



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

**PROC MEETING
NOTICE & AGENDA**

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

**Tuesday, December 4, 2012
10:00 a.m. – 12:00 p.m.**

PROC Purpose Statement

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

- I. Roll Call and Call to Order (**Nancy J. Corrigan, Chair**).
- II. Report of the Committee Chair (**Nancy J. Corrigan**).
 - A. Approval of the October 19, 2012 PROC Minutes.
 - B. Report on the November 15-16, 2012 CBA Meeting.
 - C. Resolution for PROC Member Gary Bong.
 - D. Resolution for PROC Member Tze-Ki Lam.
- III. Report on PROC Activities (**Nancy J. Corrigan**).
 - A. Report on the November 15-16, 2012 California Society of Certified Public Accountants' (CalCPA) Peer Review Committee Meeting.
 - B. Scheduling of the 2013 Administrative Site Visit of CalCPA.
 - C. Assignment of Future PROC Activities.
- IV. Reports and Status of Peer Review Program (**Julie Morrow, CBA Staff**).
 - A. Updates on Peer Review Reporting Forms Received, Correspondence to Licensees, and Citations Issued to Licensees that Failed to Respond to CBA.
 - B. Status of PROC Roles and Responsibilities Activity Tracking.
- V. Report of the Enforcement Chief (**Rafael Ixta, Enforcement Chief**).
 - A. Development of the 2012 Annual Report to the CBA.
 - B. Discussion and Possible Action Regarding the National Association of State Boards of Accountancy's Compliance Assurance Committee's Response to the PROC's August 31, 2012 Letter Regarding Oversight of the National Peer Review Committee.

- VI. Future Agenda Items (**Julie Morrow**).
- VII. Public Comment for Items Not on the Agenda.
- VIII. Adjournment.

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

The meeting is accessible to individuals with physical disabilities. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Julie Morrow at (916) 561-1762, or by email at jmorrow@cba.ca.gov, or send a written request to the CBA office at 2000 Evergreen Street, Suite 250, Sacramento, CA 95815. Providing your request at least five (5) business days before the meeting will help to ensure availability of the requested accommodation.

For further information regarding this meeting, please contact:

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

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



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PROC Item II.A.
 December 4, 2012

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

**MINUTES OF THE
 OCTOBER 19, 2012
 PROC MEETING**

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

<u>PROC Members:</u>	<u>October 19, 2012</u>
Nancy Corrigan, Chair	9:30 a.m. – 11:30 a.m.
Robert Lee, Vice Chair	9:30 a.m. – 11:30 a.m.
Katherine Allanson	9:30 a.m. – 11:30 a.m.
Gary Bong	Absent
T. Ki Lam	9:30 a.m. – 11:30 a.m.
Sherry McCoy	9:30 a.m. – 11:30 a.m.
Seid M. Sadat	9:30 a.m. – 11:30 a.m.

Staff:

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

Other Participants:

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

I. Roll Call and Call to Order.

Nancy Corrigan, Chair, called the meeting of the Peer Review Oversight Committee (PROC) to order at 9:30 a.m.

II. Report of the Committee Chair.

A. Approval of August 24, 2012 Minutes.

Ms. Corrigan asked if members had any edits to the minutes of the August 24, 2012 PROC meeting. No changes were made.

It was motioned by Robert Lee, seconded by Seid Sadat, and unanimously carried by those present to adopt the minutes of the August 24, 2012 PROC meeting.

B. Report on the September 20-21, 2012 CBA Meeting.

Ms. Corrigan stated that her report to the CBA included an overview of the American Institute of Certified Public Accountants' (AICPA) Peer Review Board (PRB) meeting on October 9, 2012, the format and target submission date for the PROC's 2012 Annual Report, the approved letter sent to Janice Gray, Chair of the National Association of State Boards of Accountancy's (NASBA) Compliance Assurance Committee (CAC) regarding oversight of the National Peer Review Committee (NPRC), and the PROC's decision to hold four meetings in 2013.

III. Report on PROC Activities.

A. Report on the October 9, 2012 AICPA PRB meeting.

Ms. Corrigan advised members that the meeting date was originally October 11, 2012, but was changed to October 9, 2012. T. Ki Lam and Sherry McCoy participated in the teleconference. Ms. Lam indicated the meeting was about an hour and half long and that the materials were voluminous and very detailed. Ms. McCoy stated that the meeting included a discussion of the improved annual report, and the procedure manuals and the PRISM system being updated.

