CALIFORNIA BOARD OF ACCOUNTANCY

Information and Overview of the CBA Peer Review Program

Peer Review Report

January 1, 2015

TABLE OF CONTENTS

INTRODUCTION 1

HISTORY AND IMPLEMENTATION OF PEER REVIEW 3

THE MANDATORY PEER REVIEW PROGRAM 5

- THE PROGRAM AND THE PROCESS 5
- RATINGS 6
- ACCEPTANCE OF THE PEER REVIEW REPORT 7
- REPORTING PEER REVIEW INFORMATION TO THE CBA 8

PEER REVIEW OVERSIGHT COMMITTEE 11

DATA COLLECTED IN COMPLIANCE WITH BPC SECTION 5076(M)(1)* 13

CONCLUSION 21

APPENDICES

1. PEER REVIEW LAWS AND REGULATIONS 23
2. PROC ANNUAL REPORTS TO THE CBA 39
3. PEER REVIEW REPORTING FORM AND OPTIONAL SURVEY 201

* Data corrected on pages 13, 14 & 16 – March 5, 2015

INTRODUCTION

In 2010, the California Board of Accountancy (CBA) implemented mandatory peer review as a part of its commitment to consumer protection. Peer review is consistent with the CBA's responsibility to protect the public by ensuring that appropriate standards of competency and practice, including ethics, objectivity, and independence, are established and enforced.

The CBA believes that the data in this report supports that the mandatory peer review program is leading to improvements in the services that firms are providing to their clients. These improved services, as a result of a better understanding and conformity with professional standards, lead to greater consumer protection.

Peer review is a study, appraisal, or review of the accounting and auditing work of a firm[1] by a licensed CPA who is unaffiliated with the firm being reviewed, and is done in accordance with applicable professional standards. The goal of peer review is to promote quality in the accounting and auditing services provided by a firm, and to ensure that licensees are adhering to professional standards, thereby enhancing the products received by consumers.

Firms can be corporations, partnerships (general or limited liability), or sole proprietors. In an ever-changing financial climate, a peer review can give consumers an extra measure of assurance, knowing the firm they hire has successfully completed a peer review and meets the standards of the profession. To ensure the efficacy of the program, the CBA appointed a Peer Review Oversight Committee made up of CPAs experienced with the peer review process.

Consumer protection is increased in two crucial areas through peer review. First, the peer review requirement helps to monitor and educate firms to promote quality in the accounting and auditing services they provide. This goal serves the public interest and protects the consumer through an increase in the quality of the product provided to clients. Secondly, the CBA has the authority to pursue enforcement actions against firms receiving substandard peer reviews. This consumer protection mechanism provides assurance that only qualified licensees are practicing public accounting and providing services to consumers in California. Consumer confidence increases from knowing firms must answer to verifiable standards.

Firms performing accounting and auditing services are required to undergo a peer review performed by a Board-approved peer review provider and to report the results of the peer review to the CBA. Data was collected on the Peer Review Program from its effective date through the three-year phase-in from January 1, 2010 to December 31, 2013. The data provided in this report, as required by the Legislature in California Business and Professions Code (BPC) section 5076(m)(1) with specific information as required in subsections (A)-(J), will show that the peer review requirement is consistent

[1] "Firm" means a sole proprietorship, a corporation, or a partnership.

with the CBA's mission to protect the public by ensuring only qualified persons and firms are licensed to practice public accountancy.

History and Implementation of Peer Review

Seven years prior to peer review becoming law, the CBA formed a task force to evaluate mandatory peer review in California. Task force discussions and deliberations occurred in a public forum, with extensive input from members of the public, professional groups, and consumer protection advocates.

Following these deliberations, the CBA sponsored AB 138 (Hayashi) in 2009. This was the legislation that created mandatory peer review. Its provisions were drawn from the previous seven years of study on the subject that were performed by the CBA. AB 138 was signed into law by the Governor in October, 2009, and the emergency regulations authorized by the bill were in place on January 1, 2010.

AB 138 called for a report on the effect of mandatory peer review on certain small firms (defined in BPC section 5000 as firms with no more than four licensees as partners, owners, or full-time employees) and their clients that would be due to the Legislature in 2013. It also placed a sunset date on the program of January 1, 2014.

The implementing regulations called for a three-year phase-in period in order to spread the peer review workload evenly both for CBA staff and those performing the peer reviews. The first group of licensees were required to report by July 1, 2011, the second group by July 1, 2012, and the final group by July 1, 2013.

As less than half of the CBA's licensees would have undergone the process by the time the report to the Legislature would need to be written, during the 2011 sunset review process the CBA sought an extension of the reporting deadline and sunset date of the program. SB 543 (Steinberg) of 2011 removed the sunset provisions, expanded the elements of the report, and extended the reporting deadline to January 1, 2015. This report is submitted in order to comply with SB 543. The current peer review laws and regulations can be found in Appendix 1.

THE MANDATORY PEER REVIEW PROGRAM

Peer review is a study, appraisal, or review of the accounting and auditing work of a firm by a licensed CPA who is unaffiliated with the firm being reviewed, and is done in accordance with applicable professional standards. The goal of peer review is to promote quality in the accounting and auditing services provided by a firm, and to ensure that licensees are adhering to professional standards, thereby enhancing the products received by consumers.

The CBA only approves peer review providers that meet the stringent requirements of Division 1, Title 16, California Code of Regulations (CBA Regulations) section 48. These include, but are not limited to, the following:

- a rating system that will indicate substandard peer reviews
- qualifications for those who perform peer reviews
- specific guidelines for planning and performing peer reviews
- guidelines for the acceptance of peer review reports
- requiring that a peer review provider cooperate and provide certain documents to the CBA and PROC upon request.

At this time, the CBA only recognizes the American Institute of Certified Public Accountants (AICPA) as an approved peer review program provider.[2] The AICPA oversees the program and the review is administered by an entity, typically a state CPA society, approved by the AICPA to perform that role. The California Society of CPAs (CalCPA) is the largest administrating entity of the AICPA peer review program in California. CalCPA administers the program in California, Arizona, and Alaska.

The AICPA also administers peer reviews through the National Peer Review Committee (NPRC) 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. However, the peer review only covers non-public work. The PCAOB reviews the work of public companies under the standards issued by the PCAOB.

THE PROGRAM AND THE PROCESS

As a condition of active status license renewal with the CBA, a firm must undergo a peer review if it has provided an accounting or auditing service during the preceding three years. In order to undergo a peer review, the firm must be enrolled with a Board-recognized peer review program provider.

During the three-year phase-in period, many firms, which were already enrolled with the peer review program as required by AICPA membership, were able to fulfill the reporting requirement by reporting the results of a peer review completed within the

[2] In its regulations, the CBA allows for other peer review program providers that meet certain criteria.

previous three years. For remaining firms that were new to the process, they were required to enroll in the peer review program.

After enrolling in the program, the firm selects a peer reviewer. The firm then completes a scheduling form, providing information on its accounting and auditing practice and the identity of the selected peer reviewer, and submits it to the administering entity for approval. Once the administering entity approves the peer reviewer, the peer review is scheduled. All peer reviewers must meet stringent qualifications established by the AICPA. Every three years, the administering entity (e.g. CalCPA) reviews the qualifications of the peer reviewers.

There are two types of peer reviews: System Reviews and Engagement Reviews. Firms that perform audits as their highest level of service undergo a System Review. The scope of a System Review is to test a firm's system of quality control and provide the peer reviewer with a reasonable assurance that the firm's system of quality control was designed in accordance with professional standards and complied with by the firm's personnel.

Firms that perform compilations or reviews as their highest level of service undergo an Engagement Review. During an Engagement Review, a peer reviewer looks at a cross-section of a firm's engagements to assess whether the engagements were performed in conformity with professional standards.

RATINGS

Peer review reports are given a rating of either pass, pass with deficiencies, or substandard.[3] The ratings mean different things depending on whether they are given in a System Review or an Engagement Review.

In a System Review, the ratings have the following meanings:

Pass – A peer review report indicating that a peer reviewer or peer review team concluded that a firm's system of quality control was suitably designed and complied with by the firm's personnel, which provides the firm with reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.

Pass with Deficiencies – A peer review report indicating that a peer reviewer or peer review team concluded that a firm's system of quality control was suitably designed and complied with by the firm's personnel with the exception of a certain deficiency or deficiencies that are described in the report. The deficiencies are such that the firm's design of or compliance with its system could create a situation in which the firm would have less than reasonable assurance of performing and/or reporting on engagements in conformity with applicable professional standards.

[3] The term "fail" is used by the AICPA Peer Review Program. CBA Regulations use the term "substandard." This report will use the term "substandard" in lieu of "fail."

Substandard – A peer review report indicating that a peer reviewer or peer review team concluded that a firm's system of quality control is not suitably designed or complied with by the firm's personnel, and thus, does not provide the firm with reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.

In an Engagement Review, the ratings have the following meanings:

Pass – A peer review report indicating that a peer reviewer or peer review team concluded that there was no evidence which would cause the peer reviewer to believe that the engagements performed by the firm were not performed in conformity with applicable professional standards.

Pass with Deficiencies – A peer review report indicating that a peer reviewer or peer review team concluded that, with the exception of a certain deficiency or deficiencies, nothing would cause the peer reviewer to believe that the engagements performed by the firm and submitted for review were not performed in conformity with applicable professional standards. The deficiencies identified were such that the peer reviewer concluded they were material to the understanding of the report or financial statements or represented omission of critical procedures required by applicable professional standards.

Substandard – A peer review report indicating that a peer reviewer or peer review team concluded that the engagements reviewed were not performed and/or reported on in conformity with applicable professional standards. In issuing such report, the peer reviewer shall assess both the significance of the deficiencies identified and the pervasiveness of the deficiencies.

Acceptance of the Peer Review Report

The CBA requires that peer review administering entities appoint a peer review committee to oversee the administration, acceptance, and completion of peer reviews. The committee may decide to delegate a portion of the report acceptance function to report acceptance bodies (RABs). Members of the committee and the RABs must meet minimum qualification requirements as established by the CBA.

Once the peer review is complete, the peer reviewer prepares a report and submits it to the administering entity for technical review and acceptance by a RAB. First, the report is reviewed by a CPA with the administering entity who notes any technical issues to determine if revisions to the report are needed. When the revisions are received, the CPA reviews the report one more time, and then the report is assigned to the RAB. The RAB reviews the report and all supporting documentation, including the firm’s response if the report identified deficiencies or was substandard. The RAB then decides whether to accept the review as presented or if further changes need to be made.

Once the RAB accepts the peer review report, the firm is required to report its peer review results to the CBA. The administering entity is required to submit all substandard peer review reports to the CBA within 60 days.

REPORTING PEER REVIEW INFORMATION TO THE CBA

CBA Regulations sections 45, 46, and 48.3 require the reporting of certain peer review information to the CBA. These reporting requirements apply to CBA licensees and Board-recognized peer review program providers.

CBA Regulations section 45 outlines the reporting requirements for all CBA licensees. All licensees are required to submit to the CBA a Peer Review Reporting Form. The form ascertains whether the licensee operates as a firm, whether the firm performed any accounting or auditing work that would require a peer review, and the results of that peer review.

During the three-year phase-in period, licensees were divided into three groups based on the last two digits of their license number and assigned a specific reporting date. Those with the last two digits being 01-33 were to report by July 1, 2011; those with 34-66 by July 1, 2012; and those with 67-00 by July 1, 2013. Reporting was done primarily through the CBA's online reporting system.

Beginning January 1, 2014, the reporting date was changed to coincide with the expiration date of the license. The Peer Review Reporting Form is now included in the licensee renewal application.

CBA Regulations section 46 outlines the document submission requirements for firms that undergo a peer review. Firms that receive a substandard peer review are required to submit a copy of the peer review report to the CBA, along with any prescribed corrective actions and documentation of steps taken to complete the corrective actions, within 45 days of the report being accepted by the Board-recognized peer review program providers. This section also requires firms that receive peer review results of pass or pass with deficiencies to submit similar information when requested by the CBA.

CBA Regulations section 48.3 outlines the peer review program provider reporting responsibilities. A provider is required to make available anything the CBA may need in order to satisfy itself of the integrity of the peer review program. This includes anything from standards, to qualifications of peer reviewers, to guidelines, to statistical data the provider may possess. The provider is also required to provide the name of any California-licensed firm that is expelled from the peer review program, and the reason for the expulsion and must do so within 30 days. In addition, the provider is required to submit a copy of all substandard peer review reports within 60 days following acceptance of the peer review report.

Since the beginning of the peer review reporting period, the CBA has instituted proactive measures to ensure that accounting firms, including sole proprietors, are properly reporting and, if necessary, undergoing peer review. Below are the various measures the CBA has performed.

- During the initial peer review reporting phase-in period (July 1, 2011 – July 1, 2013), the CBA randomly audited accounting firms and individual licensees who indicated that they did not perform services that required a peer review to determine if, in fact, they were subject to successfully completing a peer review.

- In addition, as part of every investigation, regardless of the nature of the complaint, the CBA performs a peer review-related compliance check to ensure peer review was properly reported or if any discrepancies exists.

