. The Commission held that the individual license and the firm permit held by Ferris were properly subject to discipline by the Board.

State Bd. of Accountancy v. Ross, No. 02-1380 AC, 2005, Mo. Admin. Hearings LEXIS 57 (Mo. Admin. Hearing Comm'n Apr. 14, 2005). Missouri CPA violated a government auditing standard by not being peer-review qualified and was subject to discipline. See UAA Section 10(a)(6) re: violation of professional standards.

The Missouri Board sought to discipline Ross for failure to adhere to general accounting standards in his auditing of two school districts. The Missouri Administrative Hearings Commission found no cause for discipline as to violation of accounting standards. The Commission was not given any specifics by the Board as to how Ross's conduct did not meet professional standards. Also, copies of the applicable standards were not provided to the

Commission. However, the Commission did find that Ross was not peer-review qualified when he conducted the school district audits, thus he violated a government auditing standard and Board regulation which would subject him to discipline.

> *Wyoming Board of Certified Public Accountants v. Christensen*, 800 P.2d 853 (Wyo. 1990). Board enjoined from pursuing one count in disciplinary proceedings against CPA.

The question posed in this case was whether the Wyoming Board was enjoined from continuing with one of the counts in a disciplinary proceeding. The Board contended that CPA disciplinary proceedings were within its exclusive jurisdiction and that the injunction entered by the district court infringed upon the exercise of the Board's lawful jurisdiction. Christensen sought the injunction pursuant to the terms of a settlement agreement between himself and the Board. In that settlement agreement, Christensen was required to undergo two peer reviews, with any violations to be disclosed in a letter of comment. The Board also committed itself to pursue any further disciplinary action only by giving written notice of its decision to proceed within sixty days after its receipt of the letter of comment. The trial court found that the Board had failed to proceed in accordance with the settlement agreement and that the Board, therefore, was foreclosed from pursuing the challenged count in the disciplinary proceeding. The Supreme Court agreed with the ruling, viewing the dispute as a contractual matter rather than an administrative disciplinary proceeding, and affirmed the order of the district court.

Selected AG Opinions

> Op. Att'y Gen. Mo. No. 125-86 (Dec. 3, 1986), 1986 Mo. AG LEXIS 3. The Missouri Board was statutorily authorized to begin a positive enforcement program for its licensees. See **UAA Section 4(h)(7) re: adoption of rules for peer review.** (http://ago.mo.gov/opinions/1986/125-86.htm)

The Missouri Attorney General was asked about the authority of the Missouri Board to begin a positive enforcement plan. As part of the plan, firms would submit copies of financial reports with their annual registration application. The reports would then be reviewed to see if they conformed with generally accepted accounting principles. If the reports do not comply, remedial action would be required. The Attorney General noted that the legislature clearly sanctioned the peer review aspect of the proposed positive enforcement program. Also, given the legislature's desire to establish high standards of competency in the profession, the Attorney General opined that the Board was authorized to commence the program.

> Op. Att'y Gen. Ky. No. OAG 86-17 (Mar. 19, 1986), 1986 Ky. AG LEXIS 69. A Quality Enhancement Program proposed by the Kentucky Board met statutory and constitutional scrutiny.

The Kentucky Board inquired whether it could legally engage in a proposed Quality Enhancement Program that would require all accounting firms and sole practitioners to provide the Board with a copy of an audit, a review, and a compilation as part of the annual renewal of their firm registration or individual permit and refuse to renew the registration of those firms and sole proprietorships that failed to furnish the reports when seeking to renew their registrations.

The Attorney General opined that the proposed Quality Enhancement Program met both constitutional and statutory requirements and was within the purposes of the legislative mandate given to the Board to ensure the competency and proper qualifications of its licensees and protect the state's citizens.

> Op. Att'y Gen. Neb. No. 86004 (Jan. 14, 1986), 1986 Neb. AG LEXIS 3. The Nebraska Board had the statutory authority to institute a quality review program. See **UAA Section 4(h)(7) re: adoption of rules for peer review.** (http://www.ago.ne.gov/agopinions/details.htm?searchStr=1&_search_id=913)

The Nebraska Board asked the Attorney General for an opinion on the Board's authority to establish a quality review program requiring submission and review of reports as a condition for licensure. The Attorney General concluded that the Board had the authority. "The enactment of rules and regulations adopting such a program would be consistent with the establishment and maintenance of a high standard of integrity and dignity in the profession of public accountancy."

> Op. Att'y Gen. Fla. 1985-62 (Aug. 1, 1985), 1985 Fla. AG LEXIS 41. Financial statements submitted to the Florida Department of Transportation in connection with prequalification for bidding on contracts were exempt from inspection or review by the Florida Board. See **UAA Section 11(d) re: review of publicly available professional work.** (http://myfloridalegal.com/ago.nsf/Opinions/0B050EFA181413C285256576005F3B73)

The Attorney General was asked whether financial statements submitted to the Florida Department of Transportation could be reviewed by the Board to determine compliance with accounting principles and auditing standards by CPAs and public accountants. The financial statements were a requirement for the prequalification process and could become available to the public in a disciplinary proceeding against a CPA. The Attorney General noted that the financial statements were confidential "without qualification or exemption." Absent any express or implied statutory authority for the Board to examine the financial statements, they were to be considered confidential and exempt from inspection or review by the Department of Professional Regulation or the Board for purposes of determining compliance with accounting standards.

> Op. Att'y Gen. Iowa No. 80-1-8 (Jan. 11, 1980). A licensee of the Iowa Board was under a mandatory continuing obligation to report the acts and omissions of another licensee.

The Iowa Board presented the Attorney General with the following questions: 1) are members of the Practice Review Committee of the Iowa Society of Certified Public Accountants bound by the reporting requirements of the continuing education statutes and rules in performing an independent review of reports voluntarily submitted to the committee by the membership; 2) is an Iowa CPA participating in an AICPA peer review of another Iowa CPA required to report acts or omissions revealed during the course of the peer review; 3) is an out-of-state CPA conducting a peer review in Iowa required to report acts or omissions to the Iowa Board of Accountancy; and 4) is a certified public accountant holding a current permit to practice in Iowa required to

report to the Board apparent substandard work on the part of another CPA in the course of performing a volunteer peer review for a public welfare agency? The Attorney General opined as follows: 1) members of the Practice Review Committee of the Iowa Society of Certified Public Accountants were under a continuing obligation to report acts or omissions which may come to their attention in performing an independent review of reports voluntarily submitted to the committee by the membership; 2) an Iowa CPA participating in an AICPA peer review of another Iowa CPA was required to report acts or omissions revealed during the course of the peer review; 3) an out-of-state CPA conducting a peer review in Iowa could not be required to report acts or omissions to the Iowa Board of Accountancy; and 4) an Iowa CPA was required to report any acts or omissions of another Iowa CPA of which he/she becomes aware during the course of a volunteer peer review for a public welfare agency.

> Op. Att'y Gen. Ariz. No. I79-140 (R77-373) (May 24, 1979), 1979 Ariz. AG LEXIS 181. Under the former statute, contractors' financial statements filed with the Arizona Department of Transportation for purposes of bidding prequalification were not subject to disclosure to the Arizona Board. See **UAA Section 11(d) re: review of publicly available professional work.**

The Arizona Department of Transportation asked the Attorney General whether financial statements filed by contractors as part of the prequalification for bidding on state highway construction contracts could be disclosed to the Board of Accountancy. The purpose behind such disclosures was to enable the Board to review the disclosures as part of its "policing" function and to determine whether the state was being provided adequate information for the prequalification procedures. The Attorney General opined that the financial statements filed by the contractors were confidential and were not required to be disclosed. Although disclosure was permitted to certain persons listed in the applicable rule, the Board was not included as one of those persons or entities to whom disclosure could be made. [NOTE: Current Ariz. Admin. Code § 17-3-204 permits access to the confidential prequalification file materials by the Arizona Board.]

> Op. Att'y Gen. Miss. (Feb. 24, 1978), 1978 Miss. AG LEXIS 1203. Mississippi Board did not have the authority to institute a "Quality Control and Enforcement Program." See **UAA Section 4(h)(7) re: adoption of rules for peer review.**

The Mississippi Board asked the Attorney General if it had the authority to initiate a "Quality Control and Enforcement Program." After examining the applicable statutes, the Attorney General concluded that the Board did not have the authority to institute the program since the program was not literally or impliedly included in the statutes.

PEER REVIEW OVERSIGHT COMMITTEE SUMMIT

Charleston, South Carolina

August 16, 2011

PROC Checklists

- States with an identified Peer Review Oversight Committee (PROC)
  - 25 responses to January 2011 survey
    - 14 answered "Yes" to having a PROC

PROC Checklists

- States with PROC:
  - Wyoming
  - Missouri
  - Idaho
  - New York
  - Texas
  - Mississippi
  - Tennessee

PROC Checklists

- States with PROC:
  - Arizona
  - Ohio
  - Oregon
  - California
  - Guam
  - Nebraska
  - Montana

PROC Checklists

- States using some type of oversight documentation tool:
  - Wyoming
  - Missouri
  - Texas
  - Arizona
  - Oregon
  - California
  - Oklahoma
  - Minnesota
  - Kansas
  - Montana

PROC Checklists

- States **not** using a checklist as a documentation tool:
  - Wyoming
  - Missouri
  - Kansas
  - Montana

PROC Checklists

- States using a checklist:
  - Texas
  - Arizona (developing)
  - Oregon (developing)
  - California (developing)
  - Oklahoma
  - Minnesota
  - New York (developing)

PROC Checklists

- Components of Checklists:
  - Wide variety, depending on PROC's :
    - Comfort with Society's peer review program
    - Access to peer review expertise
    - Defined role
      - What is role of PROC?
      - What/who is the PROC to oversee?

PROC Checklists

- Oversight documentation examples:
  - Wyoming
    - Review of Society's peer review **process**
      - Narrative report issued
      - Review of a sample of Society's oversight report of a peer review
  - Missouri
    - Review of Society's peer review **process**
      - Narrative report issued
      - Review of a sample of Society's oversight report of a peer review
      - Review of # of firms undergoing peer review during period

PROC Checklists

- Oversight documentation examples:
  - Kansas
    - Review of Society's peer review **process**
      - Narrative report issued
      - Review procedures covering administration of program
      - Review of qualifications of technical reviewer
      - Review of qualifications of RAB members
    - Participation in RAB meetings
    - Review of minutes of RAB, Peer Review, and Oversight Committee meetings
    - Review of administration files
    - Inspection of membership lists

PROC Checklists

- Oversight documentation examples:
  - Oregon
    - Review of Society's peer review **process**
      - Attendance at Report Acceptance Body (RAB) meetings
      - Assess experience of RAB members
      - Interview Society's peer review oversight personnel
      - Review Society's procedures for administering peer review program
    - **Presently studying how best to perform the above duties**
      - PROC members attend Society's peer review training programs

PROC Checklists

- Oversight documentation examples:
  - Oklahoma
    - Use of checklists
      - Review of Society's peer review **process**
        - Participation in all Society peer review committee meetings
      - Review of the peer review qualifications of the various Societies
        - Inspection of AICPA oversight reports
      - **Review of reports of "problem" peer reviews**
        - Detailed review of reports by PROC members
      - Review of # of firms undergoing peer review during period
        - Comparison with previous periods for reasonableness

PROC Checklists

- Oversight documentation examples:
  - Texas
    - Use of checklists
      - Review of effectiveness of technical reviewer/review team
      - Inspection of Society's peer review documents for sample peer reviews
        - System reviews
        - Engagement reviews

PROC Checklists

- Oversight documentation examples:
  - Minnesota
    - Use of checklists
      - Review of Society's **process**
        - Determination of scope of committee work
        - Observations from attendance at RAB meetings
        - Review of RAB members resumes and bios
        - Review of sample of peer review engagements and test for various attributes
      - Accepts role of AICPA/PCAOB as effective oversight bodies

PROC Checklists

- Oversight documentation examples:
  - California
    - Use of checklists (in draft form)
      - Review of Society's peer review **process**
        - Participation in RAB meetings
        - Participation in Peer Review Committee meetings
      - Evaluation of technical aspects of meeting content and discussion
      - **Evaluation of general meeting process**

PROC Checklists

- Oversight documentation examples:
  - Arizona
    - Use of checklists
      - Identification of services performed by practitioner
      - Selection of sample of practitioners to review peer review reports
        - Inspection of documents to verify all required documents have been submitted and are accounted for

PROC Checklists

- Reliance on AICPA Oversight Process
  - AICPA Peer Review Program Oversight Handbook
    - Obtain copy of AICPA oversight visit report
    - Obtain copy of AICPA oversight visit letter of procedures and observation
    - Obtain copy of Society's acknowledgement and response to AICPA Peer Review Board oversight visit
    - Obtain copy of letter notifying the Society that the oversight visit documents and letter of responses were accepted by Oversight Task Force
    - Obtain copy of checklist for working papers for AICPA oversight system review and engagement reviews
    - Obtain copy of AICPA Peer Review Program staff system review oversight checklist and engagement review oversight checklist

PROC REPORTS

Purpose of PROC Reporting

- Educate State Board Members
  - Describe how Peer Review Operates in your state (Peer Review Committee, Report Acceptance Bodies, Technical Review(s), etc)
  - Describe AICPA / State Society oversight programs
  - Describe population of firms included in Peer Review Programs in your state
  - Describe makeup of PROC

- Describe Procedures Performed
  - Describe PROC activities during year covered by report
  - Include exhibits of activities as appropriate

- Conclusion
  - Is the program operating in accordance with AICPA standards and guidelines?
  - Does the BOA have a reasonable basis for continued reliance on the Peer Review Program in your state?
  - Constructive comments and response from the State Society Peer Review Committee where appropriate

Sample Reports with NASBA Compliance Assurance Committee Member summary

- Minnesota
- Mississippi
- Oklahoma

Your Board of Accountancy should be knowledgeable of how Peer Review Operates in your state, the procedures and activities of your PROC, and if both are effective. A good report is a vehicle to ensure this has been accomplished.