B. Scheduling of the 2013 Administrative Site Visit of CalCPA.

Ms. Corrigan advised members that they need to start planning the 2013 administrative site visit of CalCPA. She reminded members that 2012's administrative site visit was accomplished in two visits. She suggested that Ms. McCoy team with another PROC member for the upcoming visit. Ms. Lam volunteered to assist with the site visit.

Ms. McCoy requested that all members provide suggestions for ways to improve or streamline the site visit procedures.

Ms. Corrigan requested that the PROC revisit the possible dates and discuss members' recommendations for the 2013 site visit at the next PROC meeting.

C. Discussion Regarding CalCPA's Verification of Reviewer Qualifications.

Ms. Corrigan explained CalCPA's procedures for verifying peer reviewers' qualifications. She stated that as an approved peer reviewer, she was recently contacted by CalCPA and was asked to submit information including her resume and her last three years of continuing education for their review.

Linda McCrone stated that CalCPA reviews a third of the peer reviewers each year. In addition to requesting resumes and continuing education, CalCPA asks peer reviewers to state the type of work they are performing and then compares the reviewer's response to their resume on file and their firm's last scheduling form. The reviewer is then questioned about any discrepancies. AICPA requires that peer reviewers' qualifications are reviewed every three years.

Ms. Lam stated she was also asked to submit her resume to CalCPA earlier in the year.

Ms. Corrigan believes that PROC members being part of this process helps the PROC confirm that CalCPA is performing an appropriate review of peer reviewer qualifications.

D. Assignment of Future PROC Activities.

Ms. Corrigan made/confirmed the following assignments:

- November 15-16, 2012 CalCPA Peer Review Committee (PRC) Meeting – Katherine Allanson & Robert Lee
- December 11, 2012 CalCPA Report Acceptance Body (RAB) Meeting – T. Ki Lam
- January 25, 2013 AICPA (PRB) Meeting – Seid Sadat
- January 29, 2013 CalCPA RAB Meeting – Seid Sadat & Nancy Corrigan
- February 20, 2013 CalCPA RAB Meeting – T. Ki Lam & Kathy Allanson
- April 18, 2013 CalCPA RAB Meeting – Gary Bong

Linda McCrone will provide the 2013 dates for the CalCPA PRC meetings as soon as they become available.

Ms. Corrigan requested that staff research the location of the upcoming AICPA PRB meetings to determine if any will be held in California.

IV. Reports and Status of Peer Review Program.

A. Updates on Peer Review Reporting Forms Received, Correspondence to Licensees, and Citations Issued to Licensees that Failed to Respond to CBA.

April Freeman reported that as of October 4, 2012, over 48,000 peer review reporting forms have been submitted to the CBA. The reporting forms are categorized as follows:

License Ending In	Reporting Deadline	Peer Review Required	Peer Review Not Required	Not Applicable (Non-firms)	Total	Licensees Still Needing to Report
01-33	7/1/11	2,405	4,243	15,540	22,188	807
34-66	7/1/12	1,535	3,530	11,604	16,669	3,128
67-00	7/1/13	561	1,859	7,167	9,587	11,367
		4,501	9,632	34,311	48,444	15,302

Ms. Freeman advised members that approximately 4,200 deficiency letters were sent to the second group of licensees in early October 2012. These licensees were due to submit a Peer Review Reporting Form by July 1, 2012.

She added that staff also mailed approximately 360 letters to licensees from the first group who have licenses in a delinquent status. These licensees will have one more opportunity to submit the Peer Review Reporting Form before being issued a citation.

Ms. Freeman stated that of the 872 citations issued in February 2012, 721 have been closed. She also stated that all of the appeals have been processed.

B. Status of PROC Roles and Responsibilities Activity Tracking.

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

V. Discussion Regarding the Proposed Checklists for Peer Reviewers Training Courses and Peer Review Board Meetings.

Ms. Corrigan advised members that checklists have been developed for members to document oversight of peer reviewer training courses and peer review board meetings given by program providers. She asked members for feedback.

It was suggested that question #3 be removed from the peer reviewer training course checklist because it is redundant with question #8.