- Since the peer review reporting requirement transitioned to license renewal, the CBA reviews the application of sole proprietors who indicate that they are not subject to peer review to assess whether they noted they were subject to the accounting and auditing continuing education requirement, which may indicate that they were required to complete a peer review. These matters are referred to the CBA Enforcement Division for further investigation.

Some of the tools the CBA uses to assess whether discrepancies exist include reviewing websites to determine if the accounting firm or sole proprietor is advertising services that would require a peer review and requesting invoices for a certain time period to see if the accounting firm or sole proprietor billed for any accounting and auditing services. In instances where inconsistencies exist, the CBA performs additional investigations.

As a result of these proactive steps and subsequent investigations, the CBA has taken enforcement actions, including referring matters to the Office of the Attorney General for consideration, where there was a finding of failing to properly report or undergo a peer review.

PEER REVIEW OVERSIGHT COMMITTEE

The Legislature established the Peer Review Oversight Committee (PROC) to assure the efficacy and standards of the Peer Review Program. By providing this assurance, the PROC itself is a vital part of the consumer protection role of the Peer Review Program.

The PROC derives its authority from BPC section 5076.1. The PROC is comprised of up to 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 adopted the following roles and responsibilities for the PROC:

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

The PROC originally met six to seven times per year as the program was being established, but currently meets four times per year. These extra meetings in the beginning were necessary for the PROC to establish its policies and procedures, developing the program and how it would execute its duties, and familiarizing itself with the AICPA Peer Review Program as the peer review provider approved by the CBA.

Since the launch of the PROC in November 2010, in addition to 20 public meetings held throughout California, PROC members attended various meetings, in person and via teleconference, providing oversight of the peer review program provider and its administering entities. These additional meetings included 20 RAB meetings, seven meetings of the CalCPA Peer Review Committee, and 14 meetings of the AICPA Peer Review Board. PROC members also attended six peer reviewer training courses and conducted three administrative site visits to the offices of CalCPA. The PROC will continue to attend such meetings to ensure that the peer review program provider continues to meet the high standards of consumer protection established by the CBA.

The PROC is one of nation's most active peer review committees, providing national leadership through its provision of assistance and resources to National Association of State Boards of Accountancy's (NASBA) Compliance Assurance Committee (CAC) as part of the CAC's efforts to establish PROCs in other states.

One of the PROC's major accomplishments was developing checklists to monitor and document oversight activities. These checklists have received praise from NASBA and are being used as templates to create and improve oversight materials nation-wide. The PROC was also successful in working with NASBA's CAC to provide an appropriate level of oversight to the NPRC, including allowing state PROCs, including California's PROC, to participate in conference calls during which the CAC discusses many important topics.

Each year, the PROC presents its Annual Report to the CBA. These reports include information on various activities and accomplishments, information on the oversight functions it performs, and various statistical information. The reports for 2011, 2012, and 2013, can be found in Appendix 2.

Based on its oversight activities, the PROC has found the AICPA Peer Review Program and its administering entities, specifically CalCPA and NPRC, function effectively. Since the inception of mandatory peer review, the PROC has recommended that the CBA continue recognizing the AICPA as a peer review program provider.

DATA COLLECTED IN COMPLIANCE WITH BPC SECTION 5076(M)(1)

In order to gather the requested information, the CBA relied on three sources of information: the Peer Review Reporting Form, an optional survey, and CalCPA as the largest administering entity for the AICPA Peer Review Program. Firms that were subject to peer review reported their information on a Peer Review Reporting Form and an optional survey, which can be found in Appendix 3.

The optional survey created by the CBA that accompanied the Peer Review Reporting Form was only available to those firms that indicated that they were required to undergo a peer review. As it was an optional survey, it was not completed by every firm, and those that filled it out, did not answer every question. There were ~~3,737~~ 2,850 surveys submitted out of 6,854 completed peer reviews. This sample size affords a solid basis for the conclusions reached in this report.

In an effort to clearly identify the results required by BPC section 5076, in the following pages, the specific requirements in the law will be in highlighted with the required data following each one.

The number of peer review reports completed[5] to date.
(BPC section 5076(m)(1)(A))

Since the inception of mandatory peer review, 6,854 peer reviews have been completed by California-licensed firms.

Year	Peer Review Reports Accepted
2010	1,043
2011	1,789
2012	1,906
2013	2,116
Total	6,854

The number of reports which were submitted to the board as required in subdivision (e).[6] (BPC section 5076(m)(1)(A))

The CBA received 560 substandard peer review reports for calendar year 2010 through 2013.

[5] The AICPA Peer Review Program uses the term "accepted" when referring to a peer review that has been completed and approved by the administering entity.
[6] A firm issued a substandard peer review report is required to submit a copy of that report to the CBA.

Year	Peer Review Reports Accepted	Firms Receiving Substandard Reports	Percentage of Substandard Reports
2010	1,043	16	1.5%
2011	1,789	161	9.0%
2012	1,906	212	11.1%
2013	2,116	171	8.1%
TOTAL	6,854	560	8.2%

As the first mandatory reporting date was July 1, 2011, the majority of those who reported peer review results in 2010 were firms that were already undergoing peer review on a voluntary basis that had completed a peer review within the previous three years.

A similar trend can be observed with the data on pass with deficiencies as seen in the following table.

Year	Peer Review Reports Accepted	Firms Receiving Pass with Deficiencies	Percentage of Pass with Deficiencies Reports
2010	1,043	87	8.3%
2011	1,789	307	17.2%
2012	1,906	395	20.7%
2013	2,116	312	14.7%
TOTAL	6,854	1101	~~9.0~~16.0%

This trend can be credited to the educational benefits of peer review. Those who have gone through a peer review have learned from the process and tend to perform better in subsequent reviews.

The following table, based on the voluntary survey, further demonstrates this point. It demonstrates the difference between those who complete a peer review for the first time when compared to those who have previously completed a peer review.

	First Time Peer Review		**Not the First Peer Review**	
	Number	Percentage	Number	Percentage
Pass	634	70%	1717	89%
Pass with Deficiencies	188	21%	187	10%
Substandard	83	9%	26	1%

The number of enforcement actions that were initiated as a result of an investigation conducted pursuant to subdivision (i). (BPC section 5076(m)(1)(B))

The CBA has initiated investigations on all 560 firms that received a substandard rating on their peer review report. During the course of the investigation, an Investigative Certified Public Accountant reviews the substandard peer review report to determine if there are significant departures from professional standards to warrant enforcement action by the CBA. Enforcement action may include additional continuing education courses, citation and fine, or referring the matter to the Office of the Attorney General for the filing of an Accusation. The CBA also confirms that the firm has completed any corrective action that was ordered by the administering entity and that the administering entity has accepted the corrective action.

These investigations have lead to 30 cases where there were significant departures from professional standards that warranted further investigation. These 30 investigations are currently ongoing as the scope of inquiry has expanded beyond just the peer review report to cover these firms' entire practices as well.

Finally, as the mandatory peer review reporting enters its second cycle, the CBA will consider it an aggravating factor when firms receive a second consecutive substandard peer review.

The number of firms that were recommended[6] 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.
(BPC section 5076(m)(1)(C))

Since the inception of mandatory peer review, 1,395 firms were recommended to take corrective actions by the administering entity.

The corrective actions recommended by the administering entity are typically educational in nature with the vast majority of corrective actions being the assignment of additional continuing education.

[6] In accordance with the AICPA Peer Review Program Handbook, it is expected that a firm will complete corrective actions in a timely manner. Therefore, the CBA considers all corrective actions to be required, not recommended.

Year	Peer Review Reports Accepted	Number of Firms with Corrective Actions Ordered	Percentage of Corrective Actions Ordered
2010	1,043	81	7.8%
2011	1,789	374	20.9%
2012	1,906	513	26.9%
2013	2,116	427	20.2%
Total	6,854	1,395	20.2%

The CBA has received notification that four firms did not complete the required corrective actions. Firms that do not complete the corrective action as prescribed by the administering entity are terminated from the AICPA Peer Review Program and are reported to the CBA. Such notices are referred to the CBA Enforcement Division for investigation.

The extent to which mandatory peer review of accounting firms enhances consumer protection. (BPC section 5076(m)(1)(D))

California's mandatory peer review of firms has enhanced consumer protection in two crucial areas.

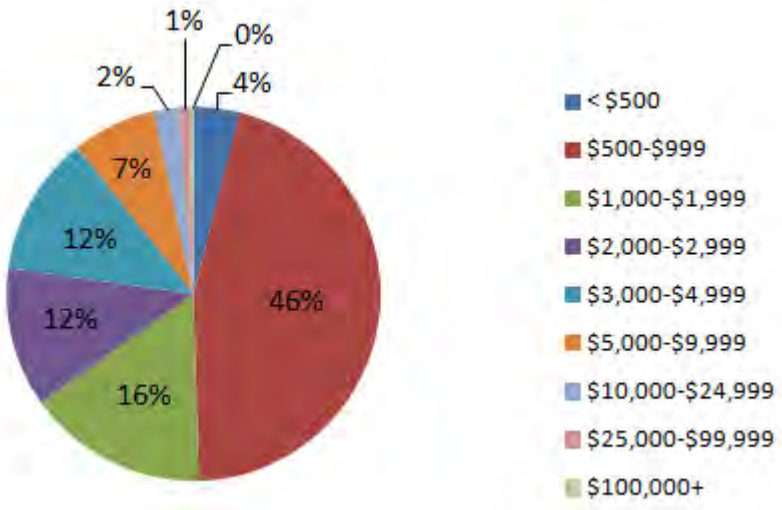
First, the peer review requirement helps to educate firms by testing their accounting and auditing services compared to professional standards. This goal serves the public interest and protects consumers through an increase in the quality of the product provided to clients. Based on the results of the optional survey, ~~46~~ 67 percent of firms required to undergo a peer review believe the peer review helped to improve their overall service to clients. In addition, ~~39.5~~ 55 percent of firms voluntarily made changes that improved their processes as a result of undergoing peer review. These numbers show a significant improvement in the product provided to clients and, therefore, enhanced protection of California consumers.

Secondly, the CBA has the authority to pursue enforcement actions against firms receiving substandard peer reviews. To date, the CBA has opened 560 investigations on firms based on their substandard peer review report. Of these, 30 showed significant departures from professional standards and the investigations are still ongoing.

A peer review enhances consumer protection and builds trust in the quality and integrity of California's firms by providing firms an opportunity to improve their accounting and auditing services, and by ensuring that those with significant departures from professional standards are thoroughly investigated, which may lead to future discipline.

The cost impact on firms undergoing mandatory peer review and the cost impact of mandatory peer review on the firm's clients. (BPC section 5076(m)(1)(E))

While the average amount paid was $2,705, the median was $1,000. The cost to firm's undergoing a peer review was reported in a very broad range from $100 to over $100,000. As shown in the chart below, 46 percent of the reported costs fell between $500 and $1,000. An additional 40 percent fell between $1,000 and $5,000. The largest of firms and those doing the most complex audit work were the ones on the highest end of the range. Engagement Reviews cost noticeably less than System Reviews and are believed to be the majority of those peer reviews costing less than $1,000.



Regardless of the cost, the vast majority of the firms, more than 90 percent, stated that they did not raise their fees to offset the cost of their peer review leading to no cost impact on clients.

Less than 10 percent of firms raised their fees, with the average increase being approximately 14 percent. The cost impact of mandatory peer review on the firms' clients would vary depending on the percentage by which the fees were raised.

Additionally, 10 percent of firms indicated their intent to cease providing services that subject them to a peer review. Of this 10 percent of firms, 33 percent received either a substandard or pass with deficiencies peer review report. The cost impact to these firms' clients is unknown, as it would depend on the fees at their new choice of firm.

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. *(OCBOA)* (BPC section 5076(m)(1)(H))

Survey results show that 51 percent of small firms that prepare compilations without disclosures on an OCBOA as their highest level of service believe that undergoing peer review helped to improve their overall service to clients.

Furthermore, 47 percent of small firms that prepare compilations without disclosures on an OCBOA as their highest level of service voluntarily made changes that improved their processes as a result of undergoing peer review. The percentage is dramatically higher for small firms that received a substandard report; 90 percent of these firms voluntarily made changes as a result of undergoing peer review.

The survey also shows that 26 percent of small firms that prepare nondisclosure compiled financial statements on an OCBOA as their highest level of service and received a substandard report will cease providing the accounting and auditing services that subject them to peer review.

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.
(BPC section 5076(m)(1)(G))

Mandatory peer review of small firms that prepare nondisclosure compiled financial statements on an OCBOA enhances consumer protection. Consumer protection is enhanced in two crucial ways. First, the peer review requirement helps to educate firms regarding the accounting and auditing services they provide. This goal serves the public interest and protects consumers through an increase in the quality of the product provided to clients. Almost 24 percent of small firms that prepare nondisclosure compiled financial statements on an OCBOA as their highest level of service were required to make changes to their processes, and 47 percent made voluntary changes. These changes improve the product provided to the clients enhancing consumer protection. Consumer confidence increases from knowing firms meet high professional standards.