NASBA COMPLIANCE ASSURANCE COMMITTEE
PROC REPORTS REVIEW
STATE MINNESOTA

Topics/Subjects/Elements Included in the Report:

1. Quality Review Oversight Committee (QROC) Work Program for Peer Review Process
   A) Determine Scope of QROC work.
   B) Review Report Acceptance Bodies (RAB)
   C) Report Results
2. Sample Final Report: Quality Review Process
   A) Background
   B) Scope of Review
   C) Minnesota Association of Public Accountants (RAB)
   D) Minnesota Society of Certified Public Accountants (RAB)
   E) State Board Quality Review Activities
   F) Emerging Issues for Further Consideration

This information is from their first report that was issued in 2005. It would be interesting to see the 2010 report.

Comments/Assessments of Report Content:

1) The work program appears to be adequate. This was the draft from 2005. It would be interesting to see how it has changed by reviewing the 2010 work program.

2) Final Report - Appears to be a good report.

   A) Background – States who has to have a PR. Lists the acceptable RABs. States deadlines for required reports. Requires every RAB to provide a statement prior to April 1st of each year detailing all significant differences between the quality review standards followed by the RAB and AICPA Professional Standards for Performing and Reporting on Peer Reviews and Statements of Quality Control Standards.

   Minnesota rules allow a firm to be exempted from the quality review requirement "if it annually represents to the board that it has not issued attest or compilation reports, that it does not intend to engage in such practices during the following year, and that it shall immediately notify the board in writing if it engages in such practices". COMMENT: This would be a good requirement for every board. It is stricter than the AICPA rules and would eliminate the practice of "playing the dates" to avoid peer review. Since peer review is only required once every three years and they only examine the work for the year prior to the review, there is a block of work that is never reviewed.

B) Scope of the Review – Establishes the QROC and grants it full access to relevant records, and maintains confidentiality of information obtained, except for three reports due to the BOA.

1) By December 31 each year, an assessment of the effectiveness of the RAB and the quality review process.
2) Names of those licensees that firms that have undergone a QR and had an acceptance letter issued during the year ending December 15 by the RAB
3) August 1 each year a written report from each approved RAB of the procedures used to ensure that the continuing professional education programs that they sponsored, respectively, met the applicable standards set forth in the Statement on Standards for Continuing Professional Education (CPE) programs and the committee's evaluation report.

The scope of the review was intended to generate the assessment required in the first report. The review focused primarily of the effectiveness of the RABs. The work program included activities such as observing a meeting of each RAB, testing a sample of accepted reports, and examining the qualifications of report acceptance committee members and reviewers. In this case they reviewed two local RABs. They did not assess the effectiveness of either the AICPA or PCAOB as a RAB.

The QROC gained an understanding of the role of the BOA staff in processing peer review reports submitted by firms. Staff plays an important role in ensuring that firms submit acceptable PR reports timely and resolve any noted deficiencies.

C) First RAB Review – They use a state association of Public Accountants (MAPA) which voluntarily adheres to the required AICPA Standards. The Quality Review Committee (QRC) has nine members. The QROC attended and observed a RAB meeting, sought evidence about the qualifications of peer reviewers, technical reviewers and QRC members, and tested the supporting documentation for a sample of reports accepted during the year. MAPA provided a list of 22 PRs that had been approved by the QRC. The QRC will provide a list approved PRs, but they do not publish the credentials of the reviewers. Two of the reviewers were not listed on the AICPA public website. It was determined they were qualified to do PRs, but they did not have a process to recertify reviewers and ensure that their qualifications remained up-to-date. Recommended that they take action to verify or recertify the qualifications of its approved PRs periodically.

In reviewing the QRC member qualifications they received evidence that five of the nine members met the requirements in the Practice Monitoring Program Manual. However, two members have never attended a PR training course, although it is a requirement in the Manual. MAPA agreed to take action to ensure that all QRC members meet the requirements.

For future years the QROC is going to ask for additional information to include type of review conducted, peer reviewer, technical reviewer, peer review results, date of acceptance, required corrective actions and date correction actions were cleared.

D) Second RAB reviewed – Society of Certified Public Accountants (MNCPA). MNCPA adheres to the AICPA Standards. They have a sixteen member Peer Review Committee (PRC) that administers the program. For 2005 they did 212 PRs. The QROC attended RAB meetings, sought evidence about the qualifications of peer reviewers, technical reviewers, and PRC members, and tested the supporting documentation for a sample of reports accepted during the year. They believe the MNCPA PRC functions effectively, but they had two recommendations.

They believe there is a records retention issue. MNCPA follows the recommendations of the AICPA and purges copies of supporting documentation, such as reviewer checklists, summary review memorandums, etc, 90 days after a report is accepted and completed. The QROC thought that the PRC should retain the records until after the QROC has completed their testing for the year of the report.

Gary Freundlich, Director of PR at the AICPA stated that he could not support any change to the working paper destruction policy of that magnitude without a change to the Interpretations. He did suggest that the QROC could obtain a monthly list of PRs completed and select the records to be reviewed. Those records could be reviewed during the 90 days and not run into a working papers destruction issue. He went on to say that if the records are selected for review they could be held beyond the 90 days, but not for one year.

COMMENT – This issue needs to be address in the model. What is the purpose of a 90 day limitation? Since PR is no longer a voluntary program for membership I do not see the harm in keeping the records until after the QROC has completed their report for the year. If the AICPA needs to change the Interpretations, then make the change. The more state BOA that follow a model and request the same retention time frame the easier it will be to make the changes.

The QROC is going to ask for a monthly report of PRs accepted during that period. Then they will make the selection and proceed with those reviews.

Next the QROC reviewed the PRC members to see if they meet the qualifications. Eleven of sixteen members were qualified. One RPC member had not attended a PR training course since 1996. The recommendation to MNCPA was to take action to verify periodically that members of its PRC meet the qualifications. MCPA raised the issue that a majority of the members had to meet the qualifications, but not all of the members. They felt they met the majority requirement. They did agreed to ensure that a majority of the members meet the system review team captain requirements by asking the members at the beginning of each years to inform them of the most recent year in which they took training.

COMMENT: If there are sixteen PRC members, how many attend each RAB meeting? What happens if they don't have a majority of qualified members at a meeting?

E) State Board Quality Review Activities – The QROC identified some opportunities for improvement.

1) Outdated Database - Recommended a new database for tracking firms. They need a comprehensive statistical abstract of the PR statuses of firm permitted in their state.
2) They need a more rigorous periodic application process for RABs.
3) Clearing corrective actions – When a PR required follow-up action both the RAB and the BOA should undertake independent follow-up actions.
4) Out-of-state firms – How do you know if an out-of-state firm has been reviewed by a RAB meeting your standards? The recommendation was that the BOA could work with other states to coordinate oversight of RABs for multi-state firms. COMMENT: Develop a master list of approved RABs.
5) Accelerating PR schedules – Certain conditions may warrant accelerating the standard three year cycle for firms. MN rules provide for existing firms merge into a new firm, but there are no provisions when a corrective action has been cited in a PR for one of the firms. There may be other conditions that may justify and accelerated PR schedule, but the rules do not support that possibility. COMMENT: This should be included in a model.

F) Emerging Issues for Further Consideration

1) Transparency of PR results – Should PR results be available to the general public? The AICPA makes PR reports public for firms that audit publicly traded companies, governmental entities, or employee benefit plans. PR reports from the local RABs are not readily available to the public. MN rules allow the BOA to make these reports available to the public, but it has not taken action to date. COMMENT: This needs to be addressed in the model.
2) Limited pool of PR expertise – There is a concern about the aging and shrinking of the peer reviewers. It is a valid concern. Because of this, many times a RAB member has to be excused due to a potential conflict. This could affect the RAB having a majority of qualified members at a meeting. There needs to be a concentrated effort to recruit more peer reviewers.

Reviewed By: Doris Cubitt

Date Reviewed: 7/22/11

SAMPLE

Minnesota State Board of Accountancy
Quality Review Oversight Committee

Final Report: Quality Review Process

For Year Ended December 15, 2005

Minnesota State Board of Accountancy
Quality Review Oversight Committee

April 19, 2006

Mr. Robert Hyde, Chair
Minnesota State Board of Accountancy
85 East Seventh Place
Suite 125
Saint Paul, Minnesota 55101-2143

Dear Chair Hyde:

Pursuant to Minnesota Rules 1105.4300, item B(3), the Quality Review Oversight Committee submits its final report on the quality review process for the year ended December 15, 2005. A roster of committee members is shown on the next page.

The committee submitted a preliminary report to you on December 30, 2005 to convey the intended scope of our review and our draft work program. I met with members of the State Board Firm Credential and Quality Review Committee on January 20, 2006 to discuss the preliminary report and our planned work program. The committee has since completed the work program, including attending a meeting of the two approved report acceptance bodies and testing a sample of reports accepted by those bodies. We received the full cooperation of both report acceptance bodies during our review.

We are pleased to inform you that the committee concluded that the two approved report acceptance bodies were effective for the year ended December 15, 2005. We do offer some recommended improvements for each report acceptance body and State Board processes. In addition, we have provided the State Board with several matters for further consideration regarding its quality review program. We suggest that it would be fruitful to initiate a dialogue with representatives from the two report acceptance bodies if the State Board decides to pursue any of these matters further.

I will be available to discuss this final report with you or other members of the State Board at your April 19, 2006, as you may wish. Thank you.

Sincerely,

John Asmussen, Chair
Quality Review Oversight Committee

Cc: Neil Lapidus, Chair
Firm Credential & Quality Review Committee
Minnesota State Board of Accountancy

Minnesota State Board of Accountancy
Quality Review Oversight Committee
2005 Member Roster

Name & Telephone	Mailing Address	Term Expires	Email address
Chair			
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I. Background

Firms that provide attestation or compilation services as part of their public accounting practice in the State of Minnesota are subject to the quality review process of the Minnesota State Board of Accountancy. As such, these firms must be enrolled in one of the following practice monitoring programs:

- Center for Public Company Audit Firms (CPCAF) Peer Review Program which has the American Institute of Certified Public Accountants (AICPA) as its report acceptance body,
- AICPA Peer Review Program which has designated the Minnesota Society of Certified Public Accountants (MNCPA) as one of approximately 40 state or regional organizations to serve as report acceptance bodies, or
- Minnesota Association of Public Accountants (MAPA) Quality Review Committee Practice Monitoring Program.

In addition, firms that are enrolled in the CPCAF Peer Review Program and have clients that are public registrants are subject to inspection by the Public Company Accounting Oversight Board (PCAOB).