It was suggested that "Number of reports discussed at the meeting" be removed from the peer review board meeting checklist as peer review reports are not accepted at these types of meetings. Members also agreed the title and purpose statement should be revised to reflect both peer review committee and peer review board meetings.

Members agreed to begin using these draft checklists and adopt all of the draft checklists at some point in 2013.

VI. Report of the Enforcement Chief.

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

Rafael Ixta stated that staff prepared a draft of the PROC's 2012 Annual Report in underline/strikeout mode as requested by members. Members were also provided with a clean copy of the draft report for ease of reading.

Mr. Ixta went through each section of the report, summarizing the changes that were made and allowing members to suggest further revisions. Additional edits include providing a status and estimated completion date for the proposed regulatory changes, revising language to reflect that the PROC is willing to assist with the report to the Legislature, entering statistics as of December 31, 2012, updating information regarding voluntary survey comments, and including information regarding the necessity of future oversight of out-of-state societies.

Ms. McCrone called members' attention to a white paper and two exposure drafts issued by the AICPA regarding the preparation of nonattest services which may affect who is subject to peer review. At Ms. Corrigan's request, Seid Sadat and Katherine Allanson volunteered to review the documents to determine if this issue should be brought to the CBA's attention.

Members discussed the possibility of including the AICPA exposure drafts and the oversight of the National Peer Review Committee (NPRC) as future considerations.

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

Mr. Ixta reminded members that the PROC is tasked with reviewing applications for new peer review program providers and recommending approval to the CBA. As part of the application, the provider is required to show documentation that they meet the minimum requirements set forth in Title 16 California Code of Regulations, Section 48. He explained that the checklist was developed to assist the PROC in confirming that applicants meet the requirements. He asked members for feedback.

Robert Lee recommended that the subsections be indented for ease of reading. Mr. Ixta stated that the shading needs to be removed from the boxes for section (f)(1) allowing for an answer. Mr. Lee also recommended that a statement be added to the end that would indicate that the signatures of the Chair and Vice Chair represent adoption of the PROC's recommendation.

It was motioned by Robert Lee, seconded by Sherry McCoy, and unanimously carried by those present to adopt the Peer Review Program Provider Checklist as revised.

C. Discussion and Possible Action Regarding the NASBA's CAC Response to the PROC's August 31, 2012 Letter Regarding Oversight of the National Peer Review Committee (NPRC).

Mr. Ixta advised members that the response from the CAC was not received in time to provide copies to members, but an electronic copy was received via e-mail during the meeting just prior to this agenda item. He summarized the letter wherein the CAC agreed to submit copies of their second annual report and the third party reviewer report once they are completed. The letter also indicated that the requested statistics will be included in the annual report, and that the CAC does not keep a calendar of upcoming events. The CAC meets telephonically two to three times a year, and annually in person, usually in August. The letter went on to state that the CAC is exploring options for PROCs to observe CAC meetings.

Staff will make copies of the letter available for further discussion at the next PROC meeting.

D. Discussion of Options for Committee Members and the Public to Attend PROC Meetings Remotely.

Mr. Ixta explained that due to the length of PROC meetings, members have inquired about the ability to meet telephonically. He summarized the requirements for a telephonic meeting in accordance with the Bagley-Keene Open Meetings Act, including being audible to the public, each location being noticed and open to the public, all votes being taken by roll call, at least one member being present at each location, and having meeting materials available to the public.

Members discussed the possibility of holding future PROC meetings telephonically, but decided to have the next meeting in person to finalize the annual report. That meeting will be held in December in Sacramento.

Mr. Ixta reminded members that if they want to attend a meeting remotely, they need to give CBA staff thirty days notice.

VII. Future Agenda Items.

Future agenda items include:

- Discussion of dates and recommendations for the 2013 Administrative Site Visit of CalCPA
- Adoption of all draft checklists (2013)
- PROC 2012 Annual Report to CBA
- AICPA exposure drafts regarding nonattest services
- CAC's response letter

VIII. Public Comment for Items Not on the Agenda.

None

IX. Adjournment.

There being no further business, the meeting was adjourned at 11:30 a.m.