Second, the CBA has the authority to pursue enforcement actions against firms receiving substandard peer reviews. This consumer protection mechanism provides assurance that only qualified licensees are practicing public accounting and providing services to consumers in California. The CBA opened investigations on all 78 small firms that prepare nondisclosure compiled financial statements on an OCBOA as their highest level of service that received a substandard peer review report. In addition, the fact that 26 percent of small firms that prepare nondisclosure compiled financial statements on an OCBOA as their highest level of service and received a substandard report will cease providing the accounting and auditing services that subject them to

peer review shows that peer review of this level of work is enhancing consumer protection.

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.
(BPC section 5076(m)(1)(I))

Almost 12 percent of small firms that prepare nondisclosure compiled financial statements on an OCBOA raised their fees. The average amount that fees were raised in this group was 23 percent while the median was 10 percent. In addition, 18 percent of small firms that prepare nondisclosure compiled financial statements on an OCBOA indicated they would cease providing these services.

While these changes due to peer review may financially affect entities employing these firms in the short term, in the long term, the product received by these clients will be improved. In addition, the improved product provides greater assurance of consumer protection.

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.
(BPC section 5076(m)(1)(J))

The previously mentioned data clearly illustrates that those performing this level of service are making changes, including ceasing to perform these services. The preparation of nondisclosure compiled financial statements on an OCBOA should continue to be a part of the mandatory peer review program.

A recommendation as to whether the mandatory peer review program should continue. (BPC section 5076(m)(1)(F))

The data supports that the CBA's mandatory peer review program is clearly leading to improvements in the services that firms are providing to their clients. Improved services, as a result of a better understanding and conformity with professional standards, lead to greater consumer protection.

In addition, the peer review program is just beginning its second three-year cycle when firms will undergo a second mandatory peer review. The peer review results of those who were previously in the peer review program voluntarily showed a rate of substandard peer review reports at 1.5 percent. It is assumed that the majority of those who were voluntarily in the peer review program had undergone more than one peer

review. Based on these assumptions, the CBA expects that this second cycle will show improvement in the quality of services through a lower rate of substandard peer review reports.

The CBA's mission statement, developed to support its legislative mandate in BPC section 5000.1, is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. The mandatory peer review program is an excellent tool in assisting the CBA to fulfill this mission.

CONCLUSION

Professional standards are designed to deliver accuracy and quality of accounting and auditing engagements. Products and services provided to consumers must meet these specific, but ever-changing, standards. The education provided through peer review better equips firms to deliver high quality accounting and auditing services to consumers and helps in designing quality control systems to ensure that work products meet these professional standards.

Peer review promotes knowledge, providing firms with an opportunity to learn new or better ways to improve services, up-to-date methods and practices, and an educational opportunity to learn best-practice techniques. Peer review can also give consumers an extra measure of assurance, knowing the firm they hire has successfully completed a peer review and meets the profession's standards.

Consumer protection is increased through monitoring and educating firms to promote quality in the accounting and auditing services they provide, as well as through potential enforcement actions against firms receiving substandard peer reviews. Consumer confidence increases from knowing firms must answer to verifiable standards.

The mandatory peer review program is protecting the consumers of California through a better understanding and conformity with professional standards. The result is improved work product that accounting firms provide to their clients and those who rely on the work product.

Mandatory peer review is an important tool in the CBA's mission to protect consumers by ensuring that only qualified licensees are practicing public accounting and providing services to consumers in California. It helps to build trust in the quality and integrity of California's Certified Public Accountants.

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*

CALIFORNIA BUSINESS & PROFESSIONS CODE
DIVISION 3. Professions and Vocations Generally

SECTION 5076. (a) In order to renew its registration in an active status or convert to an active status, a firm, as defined in Section 5035.1, shall have a peer review report of its accounting and auditing practice accepted by a board-recognized peer review program no less frequently than every three years.

(b) For purposes of this article, the following definitions apply:

(1) "Peer review" means a study, appraisal, or review conducted in accordance with professional standards of the professional work of a firm, and may include an evaluation of other factors in accordance with the requirements specified by the board in regulations. The peer review report shall be issued by an individual who has a valid and current license, certificate, or permit to practice public accountancy from this state or another state and is unaffiliated with the firm being reviewed.

(2) "Accounting and auditing practice" includes any services that were performed in the prior three years using professional standards defined by the board in regulations.

(c) The board shall adopt regulations as necessary to implement, interpret, and make specific the peer review requirements in this section, including, but not limited to, regulations specifying the requirements for board recognition of a peer review program, standards for administering a peer review, extensions of time for fulfilling the peer review requirement, exclusions from the peer review program, and document submission.

(d) Nothing in this section shall prohibit the board from initiating an investigation and imposing discipline against a firm or licensee, either as the result of a complaint that alleges violations of statutes, rules, or regulations, or from information contained in a peer review report received by the board.

(e) A firm issued a substandard peer review report, as defined by the board in regulation, shall submit a copy of that report to the board. The board shall establish in regulation the time period that a firm must submit the report to the board. This period shall not exceed 60 days from the time the report is accepted by a board-recognized peer review program provider to the date the report is submitted to the board.

(f) (1) A board-recognized peer review program provider shall file a copy with the board of all substandard peer review reports issued to California-licensed firms. The board shall establish in regulation the time period that a board-recognized peer review program provider shall file the report with the board. This period shall not exceed 60 days from the time the report is accepted by a board-recognized peer review program provider to the date the report is filed with the board. These reports may be filed with the board electronically.

(2) Nothing in this subdivision shall require a board-recognized peer review program provider, when administering peer reviews in another state, to violate the laws of that state.

(g) The board shall, by January 1, 2010, define a substandard peer review report in regulation.

(h) Any requirements imposed by a board-recognized peer review program on a firm in conjunction with the completion of a peer review shall be separate from, and in addition to, any action by the board pursuant to this section.

(i) Any report of a substandard peer review submitted to the board in conjunction with this section shall be collected for investigatory purposes.

(j) Nothing in this section affects the discovery or admissibility of evidence in a civil or criminal action.

(k) Nothing in this section requires any firm to become a member of any professional organization.

(l) A peer reviewer shall not disclose information concerning licensees or their clients obtained during a peer review, unless specifically authorized pursuant to this section, Section 5076.1, or regulations prescribed by the board.

(m) (1) By January 1, 2015, the board shall provide the Legislature and Governor with a report regarding the peer review requirements of this section that includes, without limitation:

(A) The number of peer review reports completed to date and the number of reports which were submitted to the board as required in subdivision (e).

(B) The number of enforcement actions that were initiated as a result of an investigation conducted pursuant to subdivision (i).

(C) 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.

(D) The extent to which mandatory peer review of accounting firms enhances consumer protection.

(E) The cost impact on firms undergoing mandatory peer review and the cost impact of mandatory peer review on the firm's clients.

(F) A recommendation as to whether the mandatory peer review program should continue.

(G) 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.

(H) 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.

(I) 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.

(J) 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.

(2) A report to the Legislature pursuant to this section shall be submitted in compliance with Section 9795 of the Government Code.

SECTION 5076.1. (a) The board 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 board on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

(b) The committee may request any information from a board-recognized peer review program provider deemed necessary to ensure the provider is administering peer reviews in accordance with the standards adopted by the board in regulations. Failure of a board-recognized peer review program provider to respond to the committee shall result in referral by the committee of the provider to the board for further action. Any information obtained by the board, its representatives, or the peer review oversight committee 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:

(1) In connection with disciplinary proceedings of the board.

(2) In connection with legal proceedings in which the board is a party.

(3) In response to an official inquiry by a federal or state governmental regulatory agency.

(4) In compliance with a subpoena or summons enforceable by court order.

(5) As otherwise specifically required by law.

(c) The members of the committee shall be appointed to two-year terms and may serve a maximum of four consecutive terms.

(d) The board may adopt, as necessary, regulations further defining the minimum qualifications for appointment as a committee member and additional administrative elements designed to ensure the effectiveness of mandatory peer review.

CALIFORNIA CODE OF REGULATIONS
TITLE 16. Professional and Vocational Regulations
DIVISION 1. Board of Accountancy Regulations
ARTICLE 6. Peer Review
Effective April 8, 2013

§ 38. Purpose of this Article.
This Article implements Sections 5076 and 5076.1 of the Accountancy Act related to Peer Review.
Note: Authority cited: Sections 5010, 5076 and 5076.1, Business and Professions Code.
Reference: Sections 5076 and 5076.1, Business and Professions Code.

§ 39. Definitions.
The following definitions shall apply to Article 6 - Peer Review:
(a) Accounting and Auditing Practice: Any services that are performed using the following professional standards: Statements on Auditing Standards (SASs), Statements on Standards for Accounting and Review Services (SSARS), Statements on Standards on Attestation Engagements (SSAEs), Government Auditing Standards, and audits of non-Security Exchange Commission (SEC) issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB).
(b) Peer Review Report: A report issued to the peer reviewed firm which documents the findings and conclusions reached by a qualified peer reviewer and issued in accordance with Section 48(b) of this Article.
(c) Pass Peer Review Report: A report issued to the peer reviewed firm in accordance with either Section 48(b)(1)(A) or 48(b)(2)(A) of this Article.
(d) Pass With Deficiencies Peer Review Report: A report issued to the peer reviewed firm in accordance with either Section 48(b)(1)(B) or 48(b)(2)(B) of this Article.
(e) Substandard Peer Review Report: A report issued to the peer reviewed firm under either Section 48(b)(1)(C) or 48(b)(2)(C) of this Article.
(f) Peer Reviewer: A certified public accountant holding a valid and active license to practice public accounting in good standing issued by this state or some other state who (1) maintains a currency of knowledge in professional standards governing accounting and auditing engagements, (2) meets the qualifications of Section 48(c) of this Article, and (3) is unaffiliated with the firm being reviewed.
(g) Peer Review Team: One or more individuals who collectively conduct a peer review, at least one of whom is a qualified peer reviewer.
Note: Authority cited: Sections 5010 and 5076, Business and Professions Code. Reference: Section 5076, Business and Professions Code.

§ 40. Enrollment and Participation.
(a) A firm performing services as defined in Section 39(a) shall have a peer review report accepted by a Board-recognized peer review program once every three years in order to renew its license.
(b) A firm performing services as defined in Section 39(a) for the first time shall have a peer review report accepted by a Board-recognized peer review program within 18 months of the date it completes those services.
Note: Authority cited: Sections 5010 and 5076, Business and Professions Code. Reference: Section 5076, Business and Professions Code.

§ 41. Firm Responsibilities.
A firm shall enroll with a Board-recognized peer review program provider, and shall cooperate with the Board-recognized peer review program provider with which the firm is enrolled to arrange, schedule, and complete a peer review, in addition to taking and completing any remedial or corrective actions prescribed by the Board-recognized peer review program provider.
Note: Authority cited: Sections 5010 and 5076, Business and Professions Code. Reference: Section 5076, Business and Professions Code.

§ 42. Exclusions.
(a) The following shall be excluded from the peer review requirement:
(1) Any of a firm's engagements subject to inspection by the Public Company Accounting Oversight Board as part of its inspection program.
(2) Firms, which as their highest level of work, perform only compilations where no report is issued in accordance with the provisions of the Statements on Standards for Accounting and Review Services (SSARS).
Note: Authority cited: Sections 5010 and 5076, Business and Professions Code. Reference: Section 5076, Business and Professions Code.

§ 43. Extensions.
(a) Should an extension of time be needed to have a peer review report accepted by a Boardrecognized peer review program such request shall be submitted to the Board-recognized peer review program with which the firm is enrolled for consideration and approval or denial.
(b) If the extension granted extends past the firm's reporting date, the firm shall notify the Board of the extension and provide proof of the extension. The firm shall report the results of the peer review to the Board on form PR-1(Rev. 1/12), as referenced in Section 45, within 45 days of the peer review report being accepted by a Board-recognized peer review program.
Note: Authority cited: Sections 5010 and 5076, Business and Professions Code. Reference: Section 5076, Business and Professions Code.

§ 44. Notification of Expulsion.
A firm that is expelled by a Board-recognized peer review program shall notify the Board in writing within 30 days and provide the name of the Board-recognized peer review program and reason(s) given to the firm by the peer review program for the expulsion.
Note: Authority cited: Sections 5010 and 5076, Business and Professions Code. Reference: Section 5076, Business and Professions Code.

§ 45. Reporting to the Board.
(a) Beginning on January 1, 2014, at the time of renewal, a licensee shall report to the Board specific peer review information as required on Form PR-1 (Rev. 1/12), which is hereby incorporated by reference.
(b) Prior to January 1, 2014, the date for existing California licensees to report peer review results, on the form indicated in subsection (a), shall be based on the licensee's license number according to the following schedule: for license numbers ending with 01-33 the reporting date is no later than July 1, 2011; for license numbers ending with 34-66 the reporting date is no later than July 1, 2012; for license numbers ending with 67-00 the reporting date is no later than July 1, 2013.
(c) A licensee's willful making of any false, fraudulent, or misleading statement, as part of, or in support of, his/her peer review reporting shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act. Failure to submit a completed Form PR-1 (Rev. 1/12) shall be grounds for non-renewal or disciplinary action pursuant to Section 5100(g) of the Accountancy Act.
Note: Authority cited: Sections 5010 and 5076, Business and Professions Code. Reference: Sections 5076 and 5100, Business and Professions Code.