The various programs identified above have report acceptance bodies that approve the peer review reports issued for firms enrolled in their practice monitoring program. The AICPA and PCAOB are approved report acceptance bodies by Minnesota Rules 1105.5300, item A. Minnesota Rules 1105.5300, item B, allows that "The Minnesota Association of Public Accountants, the Minnesota Society of Certified Public Accounts, other state accountancy boards, and any other organization able to demonstrate that it will fulfill its responsibilities in accordance with the recognized review standards may apply to the board to be considered a report acceptance body." For the year ended December 15, 2005, the State Board had approved applications from the MAPA and MNCPA to serve as report acceptance bodies under this provision.

Minnesota Rules 1105.4700, item B, stipulates that applicants approved to serve as report acceptance bodies must provide a statement prior to April 1 each year which details all significant differences between the quality review standards followed by the report acceptance body and AICPA Professional Standards for Performing and Reporting on Peer Reviews and Statements of Quality Control Standards. Neither the MAPA nor the MNCPA[1] notified the State Board of any such differences in their quality review standards for the year ended December 15, 2005.

Minnesota Rules 1105.4900 allows a firm to be exempted from the quality review requirement, "if it annually represents to the board that it has not issued attest or compilation reports, that it does not intend to engage in such practices during the following year, and that it shall immediately notify the board in writing if it engages in such practices." If a firm that is subject to the quality review requirement wishes to use a report acceptance body that has not been approved by the State Board, Minnesota Rules 1105.4700, item B, requires the firm to notify the State Board and obtain permission prior to having the review conducted (See footnote 2 on page 2).

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[1] Because the MNCPA has been designated as an administering entity for the AICPA Peer Review Program, it is obligated to abide by the AICPA Peer Review Standards and Quality Control Statements.

II. Scope of the Review

Minnesota Rules 1105.4300, item B, establishes the Quality Review Oversight Committee and grants it full access to relevant records. The committee is required to maintain the confidentiality of information obtained, except for three reports due to the State Board of Accountancy;

1. By December 31 each year, an assessment of the effectiveness of the report acceptance bodies designated in Minnesota Rules 1105.5300, item B, and the quality review process,
2. The names of those licensees and firms that have undergone a quality review and had an acceptance letter issued during the year ending December 15 by the report acceptance bodies designated in Minnesota Rules 1105.5300, item B, and
3. By August 1 each year, a written report from each report acceptance body designated in Minnesota Rules 1105.5300, item B, of the procedures used to ensure that the continuing professional education programs that they sponsored, respectively, met the applicable standards set forth in the Statement on Standards for Continuing Professional Education (CPE) programs and the committee's evaluation the report.

The scope of this review was intended to generate the assessment required in the first report. Because this review was the inaugural effort for the committee, the State Board of Accountancy graciously extended the reporting deadline for the report. The committee did, however, submit a preliminary report to the State Board on December 31, 2005 and met with representatives of the State Board Firm Credential and Quality Review Committee on January 20, 2006 to discuss our work program.

The review focused primarily on the effectiveness of the two report acceptance bodies approved by the State Board pursuant to Minnesota Rules 1105.5300, item B, -- the Minnesota Association of Public Accountants and the Minnesota Society of Certified Public Accountants. The work program for the committee was submitted with our preliminary report to the State Board. It included activities such as observing a meeting of each report acceptance body, testing a sample of accepted reports, and examining the qualifications of report acceptance committee members and reviewers.

The report population for this review was based on listings of accepted reports submitted by each report acceptance body:

- The Minnesota Association of Public Accountants submitted a listing of 50 reports that it had accepted for the year ending December 15, 2005. Section III of this report provides the committee's conclusions regarding the Minnesota Association of Public Accountants.

- The Minnesota Society of Certified Public Accountants submitted a listing of 212 reports accepted during that time period. Section IV of this report provides the committee's conclusions regarding the Minnesota Society of Certified Public Accountants.

The committee did not assess the effectiveness of either the AICPA or PCAOB as a report acceptance body. Minnesota Rules accept the role of those two organizations as

report acceptance bodies and did not direct the committee to assess their effectiveness. The committee also did not assess the effectiveness of any other organization that may serve as a report acceptance body for a firm granted a permit to practice public accounting in the State of Minnesota. The committee understands that the State Board has not received applications from any other organizations to serve as a report acceptance body for the State Board[2].

The committee has gained an understanding of the role of the State Board staff in processing peer review reports submitted by firms. Staff play an important role in ensuring that firms submit acceptable peer review reports timely and resolve any noted deficiencies. The committee did not, however, as part of this review, verify that internal processes were working as intended. In future reviews, it will consider whether to add steps to the work program related to internal State Board processes. In Section V, the committee, though, offers some observations or suggestions for improving internal board processes.

Finally, the committee considered the national context for peer reviews of public accounting firms. As a result, in Section VI, the committee raises some emerging issues that the State Board may wish to consider in the future. We suggest that it would be fruitful to initiate a dialogue with representatives from the two report acceptance bodies if the State Board decides to pursue any of these matters further.

[2] In conversations with the State Board staff, though, it appears that some firms from outside Minnesota may have used other report acceptance bodies. Limitations of the existing data system, however, did not allow State Board staff to determine the number of firms in this situation.

III. Minnesota Association of Public Accountants

The Minnesota Association of Public Accountants (MAPA) has served as a quality review report acceptance body for the Minnesota State Board of Accountancy for many years. MAPA voluntarily adheres to the Standards for Performing and Reporting on Peer Reviews and Statements on Quality Control Standards that are contained in American Institute of Certified Public Accountants (AICPA) Professional Standards.

A nine member Quality Review Committee is responsible for administering the MAPA program. In 2005, the committee met on five occasions to consider peer review reports for acceptance. As a result of these efforts, the MAPA reported that the committee had accepted 50 peer review reports for the year ended December 15, 2005.

Oversight Methodology & Conclusions

The Quality Review Oversight Committee (QROC) performed several activities to assess the effectiveness of the MAPA as a report acceptance body. A committee member attended and observed an MAPA Quality Review Committee meeting; the committee sought evidence about the qualifications of peer reviewers, technical reviewers, and Quality Review Committee members; and tested the supporting documentation for a sample of reports accepted during 2005.

Based on its oversight activities, the Quality Review Oversight Committee concluded that the Minnesota Association of Public Accountants functions effectively as a report acceptance body. The committee offers two recommendations, though, to improve the program and facilitate future oversight efforts:

1. **Peer Reviewer Qualifications** –The MAPA has a list of 22 peer reviewers that have been approved by its Quality Review Committee. MAPA will provide a list of approved peer reviewers to any firm that is considering a review. It does not, however, publish the credentials of the reviewers. The AICPA has a public web site that shows the credentials of all peer reviewers approved for its program. Because many peer reviewers serve more than one report acceptance body, the credentials for 15 of the 22 MAPA-approved peer reviewers are available to the general public on the AICPA web site. The QROC requested that MAPA verify the credentials of two reviewers who were not listed on the AICPA public web site. These two reviewers had performed reviews that were selected as part of the QROC sample. The MAPA Executive Director was able to determine that the two reviewers had applied for and were accepted as reviewers by the MAPA Quality Review Committee in the mid-1990s. Although MAPA provided evidence that these two reviewers continue to meet the requirements for serving as reviewers, it did not have a process to recertify reviewers and ensure that their qualifications remained up-to-date.

QROC Recommendation

The MAPA Peer Review Committee should take action to verify or recertify the qualifications of its approved peer reviewers periodically.

MAPA Response

We agree with this recommendation regarding the verification and recertification of reviewers. From an administrative perspective, the committee is in the process of establishing policies and procedures to reconfirm that reviewers have obtained the requisite training pertaining both to conduct of reviews and to affirm that they have received the required hours of continuing professional education in auditing and accounting. Our committee will initiate the following actions: 1). Confirm the reviewers continuing involvement with clients in any specialized industries identified. 2). Confirm that the reviewer is licensed by the Minnesota State Board of Accountancy, and that he or she will continue in a level within their firm that demonstrates supervisory responsibility. 3). Request a copy of the reviewer firm's most recent unmodified report on either their system review or on their engagement review, as appropriate.

The anticipated completion date for reassessment of all reviewers is September 30, 2006. Subsequent to that initial reassessment, we will request updated information at least every 2 years to insure that our list of peer reviewers meets the standards established by MAPA.

2. **Quality Review Committee Member Qualifications** – The MAPA submitted evidence that five of the nine members of the MAPA Quality Review Committee met the requirements for committee membership cited in the MAPA Quality Review Committee Practice Monitoring Program Manual. Two of the other members, however, have never attended a peer review training course. Attendance at such a course is cited as a committee member requirement in the MAPA manual. No evidence was provided on the qualifications of the final two committee members.

OROC Recommendation

The MAPA should take action to verify periodically that members of its Quality Review Committee meet the committee member qualifications of the MAPA Quality Review Committee Practice Monitoring Program Manual.

MAPA Response

We agree with this recommendation regarding the qualifications of the MAPA Quality Review Committee. We agree that some members of the committee who have served on the committee may not meet the qualifications established by MAPA as stated in the current Practice Monitoring Program Manual. We recognize a need to expand the number of quality review members and to delete those members who are no longer active or willing to continue as committee members.

The importance of contributing to the furtherance of quality improvement will be emphasized to our membership. One of the ways members can contribute is by service on the Quality Review Committee. As relates to existing committee members, we will confirm their continued qualifications. This will include that they are an active member at a supervisory level in a firm enrolled in a practice

monitoring program, and that the firm has received an unmodified report in its most recent system or engagement review. We will confirm that the committee member has completed a peer review training course within the last three years. Committee member will also be requested to submit proof of CPE in auditing and accounting of at least 32 hours every three years and a minimum of 8 hours each year.

W will continue our policy of having at least one member who meets the qualifications required of a system reviewer team captain present and participating when a system review has been presented for acceptance. We will also continue our conflict of interest policy that prohibits participation or voting on any review performed by the committee member or by their firm, or when a review of their firm is under consideration.

We will complete the reaffirmation of all committee members qualifications no later than September 30, 2006.

Future Considerations

For its 2006 oversight review, the Quality Review Oversight Committee intends to request that the MAPA provide additional information about the reports accepted for the year ended December 15, 2006. This additional information will be used to facilitate completion of the oversight work program. Information to be requested includes type of review conducted, peer reviewer, technical reviewer, peer review results, date of acceptance, required corrective actions, and date correction actions were cleared. The committee will develop a template for the MAPA to use when compiling this information.

The Quality Review Oversight Committee appreciates the respect, cooperation and assistance offered by the MAPA for aiding in the completion of this project.

IV. Minnesota Society of Certified Public Accountants

The Minnesota Society of Certified Public Accountants (MNCPA) has served as a quality review report acceptance body for the Minnesota State Board of Accountancy for many years. The American Institute of Certified Public Accountants (AICPA) also recognizes the MNCPA as an administering entity for the AICPA peer review program. Accordingly, the MNCPA adheres to the Standards for Performing and Reporting on Peer Reviews and Statements on Quality Control Standards that are contained in AICPA Professional Standards.

A sixteen member Peer Review Committee is responsible for administering the AICPA program for the MNCPA. In 2005, the committee met on nine occasions to consider peer review reports for acceptance. As a result of these efforts, the MNCPA reported that the committee had accepted 212 peer review reports for the year ended December 15, 2005.

Oversight Methodology & Conclusions

The Quality Review Oversight Committee performed several activities to assess the effectiv
and observed an MNCPA Peer Review Committee meeting; sought evidence about the qualifications of peer reviewers, technical reviewers, and peer review committee members; and tested the supporting documentation for a sample of reports accepted during 2005.

Based on its oversight activities, the Quality Review Oversight Committee concluded that the Minnesota Society of Certified Public Accountants functions effectively as a report acceptance body. The committee offers two recommendations, though, to improve the program and facilitate future oversight efforts:

1. **Records Retention** – The MNCPA purges copies of supporting documentation, such as reviewer checklists, summary review memorandums, etc., 90 days after a report is accepted and completed. As a result the oversight committee was able to review this documentation and verify the adequacy of the peer review sample sizes for only 4 of 12 files selected for the oversight review. Interpretation 10 of the AICPA Standards for Performing and Reporting on Peer Reviews requires that the supporting documentation be retained for a minimum of 90 days after a review has been completed (completion means that the committee has accepted a report and decided that any corrective actions have been performed satisfactorily). Interpretation 10 further allows that the MNCPA Peer Review Committee "may indicate that any or all materials should be retained for a longer period of time, because, for example, the review has been selected for oversight."