Nancy J. Corrigan, Chair

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



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PROC Item III.C.
December 4, 2012

Assignment of Future PROC Activities

Presented by: Nancy J. Corrigan, Peer Review Oversight Committee (PROC) Chair
Date: November 6, 2012

Purpose of the Item

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

Action(s) Needed

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

Background

None

Comments

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

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

Fiscal/Economic Impact Considerations

None

Recommendation

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

Attachment

1. 2013 Year-at-a-Glance CBA PROC Calendar, updated November 6, 2012.

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
PEER REVIEW OVERSIGHT COMMITTEE (PROC)
2013 Year-at-a-Glance Calendar**
(as of November 6, 2012)

JANUARY 2013

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

FEBRUARY 2013

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

MARCH 2013

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

APRIL 2013

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

MAY 2013

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

JUNE 2013

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

JULY 2013

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

AUGUST 2013

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

SEPTEMBER 2013

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

OCTOBER 2013

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

NOVEMBER 2013

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

DECEMBER 2013

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

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

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

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



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PROC Item IV.
 December 4, 2012

Reports and Status of Peer Review Program

Presented by: Julie Morrow, CBA Staff

Date: November 6, 2012

Purpose of the Item

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

Action(s) Needed

No specific action is needed.

Background

None

Comments

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

As of November 6, 2012, 50,274 peer review reporting forms have been submitted to the California Board of Accountancy (CBA). The reporting forms are categorized as follows:

License Ending In	Reporting Deadline	Peer Review Required	Peer Review Not Required	Not Applicable (Non-firms)	Total	Licensees Still Needing to Report
01-33	7/1/11	2,435	4,247	15,591	22,273	749
34-66	7/1/12	1,746	3,797	12,466	18,009	2,457
67-00	7/1/13	611	1,942	7,439	9,992	10,962
		4,792	9,986	35,496	50,274	14,168

Correspondence to Licensees

On October 18, 2012, enforcement staff sent 363 deficiency letters to licensees with licenses in a delinquent status who were required to submit a Peer Review Reporting Form by July 1, 2011, but have not yet done so.

Citations Issued to Licensees that Failed to Respond to CBA

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

As of November 6, 2012, the status of the citations is as follows:

Closed – Paid	494
Closed – Withdrawn	167
Closed – Payment Added to Renewal Fee	168
Appeal Affirmed – Waiting for Payment	5
Appealed – Pending Decision	0
Pending Administrative Hearing	38

B. Status of PROC Roles and Responsibilities Activity Tracking

The Roles and Responsibilities Activity Tracking chart has been updated to reflect 2012 activities that have been completed and scheduled (**Attachment 1**). A new chart has been developed to begin tracking 2013 activities (**Attachment 2**).

Fiscal/Economic Impact Considerations

None

Recommendation

None

Attachments

1. PROC Roles and Responsibilities Activity Tracking 2012, as of November 6, 2012.
2. PROC Roles and Responsibilities Activity Tracking 2013, as of November 6, 2012.