§ 46. Document Submission Requirements.
(a) A firm receiving a peer review report issued under Section 48(b)(1)(C) or (b)(2)(C) shall submit a copy of the peer review report to the Board including any materials documenting the prescription of remedial or corrective actions imposed by a Board-recognized peer review program provider within 45 days of the peer review report being accepted by a Board-recognized peer review program provider. A firm shall also submit to the Board, within the same 45-day reporting period, any materials, if available, documenting completion of any or all of the prescribed remedial or corrective actions.
(b) Upon request by the Board, a firm shall submit to the Board all requested documents related to the peer review including:
(1) If the firm received a peer review report issued under Section 48(b)(1)(A) or (b)(2)(A) it shall submit the copy of the peer review report including materials documenting the acceptance of the report.
(2) If the firm received a peer review report issued under Section 48(b)(1)(B) or (b)(2)(B) it shall submit the copy of peer review report including any materials documenting the prescription of remedial or corrective actions imposed by a Board-recognized peer

review program provider. In addition, a firm shall also submit any materials, if available, documenting completion of any or all of the prescribed remedial or corrective actions.
(c) Any documents required for submission as part of this section may be submitted electronically.
Note: Authority cited: Sections 5010 and 5076, Business and Professions Code. Reference: Section 5076, Business and Professions Code.

§ 47. Peer Review Oversight Committee.
(a) The Peer Review Oversight Committee shall be comprised of not more than seven licensees. The licensees shall maintain a valid and active license to practice public accounting in California issued by the Board.
(b) No member of the committee shall be a current member or employee of the Board.
(c) The committee shall hold meetings as necessary in order to conduct business and shall report to the Board regarding the effectiveness of mandatory peer review. This shall include an annual report to the Board regarding the results of its oversight, and shall include the scope of work, findings, and conclusions regarding its oversight.
(d) The committee is authorized to request from a Board-recognized peer review program provider those materials necessary to perform its review.
(e) Should a Board-recognized peer review program provider fail to respond to any request, the committee shall refer the matter to the Board.
(f) The committee shall review and recommend to the Board for approval peer review program provider applications for recognition by the Board.
Note: Authority cited: Sections 5010 and 5076.1, Business and Professions Code. Reference: Section 5076.1, Business and Professions Code.

§ 48. Minimum Requirements for a Peer Review Program.
For a peer review program provider to receive Board recognition and be authorized to administer peer reviews in California, the peer review program provider shall submit evidence to the satisfaction of the Board that the peer review program is comprised of a set of standards for performing, reporting on, and administering peer reviews. A peer review program shall include the following components:
(a) Peer Review Types
A peer review program shall have a minimum of two types of peer reviews that include the following:
(1) For firms performing engagements under the Statements on Auditing Standards (SASs), Government Auditing Standards, examinations of prospective financial statements under the Statements on Standards on Attestation Engagements (SSAEs), or audits of non-Security Exchange Commission (SEC) issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB), the firm shall undergo a peer review designed to test the firm's system of quality control. The scope of the peer review shall be such that it provides a peer reviewer with a

reasonable assurance that a firm's system of quality control was designed in accordance with professional standards and was complied with by a firm's personnel.
(2) For firms only performing engagements under the Statements on Standards for Accounting and Review Services (SSARS) or under Statements on Standards on Attestation Engagements (SSAEs) not encompassed in review performed under subsection (a)(1), the firm shall undergo a peer review designed to test a cross-section of a firm's engagements to assess whether the engagements were performed in conformity with the applicable professional standards.
(b) Peer Review Report Issuance
(1) For firms undergoing peer reviews pursuant to subsection (a)(1), one of the following three types of peer review reports shall be issued:
(A) A peer review report indicating that a peer reviewer or peer review team concluded that a firm's system of quality control was suitably designed and complied with by the firm's personnel, which provides the firm with reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.
(B) A peer review report indicating that a peer reviewer or peer review team concluded that a firm's system of quality control was suitably designed and complied with by the firm's personnel with the exception of a certain deficiency or deficiencies that are described in the report. The deficiencies are such that the firm's design of or compliance with its system could create a situation in which the firm would have less than reasonable assurance of performing and/or reporting on engagements in conformity with applicable professional standards.
(C) A peer review report indicating that a peer reviewer or peer review team concluded that a firm's system of quality control is not suitably designed or complied with by the firm's personnel, and thus, does not provide the firm with reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.
(2) For firms undergoing peer reviews pursuant to subsection (a)(2), one of the following three types of peer review reports shall be issued:
(A) A peer review report indicating that a peer reviewer or peer review team concluded that there was no evidence which would cause the peer reviewer to believe that the engagements performed by the firm were not performed in conformity with applicable professional standards.
(B) A peer review report indicating that a peer reviewer or peer review team concluded that, with the exception of a certain deficiency or deficiencies, nothing would cause the peer reviewer to believe that the engagements performed by the firm and submitted for review were not performed in conformity with applicable professional standards. The deficiencies identified were such that the peer reviewer concluded they were material to the understanding of the report or financial statements or represented omission of critical procedures required by applicable professional standards.

(C) A peer review report indicating that a peer reviewer or peer review team concluded that the engagements reviewed were not performed and/or reported on in conformity with applicable professional standards. In issuing such report, the peer reviewer shall assess both the significance of the deficiencies identified and the pervasiveness of the deficiencies.

(c) Peer Reviewer Qualifications

A peer review program shall include minimum qualifications for an individual to qualify as a peer reviewer. The qualifications shall, at a minimum, include the following:

(1) Have a valid and active license in good standing to practice public accounting issued by this state or other state.

(2) Be actively involved and practicing at a supervisory level in a firm's accounting and auditing practice.

(3) Maintain a currency of knowledge of the professional standards related to accounting and auditing, including those expressly related to the type or kind of practice to be reviewed.

(4) Provide the Board-recognized peer review program provider with his/her qualifications to be a reviewer, including recent industry experience.

(5) Be associated with a firm that has received a peer review report issued in accordance with subsection (b)(1)(A) or (b)(2)(A) of this section or has received a peer review rating of pass or unmodified as part of the American Institute of Certified Public Accountants Peer Review Program as part of the firm's last peer review.

(d) Planning and Performing Peer Reviews

A peer review program shall include minimum guidelines and/or standards for planning and performing peer reviews commensurate with the type of peer review being performed to include, but not limited to, the following:

(1) For peer reviews performed in accordance with subsection (a)(1) of this section, a peer review program's guidelines and/or standards shall include the following:

(A) Ensuring that prior to performing a peer review, a peer reviewer or a peer review team takes adequate steps in planning a peer review to include the following: (i) obtain the results of a firm's prior peer review (if applicable), (ii) obtain sufficient understanding of the nature and extent of a firm's accounting and auditing practice, (iii) obtain a sufficient understanding of a firm's system of quality control and the manner in which the system is monitored by a firm, and (iv) select a representative cross-section of a firm's engagements.

(B) In performing a peer review, the peer reviewer or peer review team shall test the reviewed engagements while assessing the adequacy of and compliance with a firm's system of quality control. The peer review is intended to provide the peer reviewer or peer review team with reasonable basis for expressing an opinion as to whether a firm's system of quality control is suitably designed and complied with by a firm's personnel

such that the firm has reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.
(2) For peer reviews performed in accordance with subsection (a)(2) of this section, a peer review program's guidelines and/or standards shall include the following:
(A) Ensuring that prior to performing a peer review, a peer reviewer or peer review team select a representative cross-section of a firm's accounting and auditing engagements to include at a minimum one engagement for each partner, shareholder, owner, principal, or licensee authorized to issue reports.
(B) In performing a peer review, the peer reviewer or peer review team shall review the selected engagements to determine if the engagements were performed in conformity with the applicable professional standards.
(3) Nothing in a peer review program provider's guidelines and/or standards shall prohibit a peer reviewer or peer review team from disclosing pertinent peer review-related information regarding a firm to a subsequent peer reviewer.
(e) Peer Review Program Plan of Administration and Accepting Peer Review Reports
(1) The administration plan shall clearly outline the manner in which the peer review program provider intends on administering peer reviews and shall, at a minimum, include the following:
(A) Identify a peer review committee, and if necessary subcommittees, and employ knowledgeable staff for the operation of the review program as needed.
(B) Establish and perform procedures for ensuring that reviews are performed and reported on in accordance with the program's established standards for performing and reporting on peer reviews.
(C) Establish a program to communicate to firms participating in the peer review program the latest developments in peer review standards and the most common findings in peer reviews conducted by the Board-recognized peer review program provider.
(D) Establish and document procedures for an adjudication process designed to resolve any disagreement(s) which may arise out of the performance of a peer review, and resolve matters which may lead to the dismissal of a firm from the provider's peer review program.
(E) Establish guidelines for prescribing remedial or corrective actions designed to assure correction of the deficiencies identified in a firm's peer review report.40
(F) Establish guidelines for monitoring the prescribed remedial and corrective actions to determine compliance by the reviewed firm.
(G) Establish and document procedures for ensuring adequate peer reviewers to perform peer reviews. This shall include ensuring a breadth of knowledge related to industry experience.
(H) Establish and document procedures to ensure the qualifications of peer reviewers and to evaluate a peer reviewer's performance on peer reviews.

(I) Establish a training program or training programs designed to maintain or increase a peer reviewer's currency of knowledge related to performing and reporting on peer reviews.
(J) Establish and document procedures to ensure that a firm requiring a peer review selects a peer reviewer with similar practice experience and industry knowledge, and peer reviewer is performing a peer review for a firm with which the reviewer has similar practice experience and industry knowledge.
(K) Require the maintenance of records of peer reviews conducted under the program. Such records shall include, at a minimum, written records of all firms enrolled in the peer review program and documents required for submission under Section 46, with these documents to be retained until the completion of a firm's subsequent peer review.
(L) Provide to the Board's Peer Review Oversight Committee access to all materials and documents required for the administration of peer reviews.
(2) As required by subsection (e)(1)(A) of this section, the peer review program provider shall establish a peer review committee to assist in the review and acceptance of peer review reports. The peer review program provider's committee shall:
(A) Meet regularly to consider and accept peer review reports.
(B) Assist the peer review program provider in resolving instances in which there is a lack of cooperation and agreement between a peer reviewer and/or reviewed firm in accordance with the peer review program's adjudication process.
(C) Make a final determination on a peer review report pursuant to subdivision (b).
(f) The peer review committee established by the peer review program provider shall comply with the following in relation to the composition of the committee:
(1) All committee members shall meet the peer reviewer qualification requirements established in Section 48(c).
(2) In determining the size of the committee, consideration shall be given to the requirement for broad industry experience, and the likelihood that some members will need to recuse themselves from some reviews as a result of the member's close association to the firm or having performed the review.
(3) No committee member may concurrently serve as a member of the Board.
(4) A committee member may not participate in any discussion or have any vote with respect to a reviewed firm when the member lacks independence as defined by California Code of Regulations Section 65 or has a conflict of interest. Examples of conflicts of interest include, but are not limited to:
(A) the member's firm has performed the most recent peer review of the reviewed firm's accounting and auditing practice.
(B) the member served on the review team which performed the current or the immediately preceding review of the firm.
(C) the member believes he/she cannot be impartial or objective.

(5) Each member of the committee shall comply with all confidentiality requirements. The peer review program provider shall annually require its committee members to sign a statement acknowledging their appointments and the responsibilities and obligations of their appointments.

Note: Authority Cited: Sections 5010 and 5076, Business and Professions Code. Reference: Section 5076, Business and Professions Code.

§ 48.1. Board-Recognition of the American Institute of Certified Public Accountants, Inc. Peer Review Program.

The American Institute of Certified Public Accountants, Inc. Peer Review Program is hereby recognized as meeting the minimum peer review program requirements as outlined in Section 48 of this Article and is authorized to administer peer reviews in California. If in the future the Board deems the American Institute of Certified Public Accountants, Inc. Peer Review Program to no longer meet the minimum qualifications specified in Section 48 of this Article, the Board shall rescind its recognition pursuant to Section 48.5 of this Article.

Note: Authority cited: Sections 5010 and 5076, Business and Professions Code. Reference: Section 5076, Business and Professions Code.

§ 48.2. Applying to Become a Board-Recognized Peer Review Program.

Prior to receiving Board recognition to perform peer reviews in California, a peer review program provider shall submit the following application: Application to Become a Board-Recognized Peer Review Program (1/10), which is hereby incorporated by reference. With the application, the firm shall submit materials evidencing the program meets the requirements outlined in Section 48.

Note: Authority Cited: Sections 5010 and 5076, Business and Professions Code. Reference: Section 5076, Business and Professions Code.

§ 48.3. Board-Recognized Peer Review Program Provider Reporting Responsibilities.