QROC Recommendation

The MNCPA Peer Review Committee should take action to retain copies of supporting documentation for completed peer reviews until the Quality Review Oversight Committee has completed its testing for the year in which the report was completed.

MNCPA Response

Background

The MNCPA currently has a 90-day record retention policy based on standards and interpretations established by the AICPA. The policy states that 90 days after a review has been accepted by the MNCPA Report Acceptance Body, the MNCPA will purge the peer review fi
acceptance letter, letter specifying any follow-up actions (if applicable), the report, letter of comments (if applicable) and letter of response (if applicable). During the oversight visit to the MNCPA, the Quality Review Oversight Committee (QROC) was able to review the full file, including working papers, for only four of the 12 fi
December 15th; the remaining eight fi s
other documents listed above since the working papers had been purged in accordance with policy.

Discussion

We presented the question of extending the retention of files to the AICPA, and received a response from Gary Freundlich, Director of Peer Review at the AICPA. His response, in part, was as follows:

"The AICPA PRB [Peer Review Board] fully supports state board oversight but it also needs to work within our standards/interpretations where it's reasonable to do so. Many other state boards perform oversight of the societies, as does the AICPA, within the framework of the working paper retention structure (otherwise we would have no structure). I cannot support any change to the working paper destruction policy of this magnitude without a change to the Interpretations. It does not seem necessary to make such a change for one state when there are alternate solutions available to them and you. This could include getting a list of accepted or completed reviews (maybe monthly, maybe after each meeting or some other reasonable time frame) and the BOA making prompt selections throughout the year (so that the 90 days hasn't expired). Other state boards attend one or more peer review committee meetings and they perform their oversight then and you don't run into the working paper destruction issue.

If a review is selected for oversight, the documents can be kept beyond the 90 days but just for a reasonable amount of time, not one year. The intent of the Interpretation is to allow for oversight, not for an administering entity to keep the documents on every review for one year because a review may be selected. Reviews should be selected for oversight so that the 90-day period has not expired. That is how other state boards and the AICPA performs oversight and there are different ways to accomplish this, some of which I have listed."

MNCPA Response

MNCPA is committed to meeting the needs of the state oversight body and also to following the policies established by the AICPA. We propose sending to QROC on a monthly basis a list of the peer reviews accepted during that period. QROC would make any desired selections and notify us prior to the end of the 90-day

retention period if any have been selected for oversight review. As allowed by the AICPA, MNCPA could retain those working papers for selected files for a longer period of time, but not as long as one year. By increasing the number of QROC oversight visits for the purpose of file review from one per year to two or three shorter visits, the needs of all parties could be met.

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2. **Peer Review Committee Member Qualifications** – According to records publicly available through the AICPA, 11 of the 16 members of the MNCPA Peer Review Committee met the committee member qualifications of the AICPA Standards for Performing and Reporting on Peer Reviews. Information cited for one member, though, showed that the member had not attended a peer review training course since 1996. Attendance at such a course is a committee member requirement of the AICPA Standards for Performing and Reporting on Peer Reviews. Section 128c of the standards states, that committee members shall be, "Trained in the Standards and guidance of the Program by completing a course that meets the team captain training requirements established by the Board within three years prior to serving on the committee or during the first year of service on the committee." In addition four of the sixteen committee members were not listed as quality reviewers on the AICPA public web site; thus, the Quality Review Oversight Committee had no evidence that these members met the committee member qualifications.

QROC Recommendation

The MNCPA should take action to verify periodically that members of its Peer Review Committee meet the committee member qualifications of the AICPA Standards for Performing and Reporting on Peer Reviews.

MNCPA Response

Background

The qualifications for peer review committee members are outlined in the AICPA Standards sections 128-130, which state that (128) "Each member of the committee charged with the responsibility for acceptance of reviews should be: (a) currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in an approved practice-monitoring program as a partner of the firm or as a manager or person with equivalent supervisory responsibilities. (b) Associated with a firm that has received an unmodified report on its most recently accepted system or engagement review (if a committee member's firm's most recent peer review was a report review, then the member is not eligible to be charged with the responsibility for acceptance of any peer reviews.). (c) Trained in the Standards and guidance of the Program by completing a course that meets the team captain training requirements established by the Board within three years prior to serving on the committee or during the first year of service on the committee."

In addition to those qualifications that apply to each member, the Standards state that (129) "a majority of the committee members and the chairperson charged

with the responsibility for acceptance of reviews should possess the qualifications required of a system review team captain. (130) A majority of the committee members and the chairperson charged with the responsibility for administering the Program within the administering entity must also possess the qualifications required of a system review team captain."

Discussion

Our review of the committee members shows that all of them met the three criteria specified under AICPA Standards Section 128 and 129 listed above. It is our understanding that QROC is questioning only the third (item (c)) criteria above. We believe that even QROC's findings also showed that each committee member had at some point prior to the end of their first year on the committee completed the required training.

We agree with QROC that some committee members had not taken the training required to qualify as a system review team captain within the past three years. However, the AICPA standards require only a majority of the committee members to have had that training. Eleven out of sixteen of our committee members were qualified on this level.

MNCPA Response

We believe we are in compliance with existing requirements. We agree that continued monitoring of compliance is important. Our process includes a requirement that potential committee members complete a profile sheet that requires the individual to provide information about meeting the three listed requirements. If they have not completed the required training, they must do so prior to the end of their first year on the committee. On an ongoing basis, we can verify through our own records that the first two individual qualifications continue to be met by committee members, and we also ask the members to affirm in writing that they continue to meet the qualifications. To ensure that a majority of the committee members meet the system review team captain requirements, we will ask the members at the beginning of each year to inform us of the most recent year in which they took such training.

Future Considerations

For its 2006 oversight review, the Quality Review Oversight Committee intends to request that the MNCPA provide additional information about the reports accepted for the year ended December 15, 2006. This additional information will be used to facilitate completion of the oversight work program. Information to be requested includes type of review conducted, peer reviewer, technical reviewer, peer review results, date of acceptance, required corrective actions, and date correction actions were cleared. The committee will develop a template for the MNCPA to use when compiling this information.

The Quality Review Oversight Committee appreciates the respect, cooperation and assistance offered by the MNCPA for aiding in the completion of this project.

V. State Board Quality Review Activities

Although the scope of this review did not include verifying internal State Board processes for the quality review program, the committee identified some opportunities for improvement.

1. **Outdated database** – The State Board database for tracking firms is outdated. As a result State Board staff were not able to provide the committee with a comprehensive statistical abstract of the peer review statuses of firms permitted in Minnesota.

2. **RAB Application process** – The MSBA rules require that any organization interested in serving as a report acceptance body (RAB) must submit an application. In 2005, the two long-standing Minnesota RABs each submitted a letter expressing their interest and were approved for service by the MSBA. A more rigorous periodic application process, perhaps once every three years, would be an opportunity to affirm the qualifications of the RABs and verify their intentions of adhering to the AICPA quality review standards. Other states, such as Washington, have a more comprehensive RAB application process that could be considered by the MSBA.

3. **Clearing corrective actions** – When a peer review requires follow-up action as a condition of report acceptance, both the RAB and the MSBA must undertake independent follow-up actions. Although follow-up actions are infrequent (required in 3 of 22 files tested by the QROC), the duplication of effort could be avoided if the MSBA developed a process for coordinating its effort with the RABs.

4. **Out-of-state firms** – Out-of-state firms that apply for a practice permit in Minnesota have been allowed to submit evidence of a peer review conducted by organizations other than one of the two RABs approved by the MSBA. The MSBA may have confidence in the reviews conducted by the AICPA and the PCAOB, but it would have no basis for reliance on reviews conducted by other organizations. The State Board could work with other states to coordinate oversight of RABs for multi-state firms.

5. **Accelerating peer review schedules** – Certain conditions may warrant accelerating the standard three-year cycle for firms to undergo peer reviews. Minn. Rules 1105.500, Subpart 4 establishes a three year cycle for firms to undergo a peer review. Minn. Rules 1105.5100 (B) provides that when existing firms merge into a new firm, that the next quality review should be conducted in "the latest of the constituent firms' cycles." When corrective action has been cited in a peer review of one of the constituent firms, however, scheduling an earlier peer review or a focused follow-up may be warranted. Other conditions also may justified an accelerated peer review schedule, however, State Board rules do not anticipate that possibility.

VI. Emerging Issues for Further Consideration

On February 9, 2006, the AICPA Board of Directors Peer Review Task Force issued a report entitled, Recommendations for Enhancing the AICPA Peer Review Programs in a Transparent Environment. The report provided an excellent analysis of several important issues that the State Board may wish to consider further.

1. **Transparency of peer review results** – An eternal issue associated with the peer review process is the question about whether the results should be transparent or readily available to the general public. The AICPA currently makes peer review reports publicly available for firms that audit publicly traded companies, governmental entities, or employee benefit plans. The AICPA website provides access to peer review reports for 133 firms that list Minnesota as their primary address. Peer review reports for several multi-state firms that are permitted in Minnesota also are available on the AICPA web site. Peer review reports accepted by the two Minnesota RABs are not readily available to the public. Minn. Rules 1105.550 allows the State Board to make these reports available to the public, but it has not taken that action to date.

   The February 2006 AICPA report concluded that, "greater transparency is absolutely the right direction for the profession, but recognized that in order to gain the support of a majority of AICPA members the Institute needs to address member concerns about the peer review process (p.4)." The report further recommends, however, that "the state boards of accountancy explore their options to expand access to the peer review results of its licensees" (p.11).

2. **Limited pool of peer reviewer expertise** – The February 2006 AICPA report also cited a concern about the aging and shrinking of the peer review population. Our work at the MNCPA and MAPA suggest that this is a valid concern for Minnesota. We noted a small circle of peer review experts and much overlap between RAB peer review committee memberships and qualified reviewers. The AICPA web site shows 54 qualified reviewers in Minnesota and MAPA has 22 qualified reviewers. Because these two programs both list 15 of the same reviewers, a pool of 61 qualified reviewers exists in Minnesota. The overlap between qualified reviewers and members of RAB quality review committees resulted in 20 of the 22 files sampled by the QROC showing that a member of the RAB committee had to be excused due to a potential conflict.

Because of the impact of these two issues on the report acceptance bodies, we suggest that the State Board include representatives of the Minnesota Association of Public Accountants and the Minnesota Society of Certified Public Accountants in any consideration of them.

NASBA COMPLIANCE ASSURANCE COMMITTEE
PROC REPORTS REVIEW
STATE Mississippi

Topics/Subjects/Elements Included in the Report:

1. Peer Review Program Participation – Discussion of number of firms in MS in the program, statistical results of PPER Reviews in current year comparative with prior year.
2. AICPA Peer Review Board Oversight Program – Discussion of AICPA oversight program and objectives, more specifically most recent oversight and visit to MSCPA and results.
3. AICPA Full Working Paper Review – Discussion of AICPA workpaper review (a component of the AICPA oversight program) and number of reviewed selected from MS and results.
4. Peer Review Committee – Discussion of MSCPA Peer Review Committee including technical review procedures, committee procedures including RABs, MSCPA oversight program, with Oversight Committee procedures described where applicable.
5. Review of Completed Reviews – Discussion of completed reviewed selected for oversight by Oversight Committee and procedures performed.
6. Administrative Procedures – Discussion of MSCPA peer review committee administrative procedures, nd oversight procedures performed as applicable.
7. Conclusion
8. Exhibits:
    a. Summary of Oversight Visit – Peer Review Committee (primarily RAB visits)
    b. Summary of Oversight Visit – Administrative
    c. Review of Sample of Completed Reviews – statistical analysis.