Peer Review Oversight Committee (PROC) Roles and Responsibilities

Activity Tracking – 2012

As of November 6, 2012

Activity*	Notes
<p>PROC MEETINGS</p> <ul style="list-style-type: none"> Conduct four one-day meetings. 	<ul style="list-style-type: none"> PROC Meetings Held: 2/10, 4/20, 6/15, 8/24, 10/19 PROC Meetings Scheduled: 12/4
<p>ADMINISTRATIVE SITE VISIT</p> <ul style="list-style-type: none"> Conduct, at a minimum, an annual administrative site visit of the peer review program provider. 	<ul style="list-style-type: none"> California Society of Certified Public Accountants (CalCPA) Administrative Site Visit: 2/16
<p>PEER REVIEW COMMITTEE MEETING</p> <ul style="list-style-type: none"> Attend all peer review program providers' Peer Review Committee (PRC) meetings. Perform, at a minimum, an annual review of peer review program providers' Peer Review Committees. Ensure peer review program provider is adhering to California Board of Accountancy (CBA) standards. 	<ul style="list-style-type: none"> Attended: American Institute of Certified Public Accountants (AICPA) Peer Review Board (PRB) Meetings 1/20, 5/8, 8/8, 10/9 Attended: CalCPA PRC Meeting 4/26 Scheduled: CalCPA PRC 11/15-16
<p>PEER REVIEW SUBCOMMITTEE MEETING</p> <ul style="list-style-type: none"> Attend at least four of each peer review program provider's peer review subcommittee meetings to observe the acceptance of peer review reports. Perform, at a minimum, four annual reviews of peer review program provider's peer review subcommittee meetings. Ensure that peer reviews are being accepted in a consistent manner. 	<ul style="list-style-type: none"> Attended: CalCPA Report Acceptance Body (RAB) Meetings 1/5, 1/24, 3/6, 5/17, 7/24, Scheduled: CalCPA RAB 12/11
<p>REVIEW SAMPLING OF PEER REVIEWS</p> <ul style="list-style-type: none"> Perform sampling of peer review reports. 	<ul style="list-style-type: none"> CalCPA Administrative Site Visit: 2/16
<p>PEER REVIEWER TRAINING</p> <ul style="list-style-type: none"> Ensure that peer reviewers are properly qualified. 	<ul style="list-style-type: none"> Attended: CalCPA Peer Reviewer Trainings 5/23, 6/27-28
<p>EVALUATION OF BOARD-RECOGNIZED PEER REVIEW PROGRAM PROVIDERS</p> <ul style="list-style-type: none"> Develop policies and procedures for reviewing and recommending approval to the CBA for new peer review providers. 	<ul style="list-style-type: none"> Pending receipt of application
<p>ANNUAL REPORT TO THE CALIFORNIA BOARD OF ACCOUNTANCY</p> <ul style="list-style-type: none"> Prepare an annual report to the CBA regarding the results of its independent oversight of the Peer Review program. 	<ul style="list-style-type: none"> Scheduled: March 2013

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

Peer Review Oversight Committee (PROC) Roles and Responsibilities
Activity Tracking – 2013
As of November 6, 2012

Activity*	Notes
PROC MEETINGS <ul style="list-style-type: none"> Conduct four one-day meetings. 	<ul style="list-style-type: none"> PROC Meetings Scheduled: 2/22, 6/21, 8/23, 11/1
ADMINISTRATIVE SITE VISIT <ul style="list-style-type: none"> Conduct, at a minimum, an annual administrative site visit of the peer review program provider. 	<ul style="list-style-type: none"> Not yet scheduled
PEER REVIEW COMMITTEE MEETING <ul style="list-style-type: none"> Attend all peer review program providers' Peer Review Committee (PRC) meetings. Perform, at a minimum, an annual review of peer review program providers' Peer Review Committees. Ensure peer review program provider is adhering to California Board of Accountancy (CBA) standards. 	<ul style="list-style-type: none"> Scheduled: American Institute of Certified Public Accountants (AICPA) Peer Review Board (PRB) Meetings 1/25
PEER REVIEW SUBCOMMITTEE MEETING <ul style="list-style-type: none"> Attend at least four of each peer review program provider's peer review subcommittee meetings to observe the acceptance of peer review reports. Perform, at a minimum, four annual reviews of peer review program provider's peer review subcommittee meetings. Ensure that peer reviews are being accepted in a consistent manner. 	<ul style="list-style-type: none"> Scheduled: CalCPA Report Acceptance Body (RAB) Meetings 1/29, 2/20, 4/18
REVIEW SAMPLING OF PEER REVIEWS <ul style="list-style-type: none"> Perform sampling of peer review reports. 	<ul style="list-style-type: none"> Not yet scheduled
PEER REVIEWER TRAINING <ul style="list-style-type: none"> Ensure that peer reviewers are properly qualified. 	<ul style="list-style-type: none"> Not yet scheduled
EVALUATION OF BOARD-RECOGNIZED PEER REVIEW PROGRAM PROVIDERS <ul style="list-style-type: none"> Develop policies and procedures for reviewing and recommending approval to the CBA for new peer review providers. 	<ul style="list-style-type: none"> Pending receipt of application
ANNUAL REPORT TO THE CALIFORNIA BOARD OF ACCOUNTANCY <ul style="list-style-type: none"> Prepare an annual report to the CBA regarding the results of its independent oversight of the Peer Review program. 	<ul style="list-style-type: none"> Not yet scheduled

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



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PROC Item V.A.
December 4, 2012

Development of the 2012 Annual Report to the CBA

Presented by: Rafael Ixta, Chief of Enforcement

Date: November 19, 2012

Purpose of the Item

The purpose of this item is to provide the Peer Review Oversight Committee (PROC) members with a draft of the 2012 Annual Report to the California Board of Accountancy (CBA).