(a) Upon request of the Board or Peer Review Oversight Committee, a Board-recognized peer review program provider shall make available, at a minimum, the following:

(1) Standards, procedures, guidelines, training materials, and similar documents prepared for the use of reviewers and reviewed firms.

(2) Information concerning the extent to which the Board-recognized peer review program provider has reviewed the quality of reviewers' working papers in connection with the acceptance of reviews.

(3) Statistical data maintained by the Board-recognized peer review program provider related to its role in the administration of peer reviews.

(4) Information concerning the extent to which the Board-recognized peer review program provider has reviewed the qualifications of its reviewers.

(5) Sufficient documents to conduct sample reviews of peer reviews accepted by the Boardrecognized peer review program provider. These may include, but are not limited to,; the report; reviewer working papers prepared or reviewed by the Board-recognized peer review program's peer review committee in association with the acceptance of the review; and materials concerning the acceptance of the review, including, but not limited to, the imposition of required remedial or corrective actions;, the monitoring procedures applied;, and the results.

(b) A Board-recognized peer review program provider shall provide the Board, in writing or electronically, the name of any California-licensed firm expelled from the peer review program and provide the reason(s) for expulsion. The Board-recognized peer review program provider shall submit this information to the Board within 30 days of notifying the firm of its expulsion.

(1) Nothing in this subsection shall require a Board-recognized peer review program provider, when administering peer reviews in another state, to violate the laws of that state.

(c) A Board-recognized peer review program provider shall provide the Board, in writing or electronically, a copy of all substandard peer review reports issued to California-licensed firms within 60 days from the time the report is accepted by the Boardrecognized peer review program provider.

Note: Authority cited: Sections 5010, 5076, and 5076.1, Business and Professions Code. Reference: Section 5076 and 5076.1, Business and Professions Code.

§ 48.4. Reconsideration of a Denied Applicant.

(a) An applicant pursuant to Section 48.2 whose peer review program has been denied by the Board may request an informal hearing of such action to the Board. The request for an informal hearing shall be filed within six months of the denial or the mailing of written notification,

whichever is later. The appeal shall contain the following information:

(1) The name and business address of the provider making the appeal.

(2) The action being appealed and the date of any written notification by the Board.

(3) A summary of the basis for the request for an informal hearing, including any information which the provider believes was not given adequate consideration by the Board.

(b) The Board will consider only requests based on information previously submitted. If the provider submits for reconsideration additional evidence or information not previously submitted to the Board, such additional information should be submitted directly to the Peer Review Oversight Committee with the request that its previous recommendation be reconsidered. A request based on evidence or information not previously submitted to the Board will be referred by the Board to the Peer Review Oversight Committee for further consideration.

Note: Authority cited: Sections 5010, 5076 and 5076.1, Business and Professions Code.
Reference: Sections 5076 and 5076.1, Business and Professions Code.

§ 48.5. Withdrawal of Board Recognition.

(a) The Board may rescind and withdraw its recognition of a peer review program if it is determined that the peer review program is not in compliance with the requirements of this Article, the provider failed to respond to an informational request by the Board or the Peer Review Oversight Committee, or the provider made any material misrepresentation of fact related to any information required to be submitted to the Board or the Peer Review Oversight Committee.

(b) The order of withdrawal of Board recognition shall be issued by the Board or its executive officer, without prior notice or hearing, and is effective immediately when mailed to the peer review program provider's address of record.

(c) The order of withdrawal of Board recognition shall contain the following:

(1) The reason for the withdrawal, including the specific statutes and regulations with which the program showed non-compliance.

(2) A statement that the peer review program provider has the right, within 30 days, to request an informal hearing to appeal the withdrawal of Board recognition.

(3) A statement that any informal hearing shall be scheduled before the Board or its designee, at which time a peer review program provider shall be afforded the opportunity to be heard.

(d) To maintain recognition, the burden of proof shall be placed on the peer review program provider to demonstrate both qualifications and fitness to perform peer reviews in California by producing proof at a hearing before the Board.

(e) If the peer review program provider fails to notify the Board's executive officer in writing and in a timely manner that it desires to contest the written withdrawal of Board recognition, the decision to withdraw approval shall become final.

Note: Authority cited: Sections 5010, 5076 and 5076.1, Business and Professions Code.
Reference: Section 5076, Business and Professions Code.

§ 48.6. Records of Proceedings.

For any informal hearings conducted by the Board pursuant to Sections 48.4 and 48.5 of this Article, the Board shall maintain a record of its proceedings, such as the minutes of the meeting or an audio recording of the meeting.

Note: Authority cited: Sections 5010, 5076 and 5076.1, Business and Professions Code.
Reference: Section 5076, Business and Professions Code.

CALIFORNIA BOARD OF ACCOUNTANCY

PEER REVIEW OVERSIGHT COMMITTEE

2011 Annual Report

Table of Contents

I. Message from the Committee Chair …….. 1

II. Background ……. 2

III. PROC Responsibilities ……. 2

IV. Committee Members …….. 3

V. Legislation and Regulations..…….. 3

VI. Reporting Requirements …….. 4

VII. Statistics …….. 4

VIII. Peer Review Voluntary Survey ……..……..... 5

IX. Board-recognized Peer Review Program Providers ……. 6

X. Activities and Accomplishments …….. 7

XI. Findings ……..…….. 11

XII. Conclusions and Recommendations ……. 12

XIII. Future Considerations …….. 13

I. Message from the Committee Chair

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

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

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

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

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

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

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

Nancy J. Corrigan, CPA
Committee Chair

II. Background

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

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

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

III. PROC Responsibilities

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

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

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

IV. Committee Members

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

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

V. Legislation and Regulations

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

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

These changes were operative on January 1, 2012.

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

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

VI. Reporting Requirements

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

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

VII. Statistics

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

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

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

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

* Data as of January 9, 2012.

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

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

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

VIII. Peer Review Voluntary Survey

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

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

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

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

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

IX. Board-recognized Peer Review Program Providers

a. American Institute of CPAs (AICPA)

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

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

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

i. California Society of CPAs (CalCPA)

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

ii. National Peer Review Committee

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

X. Activities and Accomplishments

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

a. Committee Meetings

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

The PROC held eight meetings as follows:

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

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

b. Administrative Functions

i. PROC Procedures Manual

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

ii. Oversight Checklists

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

The following checklists were created to track oversight activities:

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

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

Additional checklists will be developed if deemed necessary.

iii. Exposure Drafts

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

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

c. Program Oversight

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

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

i. Meetings

A. AICPA Peer Review Board

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

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

B. CalCPA Peer Review Committee

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

Two PROC members attended each of the following PRC meetings:

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

C. CalCPA Report Acceptance Body

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

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

February 23, 2011
June 2, 2011

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

D. National Association of State Boards of Accountancy PROC Summit

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

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

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

ii. Administrative Site Visit

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

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

iii. Peer Reviewer Training

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

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

iv. Sample Reviews

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

v. Approval of Board-recognized Peer Review Program Providers

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

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

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

XI. Findings

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

AICPA Peer Review Board

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

CalCPA Peer Review Committee

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

CalCPA Report Acceptance Body

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

CalCPA Peer Reviewer Training

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

XII. Conclusions and Recommendations

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

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

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

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

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

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

XIII. Future Considerations

a. National Peer Review Committee

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

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

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

b. Length of Peer Review Process

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

Was your recent peer review the first time you have undergone a peer review?			
	ENG	SYS	Total
Yes (1st Time Peer Reviewed)	222	77	299
No (Previously Peer Reviewed)	535	316	851
Total	757	393	1150

Was you firm required to take any corrective action as a result of undergoing peer review?			
	Yes	No	Total
1st Time Peer Reviewed	67	223	290
Previously Peer Reviwed	109	721	830
Total	176	944	1120

Type of Correction Ordered	1st Time Peer Reviewed	Previously Peer Reviewed
CPE	32	45
Acclerated Review	2	0
Additional Inspections/Reviews	10	18
Update Library	12	13
Strengthen Staff	7	13
Submission of Additional Materials	6	18
Other	16	17

Has your firm voluntarily made any changes that improved its processess as a result of undergoing a peer review?			
	Yes	No	Total
1st Time Peer Reviewed	151	128	279
Previously Peer Reviwed	398	388	786
Total	549	516	1065

Voluntary Changes Made	1st Time Peer Reviewed	Previously Peer Reviwed
CPE	35	121
Update Library	42	114
Strengthen Staff	22	130
Other	44	103

Did you raise your fees to offset the cost of your peer review?				
	Yes	No	Total	Average Increase
1st Time Peer Reviewed	42	235	277	15%
Previously Peer Reviewed	39	729	768	10%
Total	81	964	1045	

Do you believe that undergoing peer review has helped to improve your overall service to your clients?			
	Yes	No	Total
1st Time Peer Reviewed	164	103	267
Previously Peer Reeviewed	541	221	762
Total	705	324	1029

Do you, or will you, voluntarily notify clients that you have undergone peer review?			
	Yes	No	Total
1st Time Peer Reviewed	135	131	266
Previously Peer Reeviewed	380	381	761
Total	515	512	1027

Do you, or will you, use peer review as a marketing tool to potential clients?			
	Yes	No	Total
1st Time Peer Reviewed	65	207	272
Previously Peer Reeviewed	260	510	770
Total	325	717	1042

To eliminate the need for a future peer review, will you cease providing the services which trigger a mandatory peer review under the law?			
	Yes	No	Total
1st Time Peer Reviewed	39	230	269
Previously Peer Reeviewed	47	709	756
Total	86	939	1025

What percentage of your workload during the three years encompassing your recent peer review was spent on compilations without disclosure using other comprehensive basis of accounting (OCBOA)?						
	0%	1-25%	26-50%	51-75%	76-99%	100%
1st Time Peer Reviewed	83	128	11	8	10	13
Percentage	33%	50%	4%	3%	4%	5%
Previously Peer Reviewed	160	460	50	16	24	8
Percentage	22%	64%	7%	2%	3%	1%

What percentage of your workload during the three years encompassing your recent peer review was spent on compilations without disclosure using other comprehensive basis of accounting (OCBOA)?							
	0%	1-25%	26-50%	51-75%	76-99%	100%	Total
1st Time Peer Reviewed	83	128	11	8	10	13	253
Percentage	33%	50%	4%	3%	4%	5%	
Previously Peer Reviewed	160	460	50	16	24	8	718
Percentage	22%	64%	7%	2%	3%	1%	

CALIFORNIA BOARD OF ACCOUNTANCY

PEER REVIEW OVERSIGHT COMMITTEE PROCEDURES MANUAL

December 2011

TABLE OF CONTENTS

I. INTRODUCTION 1

A. Authority 1
B. Purpose 1
C. Membership 1
D. Tenure 2
E. Confidentiality 2
F. Conflict of Interest 2
G. Travel Reimbursement 3
H. Compensation 3

II. GENERAL COMMITTEE MEETING INFORMATION 4

A. Meetings 4
B. Open/Closed Session 4
C. Quorum 4
D. Attendance by Members 4
E. Attendance by Others 4
F. Staff

III. ROLES AND RESPONSIBILITIES 5

IV. PROC FUNCTIONS 7

A. Oversight of Board-recognized Peer Review Program Providers 7
1. Administrative Site Visits 7
2. Peer Review Committee Meetings 7
3. Peer Review Subcommittee Meetings (Report Acceptance Body) 7
4. Sample Reviews 7
5. Peer Reviewer Training 8
6. Statistics 8
B. Evaluation of Board-recognized Peer Review Program Providers 8
C. Withdrawal of Board Recognition of a Peer Review Program Provider 8
D. Annual Report to the California Board of Accountancy 9
E. Documentation of Oversight Activities 9

V. APPENDIX

A. Terms and Acronyms
B. Organizational Structure (Pending Completion)
C. Confidentiality Letter (Removed)
D. Summary of Administrative Site Visit
E. Summary of Peer Review Committee Meeting
F. Summary of Peer Review Subcommittee Meeting (Report Acceptance Body Meeting)
G. Summary of Sample Reviews (Pending Completion)
H. Summary of Peer Reviewer Training (Pending Completion)
I. Application to Become a Board-recognized Peer Review Program Provider

SECTION I - INTRODUCTION

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

A. AUTHORITY

The PROC derives its authority from Section 5076.1 of the Business and Professions Code (B&P) as follows: The CBA shall appoint a peer review oversight committee of certified public accountants of this state who maintain a license in good standing and who are authorized to practice public accountancy to provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

The composition and function of the PROC is further defined in Title 16 California Code of Regulations (CCR) Section 47.

B. PURPOSE

The purpose of the PROC is to provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review. (B&P §5076.1)

C. MEMBERSHIP

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

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

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

D. TENURE

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

E. CONFIDENTIALITY

All PROC members shall sign a confidentiality letter.

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

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

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

F. CONFLICTS OF INTEREST

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

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

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

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

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

G. TRAVEL REIMBURSEMENT

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

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

H. COMPENSATION

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

SECTION II – GENERAL COMMITTEE MEETING INFORMATION

A. MEETINGS

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

B. OPEN/CLOSED SESSION

PROC meetings may include both open and closed sessions.