Comments/Assessments of Report Content:

1. Report is comprehensive. Body of report is 9 pages long with an additional 7 pages of exhibits.

Reviewed By: David Miller

Date Reviewed: 07/14/2011

ANNUAL REPORT ON OVERSIGHT OF AICPA PEER REVIEW PROGRAM

administered by the
Mississippi Society of
Certified Public Accountants

BOARD OVERSIGHT COMMITTEE

JUNE 30, 2010

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Board Oversight Committee
Mississippi State Board of Public Accountancy
Cecil W. Harper, CPA - Ridgeland, MS
Willoughby Wright, CPA - Hattiesburg, MS
Lee Murphy, CPA - Grenada, MS

October 28, 2010

Mr. David E. Clarke, Chairman
Mississippi State Board of Public Accountancy
5 Old River Place Suite 104
Jackson, Mississippi 39202-3449

RE: Annual Report on Oversight of AICPA Peer Review Program Administered by the Mississippi Society of Certified Public Accountants for Year Ended June 30, 2010

Dear Mr. Clarke:

We have completed our monitoring and evaluation of the AICPA Peer Review Program administered by the Mississippi Society of Certified Public Accountants (MSCPA) for the year ended June 30, 2010. Our oversight work was performed in accordance with the *Operating Agreement Between the Mississippi State Board of Public Accountancy and the Mississippi Society of Certified Public Accountants for State Oversight for the Peer Review Program.*

The purpose of the oversight is to assist the Mississippi State Board of Public Accountancy in gaining reasonable assurance that peer reviews are being conducted and reported on consistently and in accordance with the *Standards for Performing and Reporting on Peer Reviews (*the *Standards)* promulgated by the AICPA Peer Review Board (the PRB) for the purpose of relying on the AICPA program as a basis for excluding CPAs from undergoing Board initiated reviews. [1] Findings, based on the procedures performed, are included in this report, along with observations and conclusions reached.

By agreement between the Mississippi State Board of Public Accountancy and the Mississippi Society of CPAs, the Board Oversight Committee provides independent oversight of the Society/AICPA Peer Review Program.

Peer Review Program Participation

As of June 30, 2010, there were 343 firms performing audit or accounting work that required a peer review under the AICPA Peer Review Program Administered by the MSCPA. This total also includes 56 non-AICPA member firms that have peer reviews performed. In addition, there are firms that confirm on an annual basis to the AICPA that they perform no audit or accounting services, thus exempting them from the Peer Review Process. Due to software issues at the AICPA resulting in confirmations not being sent by the AICPA, we were unable to obtain the exact number of these firms for the fiscal period ended June 30, 2010 from the AICPA, nor confirm correspondence mailed by the AICPA.

In addition, there are also eight (8) Mississippi firms that are enrolled in the peer review program of the Center for Public Company Audit Firms. This section is handled directly by the AICPA. The Public Company Accounting Oversight Board (PCAOB) has assumed the responsibility of performing peer reviews of all firms registered with the PCAOB.

Nine (9) firms were added during fiscal year ended June 30, 2010, and nine (9) firms were terminated or voluntarily withdrew for various reasons.

Statistics on peer reviews completed for firms enrolled in the AICPA Peer Review Program administered by the MSCPA for 2010 and 2009 are as follows:

	June 30,			
	2010		2009	
TOTAL	NO.	PERCENT	NO.	PERCENT
Pass	109	98%	15	12%
Unmodified without letter of comment	-	-	73	59
Unmodified with letter of comment	-	-	29	24
Pass with deficiencies	3	2	1	1
Modified	-	-	5	4
Fail	-	-	-	-
Adverse	-	-	-	-
Total	112	100%	123	100%
System Reviews	55	49%	50	41%
Engagement Reviews	57	51	52	42
Report Reviews	-	-	21	17
Total	112	100%	123	100%

AICPA Peer Review Board Oversight Program

The AICPA Peer Review Board (PRB) is responsible for overseeing and coordinating the activities of state CPA societies, such as Mississippi, that elect to participate in the AICPA peer review program (administering entities). An Oversight Task Force has been appointed by the PRB and assigned responsibility for overseeing the administration of the oversight program and for making overall recommendations to the PRB regarding the oversight program.

The main objectives of the PRB oversight program are to provide reasonable assurance that the:

- Participating state CPA societies are complying with the administrative procedures established by the PRB as set forth in the *State CPA Society AICPA Peer Review Program Administrative Manual.*
- Reviews are being conducted and reported upon in accordance with the *Standards for Performing and Reporting on Peer Reviews (Standards).*
- Results of reviews are being evaluated on a consistent basis in all jurisdictions.
- Information provided via the Internet or other media by state CPA societies is accurate and timely.

Oversight Visit

Every administering entity will be visited by a member of the PRB whenever deemed necessary, ordinarily, at least once every other year. The most recent visit to the Mississippi Society was on December 4 and 5, 2008 and was conducted by Mr. Paul Inserra, CPA, a member of the Oversight Task Force of the AICPA Peer Review Board.

During these visits, PRB members are required to:

- Meet with the administering entity's peer review committee during its consideration of peer review documents.
- Review a sample of other peer review documents and applicable working papers on a post-acceptance basis.
- Review the various policies and procedures for administering the peer review program.

Mr. Inserra's written oversight report indicated that the MSCPA had complied with the administrative procedures and standards in all material respects. The next oversight visit is currently scheduled for November 11 and 12, 2010 and the results from this visit will be reported on the period ended June 30, 2011.

AICPA Full Working Paper Review

As part of the oversight program, a sample of system and engagement reviews are selected from the administering entities for submission to the AICPA Practice Monitoring staff for a full working paper review.

The primary purpose of the review is to determine whether:

- The reviews are being conducted and reported on in accordance with the *Standards*.
- Administrative procedures established by the PRB are being complied with.
- Information is being entered into the computer system correctly.
- Reviewers are following the guidance and use the most current materials contained in the *AICPA Peer Review Program Manual.*
- Results of reviews are being evaluated on a consistent basis within an administering entity and in all jurisdictions.

The AICPA review will include, at a minimum, the report, letter of comments, if any, the letter of response, the acceptance letter (including any corrective or monitoring actions), and the complete set of the administrative and the peer reviewer's working papers on the selected reviews. In addition, various information entered into the computer will be reviewed.

A summary report is prepared for each administering entity and the summary report is submitted to the Oversight Task Force for approval. Once approved, the summary report is submitted to the respective administering entities' peer review chairs and they are asked to share the findings with their committees, technical reviewers, peer reviewers and team captains where applicable. The AICPA 2008 oversight program consisted of full working paper reviews of 311 peer reviews, selected randomly.

For Mississippi, two reviews were selected and completed. No significant deficiencies were noted.

Peer Review Committee

The committee is composed of a chair and twelve members appointed by the president of the MSCPA to serve for three-year terms. Charles Prince served as chair for year ended June 30, 2010.

The AICPA standards state that each member of a committee charged with the responsibility for acceptance of reviews should be:

- Currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in an approved practice-monitoring program as a partner of the firm or as a manager or person with equivalent supervisory responsibilities.
- Associated with a firm that has received an unmodified report on its most recently completed system or engagement peer review.

A majority of the committee members must also possess the qualifications required of a system review team captain.

The qualifications for service on the MSCPA Peer Review Committee exceed the AICPA standards and generally are as follows:

- Must be a member of the AICPA licensed to practice as a CPA.
- Must have five years of recent experience in the practice of public accounting in the accounting and auditing function.
- Must be currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in an approved practice-monitoring program.
- Must be an owner of said firm.
- Said firm must have received an unmodified report (with or without letter of comments or its current equivalent) on its most recent peer review.
- Must have attended a reviewer's training course within the past five years.
- Must be qualified to serve as a team captain or team member on a peer review.
- A committee member must have at his disposal a current Peer Review Program Manual.

The MSCPA Peer Review Committee had one member, George Smith, who is a past member of the AICPA Peer Review Board.

Technical Review Procedures

Ms. Gloria Roberts, CPA who is based in Chesterfield, MO., performs all the technical reviews for Mississippi as well as Arkansas, Missouri, Wisconsin, and New Jersey. She is an experienced reviewer and is very knowledgeable about all phases of the peer review program. She also serves as a resource person for the coordinator in administering the program.

For system and engagement peer reviews, the technical reviewer will ordinarily review the report, letter of comments, letter of response, team captain's checklist, the summary review memorandum and the matters for further consideration on firm-on-firm and association sponsored reviews.

Ms. Roberts completes the applicable technical reviewer's checklist and related forms for each review and includes any comments that the report acceptance body may need to properly evaluate the review. She deals with evident problems before the materials get to the committee including contacting the team captain when necessary.

Peer Review Committee Procedures

The committee normally has one face-to-face meeting each year and handles the remaining meetings by telephone conference call. Cecil Harper, CPA, Chairman, Board Oversight Committee, attended the face-to-face peer review committee meeting on December 1, 2009 and observed the committee's acceptance process. We completed Summary of Oversight Visit-Peer Review Committee checklist, which is enclosed as Exhibit I.

We were furnished with the reports and working papers prior to the meeting. The RAB assignments appropriately dealt with potential conflicts of interest where committee members had also served as team captains or members on the review being considered. The committee members had been assigned responsibility for specific reviews to present to the group. However, all the committee members had reviewed the reports and working papers for their respective RAB prior to the meeting. The RAB had a thorough discussion on complex reviews and used the consent agenda for the easier reviews. The committee members had a good understanding of the program and reached appropriate decisions for each review. The committee also complied with an enhanced requirement that at least one RAB member be qualified in GAO "yellow book standards" or qualified to perform ERISA engagements if any of the reviews included such engagements.

The RAB's discussed follow-up action on reviews as needed and referred to the RAB handbook flowchart for guidance. Appropriate team captain feedback was given. The peer review committee also reviewed the current status of open and/or delinquent reviews.

We also joined in telephone conference calls for the other peer review committee meetings held during the year ended June 30, 2010. These meetings were held on August 25, 2009, October 28, 2009, December 1, 2009, February 4, 2010, and May 20, 2010. Similar procedures as described above were followed in each of these meetings.

The Peer Review Committee has a very good understanding of the peer review program's mission and goals. The committee's performance is considered excellent.

MSCPA Oversight Program

The MSCPA Peer Review Committee (PRC) has established an oversight subcommittee with responsibility for the oversight program. The oversight program covers system and engagement reviews. Four (4) oversights (two (2) system and two (2) engagement reviews) were performed for the oversight year ended September 30, 2009. The PRB also required that the oversight program include at least one GAO Yellow Book engagement, and at least one ERISA engagement. The MSCPA Oversight Program compiled with this requirement.

The PRC also performs oversight procedures with respect to the Mississippi reviewers. Each year one third of the reviewers listed in the AICPA reviewer bank are subjected to oversight. Those selected for oversight are subjected to procedures to ensure that they meet qualification standards, and that their reviewer resume is accurate. Each reviewer should be subject to this oversight within a three year period. During the current review the remaining seventeen (17) reviewers who had not been selected during the preceding two years were selected for oversight.

No significant deficiencies were noted.

An administrative oversight was also performed by the PRC on September 20, 2010 by Allen Jackson. His conclusion was that "...the administration of the program is being handled efficiently and in accordance with guidelines for administration established by the AICPA."

Review of Sample of Completed Reviews

We obtained a list of firms scheduled to have peer reviews during the year ended June 30, 2010 from the Program Coordinator. We randomly selected a sample of six (6) reviews. The sample was kept confidential until after the Peer Review Committee accepted each review. After acceptance, we obtained the following information, as applicable:

- Peer Review Report
- Technical Reviewer's Checklist
- Letter of Comments
- CPA Letter of Response
- Summary Review Memorandum – System Reviews
- Team Captain Checklists – System Reviews
- Engagement Summary Form – Engagement Reviews
- Reviewer's Checklist – Engagement Reviews
- Peer Review Acceptance Letters
- All related documentation (reviewer's workpapers, correspondence, memorandums, etc.)

We have completed our review of the selected sample with no exceptions being noted. See Exhibit III.

Administrative Procedures

We met on October 4, 2010 with Noma Gillis, the peer review program coordinator to review the program's administration. We completed a Summary of Oversight Visit – Administrative checklist that is enclosed as Exhibit II.

The Mississippi office is linked to the AICPA computer system, which is located and maintained in Durham, North Carolina. The ACIPA's Peer Review System facilitates scheduling of peer reviews, printing letters to firms and maintaining various peer review related information. All additions, deletions and name or address changes for AICPA members are made directly by the AICPA. The program coordinator can add or delete firms that are not AICPA members.

The coordinator generally mails out background forms to firms in August for reviews that are coming due the following January through April, in March for reviews that are coming due in the following May through August, and in May for reviews that are coming due in the following September through December. Up to three requests are mailed from the Mississippi office, then the requests and/or follow-up come directly from the AICPA.