Action(s) Needed

It is requested that the PROC review a draft 2012 Annual Report (**Attachment 1**) and provide edits to CBA staff.

Background

At its August 24, 2012 meeting, PROC members directed staff to make updates to the 2011 Annual Report and provide a version with track changes for review at the PROC's October 19, 2012 meeting. At the PROC's October 19, 2012 meeting, members made edits to the first draft of the report.

Comments

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

Fiscal/Economic Impact Considerations

None

Recommendations

None

Attachment

Draft 2012 PROC Annual Report to the CBA



CALIFORNIA BOARD OF ACCOUNTANCY
PEER REVIEW OVERSIGHT COMMITTEE
2012 Annual Report



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I. Message from the Committee Chair

It is with pleasure that I present the 2012 Annual Report of the Peer Review Oversight Committee (PROC) as our second report to the California Board of Accountancy (CBA). The PROC has continued to make significant progress in establishing a peer review oversight process, with the goal of making recommendations to the CBA to ensure the effectiveness of mandatory peer review.

During our second year as a committee, I reported our activities to you at each CBA meeting. During the past year, the PROC has further developed its knowledge with respect to the administration of the peer review process, the various bodies involved with the process, including the program provider and administering entities, and its roles and responsibilities related thereto as a committee.

In 2012, members provided oversight at fifteen peer review events, including peer review board and committee meetings, report acceptance body meetings, peer reviewer training courses sponsored by the program provider, and performed an administrative site visit of the program provider's administering entity. In performing these oversight activities, we used checklists and other materials developed during our first year, along with checklists more recently adopted, that document our oversight procedures. Our goal is to continue to improve upon these processes going forward. All oversight activities were performed under the revised roles and responsibilities for the PROC pursuant to Section 5076.1 of the Business and Professions Code.

During 2012, the PROC also arranged for presentations by the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy's (NASBA) Compliance Assurance Committee (CAC). These presentations assisted the PROC in understanding the extent of the AICPA and the CAC's processes for oversight of the NPRC. Once the PROC completes gathering information, it will make a determination on the best way to provide oversight of the California firms who peer review with the NPRC. We anticipate having an oversight process in place in 2013.

With the majority of our learning curve behind us, the PROC was able to concentrate on more oversight activities during 2012. Additionally, this enabled the PROC to reduce the number of committee meetings from six in 2012 to four in 2013.

To further strengthen the infrastructure of the PROC and allow for succession planning, the PROC appointed a Vice Chair position, rotated out two members as of December 31, 2012, and will be appointing two new members in early 2013. The staggered terms will enable the committee to maintain continuity of knowledge of peer review oversight activities into the future.

In closing, I want to thank the CBA members for their direction in supporting the PROC and its accomplishments in its second year. I also want to thank the PROC members for their continuing contributions to our Committee and our many accomplishments. I further appreciate the working relationship and continued support from the CBA staff in assisting the PROC with accomplishing its goals.

Nancy J. Corrigan, CPA
Committee Chair

II. Background

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

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

III. PROC Responsibilities

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

The CBA, at its July 26, 2012 meeting, adopted the following revised roles and responsibilities for the PROC:

- Hold meetings as necessary in order to conduct business and report to the CBA regarding the effectiveness of mandatory peer review.
- Ensure that Board-recognized peer review program providers (Provider) administer peer reviews in accordance with the standards set forth in Title 16, California Code of Regulations Section 48:
 - Conduct an annual administrative site visit.
 - Attend peer review board meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Attend peer review committee meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Attend meetings conducted for the purposes of accepting peer review reports, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Conduct reviews of peer review reports on a sample basis.
 - Attend, on a regular basis, peer reviewer training courses.
- Evaluate any *Application to Become A Board-recognized Peer Review Provider* and recommend approval or denial to the CBA.
- Refer to the CBA any Provider that fails to respond to any request.
- Collect and analyze statistical monitoring and reporting data from each Provider on an annual basis.
- Prepare an Annual Report to the CBA regarding the results of its oversight.