C. QUORUM

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

D. ATTENDANCE BY MEMBERS

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

E. ATTENDANCE BY OTHERS

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

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

F. STAFF

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

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

SECTION III – ROLES AND RESPONSIBILITIES

A. ROLES & RESPONSIBILITIES

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

Oversee the activities of Board-recognized peer review program providers (Provider) related to how peer reviews are processed and evaluated

- Administrative Site Visits
- Peer Review Committee Meetings
- Peer Review Subcommittee Meetings

Ensure the Provider is administering peer reviews in accordance with the standards adopted by the CBA

- Administrative Site Visits
- Peer Review Committee Meetings
- Peer Review Subcommittee Meetings

Ensure that peer reviewers are properly qualified

- Administrative Site Visits
- Peer Review Committee Meetings
- Peer Review Subcommittee Meetings
- Peer Reviewer Training

Ensure that peer reviews are being accepted in a consistent manner by the Provider

- Peer Review Subcommittee Meetings

Conduct site visits of the Provider and their peer review committees

- Administrative Site Visit
- Peer Review Committee Meetings
- Peer Review Subcommittee Meetings

Review sampling of peer review reports

- Review Sampling of Peer Reviews

Represent the CBA at Provider's peer review meetings

- Administrative Site Visit
- Peer Review Committee Meetings
- Peer Review Subcommittee Meetings

Evaluate organizations outside the AICPA structure that desire to administer peer reviews in California.

- Evaluation of Board-Recognized Peer Review Program Providers

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 D) and submit to the CBA office within thirty (30) days of the administrative site visit.

2. Peer Review Committee Meetings

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

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

3. Peer Review Subcommittee Meetings (Report Acceptance Bodies)

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

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

4. Sample Reviews

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

   Sample reviews may be conducted during the Administrative Site Visit.

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

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 the program is designed to maintain or increase peer reviewer's currency of knowledge related to performing and reporting on peer reviews.

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

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

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

B. EVALUATION OF BOARD-RECOGNIZED PEER REVIEW PROGRAM PROVIDERS

The PROC shall review any *Application to Become A Board-Recognized Peer Review Program Provider (01/10)* (APPENDIX I) received by the CBA. The PROC shall recommend approval or denial to the CBA based on the applicant's evidence that its peer review program is comprised of a set of standards for performing, reporting on, and administering peer reviews and contain all the components outlined in Title 16, California Code of Regulations Section 48.

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

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

D. ANNUAL REPORT TO THE CALIFORNIA BOARD OF ACCOUNTANCY

The PROC shall report to the CBA regarding the effectiveness of mandatory peer review. This shall include an annual report to the CBA regarding the results of its oversight, and shall include the scope of work, findings, and conclusions regarding its oversight.

E. DOCUMENTATION OF OVERSIGHT ACTIVITIES

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

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

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

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

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
GLOSSARY OF TERMS, ACRONYMS, AND ABBREVIATIONS

A

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

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
GLOSSARY OF TERMS, ACRONYMS, AND ABBREVIATIONS

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

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

B

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

C

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

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
GLOSSARY OF TERMS, ACRONYMS, AND ABBREVIATIONS

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

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

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
GLOSSARY OF TERMS, ACRONYMS, AND ABBREVIATIONS

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

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

D

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

E

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

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

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

F

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

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

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

G

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

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

I

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

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS GLOSSARY OF TERMS, ACRONYMS, AND ABBREVIATIONS

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

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

J

Joint Ethics Enforcement Program (JEEP)	Program of cooperation between the AICPA and the state CPA societies in the enforcement of the Code of Professional Conduct.
Joint Trial Board (JTB)	An AICPA Board, which provides for uniform enforcement of professional standards by adjudicating disciplinary charges against AICPA and state society members. It comprises of at least 36 members.

K

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

L

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

M

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

N

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

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

O

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

P

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

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

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

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

Q

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

R

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

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

S

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

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

SysTrust	Service to provide assurance on the reliability of a system. The service results in an examination level report on whether an entity's system meets the SysTrust principles of Availability, Maintainability, Integrity and Security and their underlying criteria.

T

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

U

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

V

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

W

WebTrust	Services to provide assurance on online businesses. These services result in examination level attestation reports on whether an entity meets applicable WebTrust Principles and Criteria. The Principles and Criteria address matters such as privacy, security, availability, confidentiality, consumer redress for complaints, and business practices.
Work/Life and Women's Initiatives Executive	This executive committee of the AICPA promotes within the accounting profession a work environment that provides opportunities for the

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

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
GLOSSARY OF TERMS, ACRONYMS, AND ABBREVIATIONS

QUICK REFERENCE OF ACRONYMS AND ABBREVIATIONS

A

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

B

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

C

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

D

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

E

E&Y	Ernst & Young LLP

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

F

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

G

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

GPAC	Governmental Performance and Accountability Committee
GSTT	Generation Skipping Transfer Tax

H

HFMA	Health Care Financial Management Association

I

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

J

JEEP	Joint Ethics Enforcement Plan
JTB	Joint Trial Board

K

KPMG	KPMG
KM	Knowledge Management
KNET	KnowledgeNet

L

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

M

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

N

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

O

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

P

PA	Public Accountant
PAC	Political Action Committee

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

Q

QC	Quality Control

R

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

S

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

T

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

U

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

V

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

W

WLWIEC	Work/Life and Women's Initiatives Executive Committee

X

XBRL	Extensible Business Reporting Language

1-24-06

DOCUMENT PENDING COMPLETION

DOCUMENT REMOVED

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*

Peer Review Oversight Committee

Summary of Administrative Site Visit

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

Date of Visit: _____

Name of Peer Review Program Provider: _____

PROC Members Performing Visit:

_____

_____

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

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?			

PLAN OF ADMINISTRATION AND ACCEPTING PEER REVIEWS (cont)	**YES**	**NO**	**N/A**
e. Ensuring adequate peer reviewers to perform peer reviews?			
f. Ensuring the pool of peer reviewers have a breadth of knowledge related to industry experience.			
g. Ensuring the qualifications of peer reviewers?			
h. Evaluating a peer reviewer's performance on peer reviews?			
3. Has the Provider established a training program(s) designed to maintain or increase a peer reviewer's currency of knowledge related to performing and reporting on peer reviews?			
4. Does the Provider ensure that a firm requiring a peer review selects a peer reviewer with similar practice experience and industry knowledge, and the peer reviewer is performing a peer review for a firm with which the reviewer has similar practice experience and industry knowledge?			
5. Does the Provider require the maintenance of records of peer reviews conducted under the Program, including at minimum, written records of all firms enrolled in the peer review program and documents required for submission under Section 46, with these documents to be retained until the completion of a firm's subsequent peer review?			
Comments:			

COMPOSITION OF THE PEER REVIEW COMMITTEE (PRC)	**YES**	**NO**	**N/A**
1. Do the PRC members meet the peer reviewer qualification requirements as outlined in the Peer Reviewer Qualifications section above?			
2. In determining the size of the PRC, did the Provider consider the requirement for a broad industry experience and the likelihood that some members will need to recuse themselves from some reviews as a result of the member's close association to the firm or having performed the review?			
3. Is any PRC member currently serving as a member of the CBA?			
4. Do PRC members comply with all confidentiality requirements by annually signing a statement acknowledging their appointments and the responsibilities and obligations of their appointments?			
Comments:			

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

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

The above checklist was prepared by:

_____ _____

Print Name Signature

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

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*

Peer Review Oversight Committee

Summary of Peer Review Committee Meeting

Purpose: As part of its oversight activities, the Peer Review Oversight Committee (PROC) observes selected Peer Review Committee (PRC) meetings as further described in the PROC's operating guidelines. The PRC meetings occur several times a year. PRC members are provided with the agenda and other meeting materials subject to discussion at the meeting and often cover appropriate handling of issues observed or encountered during peer reviews, to ensure consistency of treatment amongst peer reviewers. The objective of this aspect of PROC oversight is to observe how the PRC executes its duties in the meeting and determine whether or not this aspect of the peer review process is operating effectively in the state of California. These matters are then summarized and reported to the California Board of Accountancy (CBA) as part of the PROC reporting.

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

Date of Meeting:_____

Name of Peer Review Program Provider: _____

Evaluation of General Meeting Process	YES	NO	N/A
1. Does it appear that the meeting has been adequately planned? Have members been provided an agenda and supporting materials in sufficient time to review and contribute to the meeting?			
2. Do the members appear prepared for the meeting? Does it appear that the members have reviewed the materials provided prior to attending the meeting?			
3. Are there a required minimum number of committee members present?			
4. Do the members appear knowledgeable about their responsibilities?			
5. Are technical reviewers available during the meeting to address issues as they arise?			
6. Do technical reviewers appear knowledgeable about their responsibilities?			
7. Were any specific problems or issues discussed?			
8. When issues arise in RAB meetings that cannot be resolved by the RAB, are all PRC members asked to discuss their position?			
9. Do the members consider how the AICPA National Peer Review Group or how other states handle the issues being discussed?			
10. Does it appear that appropriate decisions made regarding:			
Monitoring issues.			
Scope of the review.			
Revisions to review documents.			

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

The above checklist was prepared by:

_____ _____

Print Name Signature

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

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*

Peer Review Oversight Committee

Summary of Peer Review Subcommittee Meeting

(Report Acceptance Body Meeting)

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

Date of Meeting: _____

Name of Peer Review Program Provider: _____

Number of reports discussed at the meeting: _____

EVALUATION OF THE TECHNICAL ASPECTS OF THE MEETING CONTENT AND DISCUSSION	YES	NO	N/A
1. Do the RAB members appear knowledgeable about their responsibilities?			
2. Do the RAB members resolve inconsistencies and disagreements before accepting the reports?			
3. If inconsistencies and disagreements are not resolved, are alternative courses of action agreed to (including but not limited to further research of the unresolved matters with discussion planned to occur at a future meeting)?			
4. Are RAB members knowledgeable about:			
The technical aspects of their reviews, both peer review standards as well as general audit and accounting standards.			
Critical peer review issues and risk considerations (focus matters).			
Industry specific issues (i.e. requirements of ERISA, Governmental Standards/Regulations, etc.)			
The differences in matters, findings, deficiencies and significant deficiencies.			
Appropriate types of reports.			
Circumstances for requiring revisions to review documents.			

EVALUATION OF THE TECHNICAL ASPECTS OF THE MEETING CONTENT AND DISCUSSION (cont)	**YES**	**NO**	**N/A**
Appropriateness of recommended corrective or monitoring actions.			
5. Based upon your observations, were the Committee's discussions and their conclusions on the reviews presented reasonable?			
6. Comments regarding the overall evaluation of the technical aspects of the meeting content and discussion:			
EVALUATION OF THE GENERAL MEETING PROCESS	**YES**	**NO**	**N/A**
7. Was sufficient time allowed for discussion of each report or matter?			
8. Were there a required minimum number of committee members present?			
9. Was the nature of the discussion appropriate and were recommendations for courses of action reasonable for the reports discussed? (consider recommendations for education, discipline, etc.)			
10. Do members appear to have a good rapport with one another and openly/candidly provide feedback for the report discussions?			
11. Were any specific problems or issues discussed?			
12. Comments regarding the overall evaluation of general meeting process:			
CONCLUSION			
13. Rate the meeting as to its effectiveness for its role in the peer review process: ☐ Meets Expectations ☐ Does Not Meet Expectations*			
14. Other comments, if any:			

The above checklist was prepared by:

_____ _____

Print Name Signature

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

DOCUMENT PENDING COMPLETION

DOCUMENT PENDING COMPLETION

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*

PEER REVIEW PROGRAM PROVIDER CONTACT INFORMATION

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

PUBLIC CONTACT INFORMATION

Name of Organization: _____

Address: _____

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

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

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

Web site address (if available)**:** _____

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

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

Contact Information **Internal Use Only**

Name: _____

Telephone Number: ( ) _____ **E-mail Address:** _____

Address where correspondence should be sent: _____

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

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*

PEER REVIEW PROGRAM PROVIDER CERTIFICATION AND COMPLIANCE AGREEMENT

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

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

1. I have read Article 6 of the California Board of Accountancy Regulations specifying the requirements for receiving Board recognition to administer peer reviews in California and agree to comply with requirements pertaining to providers, provider recognition and minimum requirements.

2. I authorize the California Board of Accountancy and its Peer Review Oversight Committee to review relevant records to ensure compliance with the requirements of Article 6.

3. I certify that the supplemental materials accompanying the application are designed in compliance with Section 48 of the California Board of Accountancy Regulations, and authorize the Board or its designee to review the materials to ensure compliance.

4. As the provider, I agree to be the responsible party for all administered peer reviews.

5. I agree to comply with the provisions of Section 17500 of the Business and Professions Code, Division 7, Part 3, Chapter 1, regarding false or misleading advertising.