The coordinator has the authority to grant three-month extensions. The extension subcommittee of the peer review committee handles any extensions beyond that date. Normally, there are few requests for extensions.

The coordinator enters the various data into the computer system, such as date review commenced, exit conference, date completed and date accepted. She monitors the status of the various reviews and any follow-up action required. The technical reviewer and the peer review committee chair also assist as needed.

The AICPA Bylaws (AICPA, *Professional Standards*, vol. 2, BL Sec. 220) require that only those firms that perform services within the scope of the AICPA's practice monitoring standards and issue reports purporting to be in accordance with AICPA professional standards, are required to be enrolled in an Institute approved practice monitoring program. There are two approved practice monitoring programs: the Center for Public Company Audit Firms (CPCAF PRP) and the AICPA peer review program. Firms that are required to be registered with and inspected by the Public Company Accounting Oversight Board (PCAOB) must enroll in the CPCAF PRP.

An accounting and auditing practice for the purposes of these standards is defined as all engagements covered by Statements on Auditing Standards, Statements on Standards for Accounting and Review Services, Statements on Standards for Attestation Engagements, and the *Government Auditing Standards*, issued by the U.S. General Accounting Office.

All other firms have the option of enrolling in either of the two programs; however, a peer review will not be performed.

The MSCPA has a similar practice-monitoring requirement.

The operating agreement calls for the MSCPA's Executive Director to provide the Board a listing of CPAs that participated in the peer review programs within the prior fiscal year. In addition, the peer review committee is required to notify the Board in writing the name of any CPA firm discontinued from its program and the known reasons for discontinuance. The report on these firms for the current year was compiled as of June 30, 2010, and submitted to the Board.

We believe the administrative processes were being handled in a manner consistent with peer review standards.

Conclusion

Based upon the results of the procedures performed, the Board Oversight Committee has concluded that in all material respects, the peer reviews are being conducted and reported on in accordance with standards of the AICPA Peer Review Program and that the AICPA program can be relied upon as a basis for excluding CPAs from undergoing Board initiated reviews.

Sincerely,

BOARD OVERSIGHT COMMITTEE

Cecil W. Harper, CPA
Chairman

EXHIBIT I

MISSISSIPPI STATE BOARD OF PUBLIC ACCOUNTANCY
BOARD OVERSIGHT COMMITTEE

Summary of Oversight Visit - Peer Review Committee

Oversight Committee Member performing this review - Cecil W. Harper, CPA

Dates performed – December 1, 2009, October 4, 2010, November 1, 2010

		YES	NO
1.	Are technical reviews being performed within a reasonable time period after review documents are submitted to the Peer Review Program?	X	
2.	Do the technical reviewers resolve inconsistencies and disagreements before accepting the CPA reports?	X	
3.	Do the technical reviewers resolve inconsistencies and disagreements before accepting the CPA reports?	X	
4.	Do the technical reviewers make the Committee aware of matters needed to properly evaluate the review?	X	
5.	Is the technical reviewer available during the meeting to answer questions that arise?	X	
6.	Are technical reviewers knowledgeable about the treatment of:		
	Substandard engagements?	X	
	Governmental issues?	X	
	Review scope?	X	
	Appropriate format for report, letter of comments, letter of response?	X	
	Revisions to review documents?	X	
	Corrective or monitoring actions?	X	
7.	Were any specific solutions to problems discussed?	X	
8.	Have the technical reviewers agreed to take any action on problems?	X	

		YES	NO
9.	Do technical reviewers believe sufficient guidance is provided by their program?	X	
10.	Have the technical reviewers demonstrated improvement from any prior oversight visit report? N/A Technical reviewers adequate on prior oversight visit.		
11.	Inspect files on selected firms. Complete the oversight checklist entitled *Information on a Sampled Peer Review* for each firm selected. Do the files appear complete?	X	
12.	Select from the review files pass, pass with deficiences on system and engagement reviews completed within the last ninety (90) days. Assess:		
	A. The quality of the technical review.	X	
	B. Appropriateness of procedures.	X	
	C. The reasonableness of the Committee's decision on the reviews.	X	
13.	Were the working paper rentention policies followed?	X	
14.	Form preliminary conclusions on the acceptance decisions that should be made. Appropriate decisions were made.		
15.	Attend the program's Peer Review Committee meeting as an observer. Do not make comments or raise questions until the Committee is ready to vote on a specific review. Observed only – no comments made.		
16.	In what areas do Committee members believe additional guidance is needed? None		

		YES	NO
17.	Were the following manuals available during the meeting?		
	Peer Review Program Manual	X	
	Peer Review Administrative Manual	X	
	Handbook	X	
18.	Is the meeting Committee comprised of at least three members?	X	
19.	Does the extent of the Committee's review appear appropriate?	X	
20.	Were appropriate decisions made regarding:		
	Standard enagements	X	
	Inspection issues	X	
	Governmental issues	X	
	Review scope	X	
	Revisions to review documents	X	
	Corrective or monitoring actions	X	
	The issuance of team captain feedback forms	X	
	Requests for extensions	X	
	Handling problem reviews	X	
21.	Were any specific solutions to problems discussed?	X	
22.	Has the Committee agreed to take any action on problems?	X	
23.	Do the Committee members believe sufficient guidance is provided by the program?	X	
24.	In what areas do Committee members believe additional guidance is needed?		
	None		
25.	Does the Committee consider technical reviewers' recommenations and then come to its own decision?	X	

		YES	NO
26.	Has the Committee demonstrated improvement from any prior oversight visit report? Prior oversight conclusion was "excellent".	X	

27. Please rate the Committee's knowledge of acceptance procedures and corrective/monitoring actions:

_____ Poor

_____ Adequate; needs some improvement

__X__ Excellent

28. At the conclusion of the meeting, discuss your findings with the MSCPA Peer Review Committee Chair.

Comments: MSCPA administration of the Peer Review Program appears to be functioning at a high level. The committee is characterized by experienced practitioners who have a keen interest in the Program.

EXHIBIT II

MISSISSIPPI STATE BOARD OF PUBLIC ACCOUNTANCY
BOARD OVERSIGHT COMMITTEE

Summary of Oversight Visit – Administrative

Oversight Committee member performing this review: Cecil Harper, CPA

Dates performed: December 1, 2009; October 4, 2010, November 1, 2010

1. Obtain the following from the State Board Staff before visiting the MSCPA:

   A. Prior annual reports.
   B. Other information pertinent to the oversight visit: e.g., statistical reports, correspondence and records of conversations with the Peer Review Committee.

2. Contact MSCPA to arrange visit to office and review of administrative records.

3. Meet with the person(s) responsible for the MSCPA Peer Review Program, discuss and document the:

   A. Review process and procedures.
   B. Committee acceptance process and the educational and remedial philosophy of the Peer Review Program.
   C. The percentage of reviews scheduled and the follow-up on firms that do not respond to scheduling requests.
   D. Monitoring of reviews through completion.
   E. Receipt of review documents on a timely basis.

4. Please list program staff interviewed as part of the oversight visit:

   Name Noma Gillis Title Program Coordinator

   Name Gloria Roberts Title Technical reviewer

5. Do MSCPA administrative personnel appear knowledgeable about their Peer Review Program manuals?

Peer Review Program Manual	Yes X	No ___
Peer Review Administrative Manual	Yes X	No ___
Peer Review Computer System User Manual	Yes X	No ___

6. Re actions taken to monitor the completion of the follow-up actions? Yes X No ___

7. Are program letters generated to advise reviewers of poor performance or tardiness when warranted? Yes__X__ No____

8. Are acceptance letters being sent in a timely manner? Yes__X__ No____

9. Does the administrative staff require any additional assistance from program support staff? Yes__X__ No____

10. Please rate the administrative staff's knowledge of administrative and computer procedures:

    ____ Poor
    ____ Adequate; needs some improvement
    ____ Very good
    _X_ Excellent

11. In what areas does the administrative staff need improvement or training?

    None

12. Were any specific solutions to problems discussed?

    No

13. The administrative staff demonstrated improvement from any prior oversight visit?

    N/A

EXHIBIT III

Mississippi State Board of Public Accountancy
MSCPA Peer Review Program Oversight
Review of Sample of Completed Reviews
FYE June 30, 2010

		A	B*	C*	D	E	F
1.	Review ID	304095	303492	304828	311283	259806	304162
2.	Review Year End	09/30/09	09/30/09	12/31/09	12/31/09	06/30/09	09/30/09
3.	Exit Conference Date	03/12/10	03/05/10	06/18/10	06/30/10	01/26/10	02/13/10
4.	Acceptance Date	05/04/10	05/20/10	08/18/10	08/18/10	05/20/10	04/28/10
5.	Type of Review	System	System	System	System	Engagement	Engagement
6.	Report	Pass	Pass	Pass	Pass	Pass	Pass
7.	Technical Reviewer Checklist	Yes	Yes	Yes	Yes	Yes	Yes
8.	Letter of Comment	N/A	N/A	N/A	N/A	N/A	N/A
9.	Letter of Response	N/A	N/A	N/A	N/A	N/A	N/A
10.	Team Captain Checklist - System Reviews	Yes	Yes	Yes	Yes	N/A	N/A
11.	Summary Review Memorandum - System Reviews	Yes	Yes	Yes	Yes	N/A	N/A
12.	Engagement Summary Form - Engagement Reviews	N/A	N/A	N/A	N/A	Yes	Yes
13.	Review Team Captain's Checklist - Engagement Reviews	N/A	N/A	N/A	N/A	Yes	Yes
14.	Administrative Review Checklist	Yes	Yes	Yes	Yes	Yes	Yes

* Review included one "Yellow Book" and one ERISA Review

NASBA COMPLIANCE ASSURANCE COMMITTEE
PROC REPORTS REVIEW
STATE OKLAHOMA

Topics/Subjects/Elements Included in the Report:

1. Report sets forth Oklahoma statutes and regulations that govern the peer review oversight committee including specific procedures.
2. Specifies who attended OSCPA Peer Review Committee meetings including dates attended.
3. Sets forth the number of firms and soles proprietorships requiring reviews. Includes discussion between current year and prior years.
4. Provides conclusion regarding the following:
    a. Timeliness of technical reviews
    b. Knowledge of technical reviewers
    c. Resolution of inconsistencies and disagreements by technical reviewers before accepting reports
    d. Technical reviewers made PROC aware of matters needed to properly evaluate the review
    e. Technical reviewers are available during meetings to answer questions
    f. PROC noted RABs consistent held open and thorough discussions
5. Reports sets forth numbers of referrals to Enforcement Committee for the last three years
6. Report sets forth recommendations to better meet objectives and the OAM's peer review requirements.
7. Report lists all of the AICPA Oversight Reports that were reviewed and approved, includes AICPA Center for Public Company Audit Firms, National Peer Review Committee and 15 separate states.
8. Report provides conclusion as to whether peer reviews administered by OSCPA are performed in accordance with AICPA standards.

Comments/Assessments of Report Content:

1. The report is three pages. Included with the report is a PROC operating summary which sets forth purpose, objectives and procedures (2 pages), checklist used by PROC (4 pages) and statistical exhibits (4 pages).

Reviewed By: Ginger Powell

Date Reviewed: 8/1/11

S. NICOLE PRIETO JOHNS
INTERIM EXECUTIVE DIRECTOR

BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA
OKLAHOMA ACCOUNTANCY BOARD
PEER REVIEW OVERSIGHT COMMITTEE

Annual Report for 2010 on the Continuing Oversight of Sponsoring Organizations Approved to Administer Peer Reviews to Oklahoma Registrants

Pursuant to the Oklahoma Accountancy Act (The Act), §15.30, the Oklahoma Accountacy Board (OAB) establishes a peer review program to monitor firms' compliance with applicable accounting and auditing standards adopted by generally recognized standard setting bodies, the program emphasizes education, including appropriate remedial procedures, which may be recommended or required when financial statement reports do not comply with professional standards. In the event a firm does not comply with established professional standards, or a firm's professional work is so inadequate as to warrant disciplinary actions, the OAB shall take appropriate action to protect the public interest.

The OAB, pursuant to Title 10 of the Oklahoma Administrative Code; Subchapter 33; Section 10:15-33-3 adopts the "*Standards for Performing and Reporting on Peer Reviews*," as promulgated by the American Institute of Certified Public Accountants (AICPA) or other standards approved by the OAB as its minimum standards for peer review of registrants.