IV. Committee Members

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

<u>Current members:</u>	<u>Term Expiration Date:</u>
Nancy Corrigan, CPA, Chair	May 24, 2013
Robert Lee, CPA, Vice Chair	May 24, 2013
Katherine Allanson, CPA	May 24, 2013
Gary Bong, CPA	December 31, 2012
T. Ki Lam, CPA	December 31, 2012
Sherry McCoy, CPA	May 24, 2013
Seid Sadat, CPA	May 24, 2013

V. Legislation and Regulations

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

The rulemaking package is currently moving through the approval process. It is anticipated that the regulations will be approved by the Office of Administrative Law in June or July of 2013 and would become effective on January 1, 2014.

VI. Reporting Requirements

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

- The number of peer review reports completed to date and the number of substandard peer review reports which were submitted to the board.
- The number of enforcement actions that were initiated as a result of an investigation of a failed peer review report.
- The number of firms that were recommended to take corrective actions to improve their practice through the mandatory peer review process, and the number of firms that took corrective actions to improve their practice following recommendations resulting from the mandatory peer review process.
- The extent to which mandatory peer review of accounting firms enhances consumer protection.
- The cost impact on firms undergoing mandatory peer review and the cost impact of mandatory peer review on the firm's clients.
- A recommendation as to whether the mandatory peer review program should continue.

- The extent to which mandatory peer review of small firms or sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting enhances consumer protection.
- The impact of peer review required by this section on small firms and sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting.
- The impact of peer review required by this section on small businesses, nonprofit corporations, and other entities that utilize small firms or sole practitioners for the purposes of nondisclosure compiled financial statements prepared on an other comprehensive basis of accounting.
- A recommendation as to whether the preparation of nondisclosure compiled financial statements on an other comprehensive basis of accounting should continue to be a part of the mandatory peer review program.

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

VII. Statistics

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

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

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

Peer Review Reporting Forms Received by the CBA*						
License Ends In	Reporting Date	Firms Requiring Peer Review	Firms Not Requiring Peer Review	Licensees Not Operating as a Firm	Total	Licensees That Have Not Reported
01-33	July 1, 2011					
34-66	July 1, 2012					
67-00	July 1, 2013					
Total						

* Data as of December 31, 2012.

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

Type of Review	Peer Review Reports Accepted by the CalCPA*		
	2011	2012	Total
System	406	520	926
Engagement	870	1,020	1,890
Total	1,276	1,540	2,816

*Data received from CalCPA as of August 2012.

VIII. Peer Review Voluntary Survey

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

For the purpose of analysis, preliminary survey results (**Appendix A**) were divided into two groups: (1) firms that have not undergone a peer review in the past, and (2) firms that have previously been peer reviewed. Although not all licensees answered all the survey questions, between 1,817 and 2,030 responses were received for each question. In general, the results revealed:

- **CORRECTIVE ACTION ORDERED**
Less than 20 percent of the firms were required to take corrective action, with the most common action being continuing professional education.
- **VOLUNTARY ACTION TAKEN**
Approximately half of the firms responding made voluntary changes to improve their processes.
- **FEES**
Fewer than 10 percent of the firms increased fees to offset the cost of undergoing a peer review. The average increase for firms that raised fees was 12 percent.
- **OTHER COMPREHENSIVE BASIS OF ACCOUNTING (OCBOA)**
A large majority of the firms have workload consisting of 25 percent or less OCBOA engagements.
- **IMPROVED SERVICES**
Approximately 70 percent of the firms believe that undergoing a peer review has helped improve service to clients.
- **CLIENT NOTIFICATION**
Fifty percent of the firms intend to notify clients that they have undergone a peer review.
- **MARKETING**
Thirty percent of the firms will use peer review as a marketing tool.
- **CESSATION OF SERVICES:**
Nine percent of the firms will cease providing accounting and auditing services to eliminate the need for a future peer review.

Of the 342 general comments received as part of the survey, 103 were supportive of mandatory peer review whereas 199 were not supportive.

IX. Board-recognized Peer Review Program Providers

a. American Institute of CPAs (AICPA)

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

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

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

i. California Society of CPAs (CalCPA)

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

ii. National Peer Review Committee (NPRC)

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

iii. Other State Societies

California-licensed accountancy firms with their main office located in another state are required to have their peer review administered by AICPA's administering entity for that state. In most cases, the administering entity is the state society in that state.