6. I am the program provider representative authorized to sign this Certification and Compliance Agreement.

_____
Peer Review Program Provider

_____ _____
Authorized Signature ***Date***

_____ _____
Print or Type Name ***Position***

_____
Company

CALIFORNIA BOARD OF ACCOUNTANCY

PEER REVIEW OVERSIGHT COMMITTEE

2012 Annual Report

Table of Contents

I. Message from the Committee Chair …….. 1

II. Background ……. 2

III. PROC Responsibilities ……. 2

IV. Committee Members …….. 3

V. Regulations …….. 3

VI. Reporting Requirements …….. 3

VII. Statistics …….. 4

VIII. Peer Review Voluntary Survey ……..……..... 5

IX. Board-recognized Peer Review Program Providers ……. 6

X. Activities and Accomplishments …….. 7

XI. Findings ……..…….. 11

XII. Conclusions ……..……. 12

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.

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 (CCR) 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.

Current members:	Term Expiration Date:
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. Regulations

On July 26, 2012, the CBA adopted regulations modifying Title 16, 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 package will be provided to the Office of Administrative Law no later than July 2013 and once approved would become effective on January 1, 2014.

VI. Reporting Requirements

Pursuant to Business and Professions Code (B&P), 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 available 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	2,454	4,254	15,628	22,336	717
34-66	July 1, 2012	1,801	3,837	12,577	18,215	1,953
67-00	July 1, 2013	704	2,076	7,779	10,559	10,395
Total		**4,959**	**10,167**	**35,984**	**51,110**	**13,065**

* Data as of January 15, 2013.

The data in the following table reflects the number of peer review reports accepted by the California Society of Certified Public Accountants (CalCPA) in 2010, 2011, and 2012.

Peer Review Reports Accepted by the CalCPA*				
Type of Review	2010	2011	2012	Total
System	413	406	648	1,467
Engagement	535	870	1,253	2,658
Total	**948**	**1,276**	**1,901**	**4,125**

*Data received from CalCPA as of December 31, 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, and 40 were neutral.

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 summarized the PROC meetings in written reports that were presented at each CBA meeting.

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. 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.

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.

PROC members observed each of the following RAB meetings via teleconference or in person:

- January 5, 2012 – teleconference
- January 24, 2012 – in person
- March 6, 2012 – teleconference
- May 17, 2012 – teleconference
- July 24, 2012 – teleconference
- November 15, 2012 – in person

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 Title 16, CCR, 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 on 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.

The PROC continues to work with the CAC to develop a process to provide adequate oversight to the NPRC.

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.

<u>AICPA</u>

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.

<u>CalCPA</u>

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.

California Board of Accountancy
Peer Review
Preliminary Voluntary Survey Results
December 9, 2010 - September 18, 2012

Appendix A

Was your recent peer review the first time you have undergone a peer review?			
	ENG	SYS	Total
Yes (1st Time Peer Reviewed)	423	133	556
No (Previously Peer Reviewed)	909	565	1474
Total	1332	698	2030

Was your firm required to take any corrective action as a result of undergoing peer review?			
	Yes	No	Total
1st Time Peer Reviewed	148	401	549
Previously Peer Reviwed	178	1259	1437
Total	326	1660	1986

Type of Correction Ordered	1st Time Peer Reviewed	Previously Peer Reviewed
CPE	90	87
Acclerated Review	2	2
Additional Inspections/Reviews	25	31
Update Library	30	27
Strengthen Staff	8	21
Submission of Additional Materials	12	27
Other	27	39

Has your firm voluntarily made any changes that improved its processess as a result of undergoing a peer review?			
	Yes	No	Total
1st Time Peer Reviewed	295	226	521
Previously Peer Reviwed	703	683	1386
Total	998	909	1907

Voluntary Changes Made	1st Time Peer Reviewed	Previously Peer Reviwed
CPE	130	276
Update Library	136	226
Strengthen Staff	51	249
Other	84	197

Did you raise your fees to offset the cost of your peer review?				
	Yes	No	Total	Average Increase
1st Time Peer Reviewed	85	431	516	16.5%
Previously Peer Reviewed	76	1261	1337	9%
Total	161	1692	1853	

Do you believe that undergoing peer review has helped to improve your overall service to your clients?			
	Yes	No	Total
1st Time Peer Reviewed	280	218	498
Previously Peer Reeviewed	931	388	1319
Total	1211	606	1817

Do you, or will you, voluntarily notify clients that you have undergone peer review?			
	Yes	No	Total
1st Time Peer Reviewed	238	260	498
Previously Peer Reeviewed	657	667	1324
Total	895	927	1822

Do you, or will you, use peer review as a marketing tool to potential clients?			
	Yes	No	Total
1st Time Peer Reviewed	111	395	506
Previously Peer Reeviewed	439	894	1333
Total	550	1289	1839

To eliminate the need for a future peer review, will you cease providing the services which trigger a mandatory peer review under the law?			
	Yes	No	Total
1st Time Peer Reviewed	84	419	503
Previously Peer Reeviewed	83	1237	1320
Total	167	1656	1823

What percentage of your workload during the three years encompassing your recent peer review was spent on compilations without disclosure using other comprehensive basis of accounting (OCBOA)?						
	0%	1-25%	26-50%	51-75%	76-99%	100%
1st Time Peer Reviewed	152	242	22	14	16	22
Percentage	32%	52%	5%	3%	3%	5%
Previously Peer Reviewed	288	792	80	36	38	11
Percentage	23%	63.5%	6.5%	3%	3%	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*

Peer Review Oversight Committee

APPENDIX B

Summary of Peer Reviewer Training Course

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

Course Date: _____

Name of Peer Reviewer Training: _____

Name of Instructor: _____

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

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

The above summary was prepared by:

_____ _____

Print Name Signature

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

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*

Peer Review Oversight Committee

APPENDIX C

Peer Review Board Meeting Checklist

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

Date of Meeting: _____

Name of Peer Review Program Provider: _____

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

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

The above checklist was prepared by:

_____ _____

Print Name Signature

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

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*

Peer Review Oversight Committee

APPENDIX D

Peer Review Program Provider Checklist

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

Name of Organization _____

Address _____

City _____ State _____ Zip Code _____

Telephone Number _____ Fax Number _____

Contact Person: _____

Title 16, California Code of Regulations, Section 48		
For a peer review program provider to receive Board recognition and be authorized to administer peer reviews in California, the peer review program provider must submit evidence to the satisfaction of the Board that the peer review program is comprised of a set of standards for performing, reporting on, and administering peer reviews. A peer review program shall include the following components:		
(a) Peer Review Types	**Y**	**N**
A peer review program shall have a minimum of two types of peer reviews that include the following:		
(1) For firms performing engagements under the Statements on Auditing Standards (SASs), Government Auditing Standards, examinations of prospective financial statements under the Statements on Standards on Attestation Engagements (SSAEs), or audits of non-Security Exchange Commission (SEC) issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB), the firm shall undergo a peer review designed to test the firm's system of quality control. The scope of the peer review shall be such that it provides a peer reviewer with a reasonable assurance that a firm's system of quality control was designed in accordance with professional standards and was complied with by the firm's personnel.		
(2) For firms only performing engagements under the Statements on Standards for Accounting and Review Services (SSARS) or under Statements on Standards on Attestation Engagements (SSAEs) not encompassed in review performed under subsection (a)(1), the firm shall undergo a peer review designed to test a cross-section of a firm's engagements to assess whether the engagements were performed in conformity with the applicable professional standards.		

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

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

(C) Establish a program to communicate to firms participating in the peer review program the latest developments in peer review standards and the most common findings in peer reviews conducted by the Board-recognized peer review program provider.		
(D) Establish and document procedures for an adjudication process designed to resolve any disagreement(s) which may arise out of the performance of a peer review, and resolve matters which may lead to the dismissal of a firm from the provider's peer review program.		
(E) Establish guidelines for prescribing remedial or corrective actions designed to assure correction of the deficiencies identified in a firm's peer review report.		
(F) Establish guidelines for monitoring the prescribed remedial and corrective actions to determine compliance by the reviewed firm.		
(G) Establish and document procedures for ensuring adequate peer reviewers to perform peer reviews. This shall include ensuring a breadth of knowledge related to industry experience.		
(H) Establish and document procedures to ensure the qualifications of peer reviewers and to evaluate a peer reviewer's performance on peer reviews.		
(I) Establish a training program or training programs designed to maintain or increase a peer reviewer's currency of knowledge related to performing and reporting on peer reviews.		
(J) Establish and document procedures to ensure that a firm requiring a peer review selects a peer reviewer with similar practice experience and industry knowledge, and peer reviewer is performing a peer review for a firm with which the reviewer has similar practice experience and industry knowledge.		
(K) Require the maintenance of records of peer reviews conducted under the program. Such records shall include, at a minimum, written records of all firms enrolled in the peer review program and documents required for submission under Section 46, with these documents to be retained until the completion of a firm's subsequent peer review.		
(L) Provide to the Board's Peer Review Oversight Committee access to all materials and documents required for the administration of peer reviews.		
(2) As required by subsection (e)(1)(A) of this section, the peer review program provider shall establish a peer review committee to assist in the review and acceptance of peer review reports. The peer review program provider's committee shall:		
(A) Meet regularly to consider and accept peer review reports.		
(B) Assist the peer review program provider in resolving instances in which there is a lack of cooperation and agreement between a peer reviewer and/or reviewed firm in accordance with the peer review program's adjudication process.		
(C) Make a final determination on a peer review report pursuant to subdivision (b).		
(f) Composition of the Peer Review Committee (PRC)	**Y**	**N**
(1) All committee members shall meet the peer reviewer qualification requirements established in Section 48(c).		
(2) In determining the size of the committee, consideration shall be given to the requirement for broad industry experience, and the likelihood that some members will need to recuse themselves from some reviews as a result of the member's close association to the firm or having performed the review.		
(3) No committee member may concurrently serve as a member of the Board.		

(4) A committee member may not participate in any discussion or have any vote with respect to a reviewed firm when the member lacks independence as defined by California Code of Regulations Section 65 or has a conflict of interest. Examples of conflicts of interest include, but are not limited to:		
(A) The member's firm has performed the most recent peer review of the reviewed firm's accounting and auditing practice.		
(B) The member served on the review team which performed the current or the immediately preceding review of the firm.		
(C) The member believes he/she cannot be impartial or objective.		
(5) Each member of the committee shall comply with all confidentiality requirements. The peer review program provider shall annually require its committee members to sign a statement acknowledging their appointments and the responsibilities and obligations of their appointments.		

The following recommendation was adopted by the PROC on _____:

☐ Approval ☐ Denial

_____ _____
PROC Chair Date

_____ _____
PROC Vice Chair Date

Comments:

_____

_____

_____

_____

_____

CALIFORNIA BOARD OF ACCOUNTANCY

PEER REVIEW OVERSIGHT COMMITTEE

2013 Annual Report

Table of Contents

I. Message from the Committee Chair …….. 1

II. Background …… 1

III. PROC Responsibilities …… 2

IV. Committee Members ……. 2

V. Legislation and Regulations ….…….…….. 3

VI. Reporting Requirements …….. 3

VII. Statistics …….. 4

VIII. Peer Review Voluntary Survey ……..……..... 4

IX. Board-recognized Peer Review Program Providers …… 5

X. Activities and Accomplishments ……. 6

XI. Findings ……..……..…….. 11

XII. Conclusions ……..……. 11

Appendices

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

B. Are You Required to Get a Peer Review?

C. Summary of Oversight of Out-of-State Peer Review Administering Entity

I. Message from the Committee Chair

I am proud to present the 2013 Annual Report of the Peer Review Oversight Committee (PROC) to the California Board of Accountancy (CBA). As we wrap up our third year, I am pleased to report that the PROC has again made significant progress in providing oversight to California's mandatory peer review program.

One of our most crucial goals was achieved this year. We were successful in working with the National Association of State Boards of Accountancy (NASBA) Compliance Assurance Committee (CAC) to provide an appropriate level of oversight to the National Peer Review Committee (NPRC). The NPRC administers peer reviews to the largest accounting firms in the country who also have significant impact on the public interest. So it was a huge accomplishment to learn that the leadership of NASBA agreed to allow State PROCs to participate in conference calls conducted by the CAC during which the CAC will discuss many important topics of interest to the PROC, including oversight of the NPRC. This oversight is necessary to ensure that the NPRC is administering peer reviews in accordance with the standards set by the American Institute of Certified Public Accountants (AICPA).

The PROC also implemented a procedure for providing oversight to AICPA's administering entities in other states that administer peer reviews to California-licensed accounting firms. This year the PROC reviewed the AICPA's oversight reports for Nevada, Oregon, Texas, and New York; each of these states administered at least ten peer reviews to California-licensed firms.

Of course, the PROC continues to provide a comprehensive level of oversight to the California Society of Certified Public Accountants (CalCPA), the administering entity responsible for administering peer reviews to the vast majority of accounting firms in California.

In summary, the PROC has now installed processes and procedures to oversight administering entities which accept peer reviews of California firms, regardless if the administering entity is located in-state, out-of-state, or in a nation-wide basis. This far reaching objective was established at the onset of the PROC. It is extremely fulfilling to me and the PROC members to reach this milestone.

As always, I would like to thank the CBA members for the continued direction and support of the PROC and its mission. I would like to thank the PROC members for another year of dedication and resolve; we would not have made these significant strides without their unending commitment.