Oversight of the minimum standards for peer review of registrants is established through the OAB's Peer Review Oversight Committee (PROC) which is provided for in 10:15-33-7 of the Oklahoma Administrative Code.

The purpose of the PROC is to monitor Sponsoring Organizations and provide the OAB with a reasonable assurance that peer reviews are being conducted and reporting on in accordance with the OAB's minimum standards for peer review, review the policies and procedures of sponsoring organization applicants as to their conformity with the peer review minimum standards, and report to the OAB on the conclusions and recommendations reached as a result of performing the aforementioned functions.

Thus, the PROC operating statement is:

> *"To evaluate and monitor the Peer Review Program established by the Oklahoma Accountancy Board to provide reasonable assurance that the American Institute of Certified Public Accountant's Peer Review Program Standards are being properly administered in the State of Oklahoma making referrals to the Oklahoma Accountancy Board as needed for further action as needed."*

Oversight procedures have been established to ensure that the peer reviews being administered to OAB registrants are being conducted and reported in accordance with peer review minimum standards (PROC Operating Summary attached). The procedures include:

A. At least one PROC member is scheduled to attend in person, all Oklahoma Society of Certified Public Accountant's (OSCPA) Peer Review Committee meetings to consider the acceptance bodies' deliberations in accepting peer reviews (PROC Oversight Visit Checklist attached);

B. On an annual basis, the PROC reviews the qualifications of each entity approved by the OAB to administer peer reviews;

201 N.W. 63rd Street, Suite 210, Oklahoma City, OK 73116
Telephone (405) 521-2397 • Fax: (405) 521-3118 • email okaccybd@oab.ok.gov • www.OK.gov/oab

C. A detailed review of all Adverse, Modified, Pass with Deficiency and Fail peer review reports are performed by the PROC. When necessary, prescribe actions designed to assure correction of the deficiencies in the reviewed firm's system of quality control;

D. Monitor remedial and corrective actions as prescribed by the PROC and/or the administering entity to determine compliance by the firm;

E. Accept all unmodified and pass system and engagement peer review reports submitted to the OAB; and

F. As deemed appropriate, refer firms to the OAB's Enforcement Committee for failing to comply with the OAB's peer review program or performing work that is so inadequate as to warrant disciplinary action..

Based on the aforementioned procedures, the following is a summary of the PROC activity during fiscal year 2010.

At least one PROC member attended the following OSCPA Peer Review Committee meetings during fiscal year 2010:

Thursday, August 13, 2009
Thursday, October 22, 2009
Thursday, February 11, 2010

As of October 1, 2010, there were 109 Sole Proprietorships and 472 firms which have reported to the OAB the performance of engagements requiring peer review. Statistics on peer reviews completed during the past three fiscal years are attached. The disparity illustrated in peer reviews submitted during fiscal years 2008 and 2009 between those submitted in 2010 can be attributed to the timing of when the OAB peer review rules became effective July 1, 2004, and the increase in numbers of firms requiring peer since that effective date.

Note that since peer reviews are required every three years there has been a pattern of increased peer review activity beginning in 2004, again in 2007, and again in 2010. Despite the discrepancies, the PROC has concluded that for fiscal year 2010:

1. Technical reviews are being reviewed in a timely manner by the OSCPA;
2. Technical reviewers appear knowledgeable about their function;
3. Technical reviewers resolve inconsistencies and disagreements before accepting reports;
4. Technical reviewers make the OSCPA Peer Review Committee aware of matters needed to properly evaluate the review.
5. The technical reviewers are available during the meetings to answer questions; and
6. During its oversight of the OSCPA Report Acceptance Bodies (RAB), the PROC specifically noted the various RABs consistently held open and thorough discussions of reviews. While attending nearly all fiscal year 2010 meetings, the PROC also observed the RABs address every issue with purpose and in a thoughtful and meaningful discussion. Finally, the PROC concludes the vast knowledge collectively shared by RAB members regarding acceptance procedures and corrective or monitoring actions to be excellent.

The PROC made four referrals to the Enforcement Committee in fiscal year 2008, five in 2009, and three in 2010. This does not include firms voluntarily discontinuing performance of engagements requiring a peer review because of deficient peer review results.

OAB staff, with the approval of the PROC, has two recommendations to better meet its objectives and the OAB's peer review requirements. Staff has discussed with AICPA Vice

President Jim Brackens, the need for the AICPA to include both the Peer Review Enrollment Letters and Peer Review Extension Letters on the Facilitated State Board Secure Access Website.

At June 30, 2010, the following entities' AICPA Oversight Reports were reviewed and approved by the PROC and the OAB:

- AICPA Center For Public Company Audit Firms
- Alabama Society of Certified Public Accountants
- Arkansas Society of Certified Public Accountants
- California Society of Certified Public Accountants
- Colorado Society of Certified Public Accountants
- Florida Institute of Certified Public Accountants
- Georgia Society of Certified Public Accountants
- Illinois Society of Certified Public Accountants
- Indiana Certified Public Accountant Society
- Kansas Society of Certified Public Accountants
- Montana Society of Certified Public Accountants
- National Peer Review Committee
- Nevada Society of Certified Public Accountants
- New York State Society of Certified Public Accountants
- Oklahoma Society of Certified Public Accountants
- Tennessee Society of Certified Public Accountants
- Texas Society of Certified Public Accountants;

Although the other 16 sponsoring organizations were not evaluated by the PROC to the degree the OSCPA Peer Review Program had been, nothing came to the PROC's attention that would lead them to believe that during their review, these 16 administering entities were not administering peer reviews in accordance with "*Standards for Performing and Reporting on Peer Reviews,"* as promulgated by the AICPA.

Finally, the PROC concludes that peer reviews administered by the OSCPA are being performed for Oklahoma registrants in accordance with the "*Standards for Performing and Reporting on Peer Reviews,"* as promulgated by the AICPA.

Oklahoma Accountancy Board Peer Review Oversight Committee

_____
Jim Williamson, CPA, PROC Chair

_____
Ann Fields, CPA

_____
Thomas C. McGuire, CPA

AICPA®
Peer Review Program

Peer Review Oversight

Gary Freundlich, CPA, Technical Director
Teresa Bordeaux, CPA, Technical Manager

Oversight Processes

Oversight Task Force/AICPA

- Oversight Visits of the AEs
- Peer Review Working Paper Oversights
- Review of AICPA program Statistics
- Review and Approve Plans of Administration
- Approve national suspension and restriction of peer reviewers

Administering Entities

- Administrative Oversight of the AE
- Oversight of Peer Reviews and Reviewers
- Annual Verification of Reviewers' Resumes

Oversight by Administering Entity

- **Peer review - observe conduct of review while review is being performed**
  - Includes evaluation of all aspects of review
  - Reviews selected for oversight based on various risk criteria
- **Reviewer resume verification:**
  - At least every three years
  - Reviewer required to:
    - Verify industry experience
    - Submit summary of CPE taken in the last three years

Oversight – Administering Entities

- **Administering entities will prepare their 2nd annual oversight report this year**
- **Administrative oversight performed by the AE every other year (year that AICPA Oversight Task Force member does not visit)**

Oversight - AICPA

- Oversight of administering entities
- Oversight of peer reviews
- Oversight of peer reviewers
- Oversight Task Force approves national suspension/restriction of peer reviewers
- AICPA annual oversight report - available on www.aicpa.org
- NPRC Oversight Process

AICPA PRB Oversight of Administering Entities

- Each administering entity is visited by a member of the AICPA PRB Oversight Task Force at least once every other year.
  - Meets with the peer review committee during its consideration of peer review documents
  - Reviews a sample of other peer review documents and applicable working papers on a post-acceptance basis
  - Completes a comprehensive oversight program

AICPA PRB Oversight of AEs

- Discusses comments and issues identified during the oversight with the committee chair
- Prepares an oversight visit letter on the results of the oversight addressed to the committee chair requesting a response

- **Oversight Task Force considers the oversight visit letter and response and acceptance letter is sent to the administering entity**
- **Oversight visit documents are posted to AICPA website**

AICPA Oversight of Peer Reviews

- **Approximately 300 reviews selected for desk review oversight each year; representative of # of reviews performed by each AE; random sample and reviews selected based on risk assessment**
- **The reviews are being conducted and reported on in accordance with the *Standards*.**
- **Administrative procedures established by the PRB are being complied with.**
- **Information is being entered into the computer system correctly.**
- **Reviewers are following the guidance and use the most current materials contained in the *AICPA Peer Review Program Manual*.**
- **Results of reviews are being evaluated on a consistent basis within an administering entity and in all jurisdictions.**

AICPA Oversight of Peer Reviews

- AICPA Staff prepares a summary report with comments for each administering entity
- Submitted to Oversight Task Force for Approval
- Submitted to administering entities

Enhanced Oversight Procedures

- Desk Review Selections include reviews with A133 engagements approved since the implementation of enhanced report acceptance process for reviews including A133 engagements
- Receiving copies of HHS referral letters to AICPA Professional Ethics
- Practice Monitoring Task Forces for A133 and Employee Benefit Plans

NPRC

- NPRC is one of 42 Administering Entities
- NPRC is a committee of the Peer Review Board
- 2 NPRC members represent State Boards of Accountancy
- NPRC Oversight Committee

NPRC Oversight

- Risk based, annual oversight plan
- Panel of NPRC committee members utilized to oversee the review of firms that meet certain criteria
- Recent Administrative Oversight Letter Issued and published to AICPA.org
- Annual Oversight Report published to AICPA.org

Questions?

State of California
Department of Consumer Affairs

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

M e m o r a n d u m

PROC Agenda Item IV.
August 30, 2011

To : PROC Members

Date : August 22, 2011
Telephone: (916) 561-1734
Facsimile : (916) 263-3673
E-mail : ktejada@cba.ca.gov

From : Kathy Tejada
Enforcement Manager

Subject : Reports and Status of Peer Review Initial Implementation

Legislative Language to Extend the Sunset Date on Mandatory Peer Review

Senate Bill 543 was amended in Assembly on August 15, 2011. The bill currently extends the peer review program and the Peer Review Oversight Committee indefinitely. The bill also requires a report, to include certain additional information and recommendations, to the Legislature by January 1, 2015.

The bill is scheduled to be heard in the Assembly Committee on Appropriations on August 17, 2011.

Statistics

As of August 16, 2011, 25,956 peer review reporting forms have been submitted to the CBA. This is an increase of 7,984 since the July meeting. The reporting forms are categorized as follows:

Peer Review Required	2,174
Peer Review Not Required (firms)	5,032
Peer Review Not Applicable (non-firms)	18,750

Status of Correspondence to Licensees Regarding Peer Review Reporting

On July 22, 2011, the CBA sent letters to 20,169 licensees who are required to report peer review information by July 1, 2012.

Presently, staff is preparing deficiency letters to be mailed to approximately 3,500 licensees who were required to report peer review information by July 1, 2011, but have not done so. It is anticipated that the letters will be sent by the end of August. A copy of the deficiency letter is **Attachment 1**.

CALIFORNIA BOARD OF ACCOUNTANCY

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*

August 11, 2011

Attachment 1

License #:
PIN:

Name
Firm
Address
City, State Zip

Dear Licensee:

The California Board of Accountancy (CBA) notified you on July 1, 2010 and April 1, 2011 that you are required to submit a Peer Review Reporting Form (Form) to the CBA no later than July 1, 2011. The Form serves to report either that you are not subject to peer review or, alternatively, to report the results of your most recent peer review. To date, the CBA has no record of receiving a Form for the above-referenced license number.

If the California Society of Certified Public Accountants (CalCPA) has approved an extension of the completion of your peer review beyond July 1, 2011, please provide proof of the extension to the CBA by fax at (916) 263-3673.

If you are ready to submit the Form, there are two ways to do so. The Online Peer Review Reporting Form is available on the CBA Web site at www.cba.ca.gov. By using the PIN number provided above, you can log-in and fulfill your reporting requirements in just minutes. As an alternative, a hard copy Form is enclosed which can be mailed or faxed to this office.

Please be advised that failure to report is a violation of Title 16, California Code of Regulations (CCR), Section 45. Failure to submit the Form, or provide proof of an extension, to the CBA by September 15, 2011, may subject you to a Citation and Fine of up to $5,000 or other enforcement actions by the CBA.