X. Activities and Accomplishments

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

a. Administrative Functions

i. Committee Meetings

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

The PROC held six meetings as follows:

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

The PROC Chair attended 4 CBA meetings to report on PROC activities. In her absence, the Enforcement Chief reported on PROC activities.

ii. PROC Procedures Manual

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

iii. Oversight Checklists

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

The following two checklists were created to track oversight activities:

- Summary of Peer Reviewer Training Course (**Appendix B**)
- Summary of Peer Review Board Meeting (**Appendix C**)

Checklists previously developed include:

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

The checklists are part of the PROC Procedures Manual. Additional checklists will be developed if deemed necessary.

iv. Appointment of PROC Vice Chair

At the request of the CBA, the PROC established a Vice Chair position to address concerns regarding succession planning. Robert Lee, CPA, was appointed Vice Chair by the CBA.

v. Approval of Board-recognized Peer Review Program Providers

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

The PROC created a checklist to evaluate applications (**Appendix D**).

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

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

b. Program Oversight

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

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

i. AICPA

A. AICPA Peer Review Board

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

- January 20, 2012
- May 8, 2012
- August 8, 2012
- October 9, 2012

ii. CalCPA

A. Peer Review Committee

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

Two PROC members attended each of the following PRC meetings:

- April 26, 2012 – San Mateo
- November 15-16, 2012 – Yountville

B. Report Acceptance Body

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

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

- January 5, 2012
- January 24, 2012
- March 6, 2012
- May 17, 2012
- July 24, 2012
- December 11, 2012

C. Administrative Site Visit

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

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

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

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

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

D. Sample Reviews

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

E. Peer Reviewer Training

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

The CalCPA Education Foundation offers two peer reviewer trainings per year. A two-day course for new peer reviewers and a one-day refresher course are each offered once a year. PROC members attended the one-day training course *AICPA's Advanced Workshop: Practical Guidance for Peer Reviewers* on May 23, 2012, and the two-day training course *How to Conduct a Review Under the AICPA Practice-Monitoring Program* on June 27-28, 2012.

iii. NPRC

A. Annual Monitoring Report

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

B. AICPA Presentation

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

C. CAC Presentation

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

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

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

IV. Other State Societies

The PROC is aware that California-licensed firms are having their peer reviews performed by AICPA administering entities other than CalCPA and NPRC, and will be exploring options for monitoring and ensuring these administering entities are given sufficient oversight.

XI. Findings

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

AICPA

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

CalCPA

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

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

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

NPRC

In 2012, PROC members began researching and developing an understanding of the NPRC, including the oversight provided by AICPA and NASBA's CAC. The PROC will continue to research oversight of the NPRC and development of an oversight plan in 2013.

XII. Conclusions

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



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PROC Item V.B.
December 4, 2012

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

Presented by: Rafael Ixta, Enforcement Chief
Date: November 7, 2012

Purpose of the Item

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

Action(s) Needed

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

Background

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

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

Comments

On October 18, 2012, the California Board of Accountancy (CBA) received a written response from the CAC (**Attachment 2**). In summary, the CAC agreed to provide the PROC with a copy of its second Annual Oversight Report, the Annual Oversight Report on the AICPA Peer Review Program, the Annual Oversight Report on the AICPA Peer Review Program National Peer Review Committee (NPRC), and the third party administrative report for NPRC. The CAC is also exploring options for allowing PROC members to observe CAC meetings.

Fiscal/Economic Impact Considerations

None

Recommendation

None

Attachments

1. PROC Letter to CAC, dated August 31, 2012
2. CAC Letter to PROC, dated October 18, 2012



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August 31, 2012

Attachment 1

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

Dear Ms. Gray:

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

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

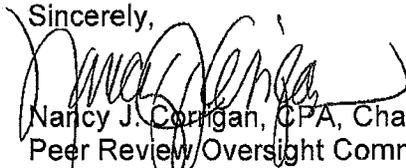
In order for the PROC to further understand the CAC's oversight process of the NPRC and in order for the PROC to make an informed decision on how best to provide oversight of the NPRC, the PROC is requesting the following information:

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

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

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

Sincerely,


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

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