If you are required to undergo peer review, please contact the CalCPA immediately to enroll in the Peer Review Program. The enrollment form is available at www.calcpa.org. CalCPA can be reached by telephone at (650) 552-3094 or by e-mail at peerreview@calcpa.org.

If you have questions regarding peer review or reporting requirements, please visit the CBA Web site at www.cba.ca.gov or contact the CBA by telephone at (916) 561-1706 or by e-mail at peerreviewinfo@cba.ca.gov.

Sincerely,

Patti Bowers
Executive Officer

Enclosure

State of California
Department of Consumer Affairs

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

M e m o r a n d u m

PROC Agenda Item V.
August 30, 2011

To : PROC Members

Date : August 22, 2011
Telephone : (916) 561-1731
Facsimile : (916) 263-3673
E-mail : rixta@cba.ca.gov

From : Rafael Ixta, Chief
Enforcement Division

Subject : Draft PROC Procedures Manual

Using information developed by PROC members, and keeping with the format of other California Board of Accountancy (CBA) committee manuals, staff has prepared an initial draft PROC Procedures Manual **(Attachment 1)**. The manual will establish procedures the PROC will follow as it continues to perform its oversight duties.

Please review the draft and feel free to offer suggestions and edits at the meeting.

At this time, the appendices have been omitted since they are still being developed.

Staff will be available at the meeting to answer questions.

Attachment

Attachment 1

CALIFORNIA BOARD OF ACCOUNTANCY

DRAFT

PEER REVIEW OVERSIGHT COMMITTEE

PROCEDURE MANUAL

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D. Summary of Peer Review Committee Meeting
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F. Application to Become a Board-recognized Peer Review Program Provider

DRAFT

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 as an Appendix to this procedure manual. In addition, to provide a visual aid for the PROC's place in the peer review process, an organizational structure chart is included as an Appendix to this procedure manual.

A. AUTHORITY

The PROC derives its authority from Section 5076.1 of the Business and Professions Code 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.

B. PURPOSE

The purpose of the PROC is to engender confidence in the California Peer Review Program (Program) by performing oversight of the program and providing recommendations to the CBA on the effectiveness and continued reliance of the Program.

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.

D. TENURE

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

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

F. CONFLICT 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.

G. TRAVEL REIMBURSEMENT

Each PROC member shall be reimbursed for traveling and other reasonable expenses necessarily incurred in the performance of duties (Business and Professions Code Section 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 (Business and Professions Code Section 103).

DRAFT

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 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.

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.

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:

- Oversee the activities of Board-recognized peer review program providers (Provider) related to how peer reviews are processed and evaluated
- Ensure the Provider is administering peer reviews in accordance with the standards adopted by the CBA
- Ensure that peer reviewers are properly qualified
- Ensure that peer reviews are being accepted in a consistent manner by the Provider
- Conduct site visits of the Provider and their peer review committees
- Perform random sampling of peer review reports
- Represent the CBA at the AICPA's Peer Review Board meetings
- Evaluate organizations outside the AICPA structure that desire to administer peer reviews in California

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 #) and submit to the CBA office.

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 #) and submit to the CBA office.

3. Peer Review Subcommittee Meetings

   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. The PROC will monitor to ensure that peer reviews are performed and reported on in accordance with the Provider's established standards. The PROC will also monitor whether the prescribed remedial or corrective actions designed to assure correction of the deficiencies are appropriate and consistent.

   Each PROC member attending a subcommittee meeting shall complete a "Summary of Report Acceptance Body Meeting" checklist (APPENDIX #) and submit to the CBA office.

4. Sample Reviews

   The PROC shall conduct sample reviews of peer reviews accepted by a Provider. 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.

5. 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 peer reviewers maintain or increase their currency of knowledge related to performing and reporting on peer reviews.

6. 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 and numbers of reviews in process
- Types and numbers of reviews completed by month, and cumulatively for the annual reporting period
- Extensions requested and status (granted or denied)
- Corrective action matters (various types: overdue peer review reports, disagreements pending resolution, etc.)

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. APPROVAL 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 #) received by the CBA. The PROC shall recommend approval 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.

C. WITHDRAWAL OF BOARD RECOGNITION

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.

State of California
Department of Consumer Affairs

California Board of Accountancy
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Sacramento, CA 95815-3832

M e m o r a n d u m

PROC Agenda Item VI.A.
August 30, 2011

To : PROC Members

Date : August 17, 2011
Telephone : (916) 561-1731
Facsimile : (916) 263-3673
E-mail : rixta@cba.ca.gov

From : Rafael Ixta, Chief
Enforcement Division

Subject : Discussion of PROC Roles and Responsibility

Attached is the PROC Roles and Responsibility Activity Tracking checklist. The purpose of this checklist is to ensure that all oversight duties are carried out.

Staff will be at the meeting to answer any questions PROC members might have.

Attachment

PROC Roles and Responsibilities
Activity Tracking – 2010/2011

As of August 12, 2011

Activity	Notes
Attend all CalCPA Peer Review Committee (PRC) meetings.	Attended Jun 2 – 3
Attend four CalCPA Report Acceptance Body (RAB) meetings.	Attended Feb 2, Jun 15, Jul 7, Jul 26
Conduct at a minimum, an annual administrative site visit of CalCPA's Peer Review Program.	
Perform at a minimum, an annual review of CalCPA's Peer Review Committee.	Attended Jun 2 – 3
Perform at a minimum, four annual reviews of CalCPA's Report Acceptance Body.	Attended Feb 2, Jun 15, Jul 7, Jul 26
Develop policies and procedures for reviewing and recommending approval to the CBA for new peer review providers.	
Attend all of the public session AICPA Peer Review Board (PRB) meetings.	Attended Jan 21, May 3, Aug 10
Conduct four one-day meetings.	PROC meetings held Nov 9, Jan 20, Mar 4, May 6, July 8
Prepare an annual report to the CBA regarding the results of its independent oversight of the Peer Review program.	
Oversee the activities of the AICPA and CalCPA related to how peer reviews are processed and evaluated.	Nov 9, May 5 PROC meetings
Ensure CalCPA is adhering to AICPA Peer Review Standards.	Attended CalCPA PRC meeting Jun 2 – 3
Ensure that peer reviewers are properly qualified.	Attended Jul 19 – 20 Peer Reviewer Training
Ensure that peer reviews are being accepted in a consistent manner.	Attended RAB meetings Feb 2, Jun 15, Jul 7, Jul 26
Perform random sampling of peer review reports.	

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

State of California
Department of Consumer Affairs

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

M e m o r a n d u m

PROC Agenda Item VI.B.
August 30, 2011

To : PROC Members

Date : August 16, 2011
Telephone: (916) 561-1731
Facsimile : (916) 263-3673
E-mail : rixta@cba.ca.gov

From : Rafael Ixta, Chief
Enforcement Division

Subject : Draft Oversight Checklist for Administrative Site Visit

The attached draft "Summary of Administrative Site Visit" has been prepared by staff for use during the PROC's annual administrative site visits of all Board-recognized peer review program providers.

The checklist draws on the minimum requirements for a peer review program as outlined in Title 16, California Code of Regulations, Section 48, to determine if the peer review program provider is administering peer reviews in accordance with the standards adopted by the California Board of Accountancy.

PROC members are invited to review the checklist and offer further suggestions and/or edits in order for the PROC to approve the checklist for use at the administrative site visit of the California Society of CPAs.

Staff will be available at the meeting to answer any questions you may have.

Attachment

CALIFORNIA BOARD OF ACCOUNTANCY

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
2000 EVERGREEN STREET, SUITE 250
SACRAMENTO, CA 95815-3832
TELEPHONE: (916) 263-3680
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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: _____

PROC Members Performing Visit:

_____

_____

1. List program staff interviewed as part of the oversight visits:			
Name:	Title:		
Peer Review Types	**Yes**	**No**	**N/A**
1. Does the Provider have a review designed to test a firm's system of quality control for firms performing engagements under SASs, SSAEs, or audits of non-SEC issuers performed pursuant to the standards of the PCAOB?			
2. Does the Provider have a review designed to test a cross-section of a firm's engagements to assess whether they were performed in conformity with applicable professional standards for firms performing engagements under SSARS or SSAEs not encompassed in #1 above?			
Comments:			

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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:			

Planning and Performing Peer Reviews	Yes	No	N/A
1. For system reviews, does the Provider have minimum guidelines and/or standards to ensure 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:			
a. Obtaining the results of a firm's prior peer review (if applicable)?			
b. Obtaining a sufficient understanding of the nature and extent of a firm's accounting and auditing practice?			
c. Obtaining a sufficient understanding of a firm's system of quality control and the manner in which the system is monitored by a firm?			
d. Selecting a representative cross-section of a firm's engagement?			
2. For engagement reviews, does the Provider have minimum guidelines and/or standards to ensure 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:			
a. Selecting 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?			
Comments:			

Plan of Administration and Accepting Peer Reviews	Yes	No	N/A
1. Does the Provider have the following:			
a. A Peer Review Committee?			
b. A Peer Review Subcommittee, if necessary?			
c. A knowledgeable staff for the operation of the program?			
2. Has the Provider established procedures/guidelines for:			
a. Ensuring that reviews are performed and reported in accordance with the program's established standards for performing and reporting on peer reviews?			
b. Communicating 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 provider?			
c. 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?			
d. Prescribing remedial or corrective actions designed to assure correction of the deficiencies identified in the firm's peer review report?			

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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:			

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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: ☐ Poor ☐ Adequate; needs improvement ☐ Very good ☐ Excellent
2. In what areas does the administrative staff need improvement or training?

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Summary (cont)
3. Were any specific issues identified and discussed?
4. Has the Provider demonstrated improvement from any prior oversight visit?
5. Does the Provider administer peer reviews in accordance with the standards adopted by the CBA? ☐ Meets Expectations ☐ Does Not Meet Expectations*
Comments:

* A rating of "Does Not Meet Expectations" requires a comment.

DRAFT

State of California
Department of Consumer Affairs

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

M e m o r a n d u m

PROC Agenda Item VII.
August 30, 2011

To : PROC Members

Date : August 12, 2011
Telephone: (916) 561-1731
Facsimile : (916) 263-3673
E-mail : rixta@cba.ca.gov

From : Rafael Ixta, Chief
Enforcement Division

Subject : Discussion Regarding PROC Assignments

The attached 2011 Year-at-a-Glance California Board of Accountancy Peer Review Oversight Committee (PROC) Calendar has been updated since the July 8, 2011 PROC meeting.

The calendar includes meetings that are currently scheduled for the following bodies:

- California Board of Accountancy (CBA)
- CBA Peer Review Oversight Committee
- American Institute of Certified Public Accountants' (AICPA) Peer Review Board
- California Society of Certified Public Accountants' (CalCPA) Report Acceptance Body
- CalCPA Peer Review Committee

This calendar is provided to assist you in assigning members to participate in meetings held by the AICPA and CalCPA.

Please bring your calendars to the meeting to facilitate the scheduling process.

Attachment

CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
PEER REVIEW OVERSIGHT COMMITTEE (PROC)
2011 MEETING DATES/LOCATIONS

(as of August 10, 2011)

JANUARY 2011

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

FEBRUARY 2011

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

MARCH 2011

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

APRIL 2011

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

MAY 2011

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

JUNE 2011

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

JULY 2011

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

AUGUST 2011

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

SEPTEMBER 2011

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

OCTOBER 2011

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 **PS**	21 **PS**	22
23	24	25	26	27 **NC**	28	29
30	31					

NOVEMBER 2011

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

DECEMBER 2011

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

10-day Meeting Notice Date

Deadline for Exec Surname

COMMITTEE/TASK FORCE

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

GENERAL LOCATION

NC-NORTHERN CALIFORNIA
SC-SOUTHERN CALIFORNIA
SJ-SAN JOSE
SD - SAN DIEGO
SM - SAN MATEO
ONT - ONTARIO
PS - PALM SPRINGS
SAC - SACRAMENTO
OAK - OAKLAND
LA - LOS ANGELES
SCar - SOUTH CAROLINA
FL-FLORIDA
T-TELECONFERENCE

ON SHADED DATES CBA OFFICE IS CLOSED
CBA MEETING
PROC MEETING
AICPA PRB MEETING
CalCPA RAB MEETING
CalCPA PRC MEETING
PEER REVIEWER CPE
NASBA PROC SUMMIT

8/23/2011