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. Effective January 1, 2012, Senate Bill 543 removed the sunset language concerning mandatory peer review, making mandatory peer review permanent in California.

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.

As of July 2013, 51 licensing jurisdictions in the United States have made participation in a practice-monitoring program mandatory for licensure. Programs in four of these jurisdictions will go into effect in or after 2014.

III. PROC Responsibilities

The PROC derives its authority from Business and Professions Code (BPC) section 5076.1. 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 roles and responsibilities of the PROC are: 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 (CCR) 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.

In 2012, five of the seven PROC members were reappointed to the PROC for their second term. In order to address succession planning concerns, to create varying member term expiration dates, and to all allow new members to be appointed to the PROC, two members were rotated from the PROC. Further, the position of Vice Chair was created and Robert Lee was appointed. His term as the Vice Chair expired on December 31, 2013, and Sherry McCoy was appointed Vice Chair effective January 1, 2014. Nancy Corrigan was reappointed as the Chair for another year. Jeffrey DeLyser was appointed to the PROC on March 21, 2013.

Current members:	Term Expiration Date:
Nancy J. Corrigan, CPA, Chair, 2nd	May 24, 2015
Robert Lee, CPA, Vice Chair, 2nd	May 24, 2015
Katherine Allanson, CPA, 2nd	May 24, 2015
Jeffrey DeLyser, CPA, 1st	March 21, 2015
Sherry McCoy, CPA, 2nd	May 24, 2015
Seid Sadat, CPA, 2nd	May 24, 2015
Vacant	

V. Legislation and Regulations

Effective January 1, 2013, BPC section 5076 was amended to allow licensees to renew their license into an inactive status without having a peer review. A peer review is required prior to the licensee converting or renewing back to an active status.

Effective January 1, 2014, Title 16, California Code of Regulations (CCR) sections 40 and 45 were amended requiring licensees to report specific peer review information on the Peer Review Reporting Form at the time of license renewal. The revised 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 three-year phase in period for peer review reporting ended on July 1, 2013, which was the deadline for the last group of licensees to submit the Peer Review Reporting Form. As noted above, beginning in 2014, Peer Review Reporting Forms will be submitted with the licensee's license renewal application.

VI. Reporting Requirements

Pursuant to BPC section 5076(n)(1), 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. CBA staff will commence drafting the report in calendar year 2014.

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(1/12)) to the CBA on the following schedule:

Licensees with a license number ending in 01-33 by July 1, 2011;
Licensees with a license number ending in 34-66 by July 1, 2012;
Licensees with a license number ending in 67-00 by July 1, 2013.

The chart below displays information gathered by the CBA during the three-year phase in period. Licensees used the Peer Review Report Form to self-report whether or not they operate as a firm, and if so, whether the firm is subject to peer review.

Peer Review Reporting Forms Received by the CBA*						
License Ends In	Reporting Date	Firms Requiring Peer Review	Firms Not Requiring Peer Review	Licensees Not Operating as a Firm	Total	Licensees That Have Not Reported
01-33	July 1, 2011	2,605	4,301	15,757	22,663	51
34-66	July 1, 2012	2,144	4,006	13,122	19,272	101
67-00	July 1, 2013	1,993	3,882	14,043	19,918	1,046
Total		6,742	12,189	42,922	61,853	1,198

* Data as of December 31, 2013.

As mentioned on page 3, Section V, the three-year phase in implementation period ended on July 1, 2013, and the information depicted in the above table will no longer be available. Instead, licensees will report their peer review information at the time of license renewal.

The data in the following table reflects the number of peer review reports accepted by the CalCPA in 2011, 2012, and 2013. The CalCPA administers the largest portion of peer reviews to California-licensed firms.

	Peer Review Reports Accepted by the CalCPA*			
Type of Review	2011	2012	2013	Total
System	406	648	517	1,571
Engagement	870	1,253	1,184	3,307
Total	**1,276**	**1,901**	**1,701**	**4,878**

*Data received from CalCPA as of December 31, 2013.

The table does not include statistics for peer reviews accepted by the NPRC or out-of-state administering entities.

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 established a task force comprised of two PROC members to review the survey comments collected through September 18, 2012. The task force reviewed 339 surveys submitted by peer review firms largely in response to the following survey questions:

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

At the June 21, 2013 PROC meeting, the task force submitted their report **(Appendix A)** and made the following recommendations:

1. Provide more education on the benefits of peer review.
2. Provide more education on the concept that a CPA's primary objective is to protect the public interest.
3. Provide a simple chart showing the chronology of the peer review process.
4. CalCPA should continue to remind peer reviewers about the best approach to the peer review process when working with firms.

The recommendations of the task force were implemented by revising existing CBA publications and creating an easy to follow flow chart of the peer review process to post to the CBA website **(Appendix B)**.

IX. Board-recognized Peer Review Program Providers

a. 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 entities authorized to administer the AICPA Peer Review Program. At present, there are 42 administering entities.

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. 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.

ii. NPRC

The AICPA also administers a peer review program through the NPRC 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. The NASBA CAC provides oversight of the NPRC.

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 CPA society in that state.

X. Activities and Accomplishments

Following are the salient activities and accomplishments of the PROC during 2013.

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 four meetings as follows:

February 22, 2013 – Glendale

June 21, 2013 – Sacramento

August 23, 2013 – Ontario

November 1, 2013 – Sacramento

The PROC Chair attended six CBA meetings to report on PROC activities, one of which was prepared by and reported on by the PROC Vice Chair.

ii. PROC Procedures Manual

The PROC updated its Procedures Manual which outlines specific procedures and processes to fulfill its duties. Updates include procedures for providing oversight of other states' peer review programs, an updated copy of the AICPA's Glossary of Terms, Acronyms, and Abbreviations, a revised organizational chart, the removal of the Summary of Sample Reviews checklist, and the addition of the Summary of Oversight of Out-of-State Administering Entities checklist.

iii. Oversight Checklists

The PROC developed 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 new checklist was created to track oversight activities:

Summary of Oversight of Out-of-State Peer Review Administering Entity **(Appendix C)**

Checklists previously developed include:

Summary of Peer Review Committee Meeting
Summary of Peer Review Subcommittee Meeting
Summary of Administrative Site Visit
Summary of Peer Reviewer Training Course
Peer Review Board Meeting Checklist
Peer Review Program Provider Checklist

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

iv. 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 Peer Review Program Provider Checklist is used to evaluate applications.

v. 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 2013, the PROC performed several activities to assess the effectiveness of the AICPA's Peer Review Program and its administering entities in California, the CalCPA and the NPRC.

i. AICPA

- **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.

  During 2013, one to two PROC members observed three of the four PRB meetings:

  January 25, 2013 – in person
  May 7, 2013 – conference call
  August 14, 2013 – conference call

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.

During 2013, two PROC members attended each of the following PRC meetings:

May 9-10, 2013 – San Diego

November 21-22, 2013 – Yountville

B. Report Acceptance Body (RAB)

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.

During 2013, one to two PROC members observed each of the following RAB meetings via teleconference or in person:

May 9, 2013 – in person
August 21, 2013 – conference call
September 24, 2013 – conference call
November 22, 2013 – in person

C. Administrative Site Visit

The PROC is charged with conducting, at a minimum, an annual Administrative Site Visit of each Provider to determine if the Provider is administering peer reviews in accordance with the standards adopted by the CBA.

On May 15-16, 2013, 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 Title 16, CCR, section 48.

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

Reviewed policies and procedures utilized by CalCPA to govern its peer review program process;
Read correspondence and other available documentation from other oversight activities performed at CalCPA;
Reviewed the Report Acceptance Body assignment binder;
Selected a sample of peer review reports and associated files for review;

Discussed the peer review committee member and individual peer reviewer qualifications process with CalCPA personnel and select a sample for inspection of resumes and other documentation.

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

This oversight activity was completed on May 15-16, 2013, 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 types of peer reviewer trainings. A two-day course for new peer reviewers and a one-day refresher course are offered each year.

During 2013, PROC members attended the one-day training course *AICPA's Advanced Workshop: Practical Guidance for Peer Reviewers* on May 8, 2013 and July 25, 2013.

F. CalCPA Annual Report on Oversight

The AICPA requires that each administering entity perform oversight of their peer review program every other year, alternating with the year that AICPA conducts its oversight visit. CalCPA's Peer Review Administrative Committee (PRAC) monitors the oversight process. Each member of the PRAC has been approved by the Council of CalCPA and has current audit experience.

The PROC reviewed the CalCPA Peer Review Program Annual Report on Oversight for Calendar Year 2011. The oversight report summarizes the results of the mandated oversight of 2% of all reviews processed during the year, and verification of the resumes and continuing professional education of one third of peer reviewers. For peer reviews conducted in 2011, 13 system reviews and 12 engagement reviews were subject to the oversight process. Sixty-one of 129 peer reviewer's resumes were verified by CalCPA.

G. AICPA Oversight Visit Report of CalCPA

The AICPA conducted an oversight visit of CalCPA on November 14-16, 2012. The AICPA Oversight Visit Report was issued on November 16, 2012, and accepted by the AICPA PRB Oversight Task Force on May 6, 2013. The next oversight visit will be conducted in 2014.

The PROC reviewed the report which concluded that CalCPA has complied with the administrative procedures and standards in all material respects as established by the board.

iii. NPRC

A. Third-Party Administrative Oversight Visit

The PROC reviewed the report of the third-party Administrative Oversight Visit to the NPRC conducted by the accounting firm of Ray, Foley, Hensley & Company, PLLC, on September 25-26, 2012. The purpose of the administrative oversight visit is to ensure that the AICPA Peer Review Program is being administered in accordance with guidance as issued by the AICPA Peer Review Board. The PROC also reviewed the AICPA's written response to the oversight visit report.

B. Compliance Assurance Committee (CAC)

The NASBA CAC provides oversight of the NPRC.

The PROC has continued to work with the CAC to develop a process to provide oversight to the NPRC, including participation in CAC conference calls.

The CAC agreed to provide the PROC with a copy of its second Annual Oversight Report, and the Annual Oversight Report on the AICPA Peer Review Program for the NPRC. The PROC will review these reports once they are received from the CAC. The CAC is also exploring options for allowing PROC members to observe CAC meetings.

iv. Other State Societies

Most California-licensed firms use CalCPA or NPRC to administer their peer reviews. There are some California-licensed firms that have their peer reviews administered by AICPA administering entities other than CalCPA and NPRC, meaning out-of-state CPA societies.

The PROC will review the AICPA oversight visit report and the state PROC's annual report, if available, for a selection of out-of-state administrative entities each year. All AICPA Oversight Visit Reports are reviewed and accepted by the AICPA PRB Oversight Task Force (OTF)

In 2013, the PROC reviewed the most recent AICPA Oversight Visit Reports for Nevada, Oregon, Texas, and New York, as follows:

Nevada Society of CPAs:
- Oversight Visit Report, September 21, 2012
- Accepted by AICPA PRB OTF, January 24, 2013

Oregon Society of CPAs
- Oversight Visit Report, September 28, 2012
- Accepted by AICPA PRB OTF, January 24, 2013

New York State Society of CPAs:
- Oversight Visit Report, September 12, 2012
- Accepted by AICPA PRB OTF, May 6, 2013

Texas Society of CPAs:
- Oversight Visit Report, December 9, 2011
- Accepted by AICPA PRB OTF, May 7, 2012

c. Other Activities

i. NASBA PROC Summit

The PROC Summit is a conference held by the NASBA CAC every other year to support and promote Peer Review Oversight as a critical and valuable practice for all Boards of Accountancy. The conference is intended to assist Boards in learning how to establish a new PROC and also share experiences among existing PROCs to help each Board be more effective with Peer Review Oversight. Sessions and content are formed based on the most requested information by Accountancy Board Members and PROC Members considering the goals and objectives of the CAC. The first NASBA PROC Summit was held in 2011. The PROC did not participate in the NASBA PROC Summit due to out-of-state travel restrictions.

The second NASBA PROC Summit was held on July 10, 2013 in Nashville, TN. The PROC Vice Chair participated via webcast. Additionally, the PROC submitted an issue paper on how failed peer reviews are treated by the CBA and submitted 13 questions for consideration and discussion by the CAC and participants of the Summit.

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 to have well-prepared materials, and good communication of meeting expectations as well as administration of peer review standards and processes. The PRB is a very high level technical group that is extremely knowledgeable and focused in dealing with peer review issues.

CalCPA

The PROC found the CalCPA PRC met expectations concerning knowledge of peer review acceptance procedures and corrective/monitoring actions.

Through participation in four RAB meetings, the PROC was impressed with how RAB members discussed the issues and came to conclusions. It was also noted that RAB members commented on technical and procedural matters for further discussion at the semi-annual PRC meetings.

NPRC

In 2013, the PROC was successful in working with the CAC to develop a process for providing an appropriate level of oversight to the NPRC. Beginning in 2014, the PROC will participate in CAC meetings in addition to reviewing annual oversight and administrative sight visit reports prepared by the AICPA and the CAC.

XII. Conclusions

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

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

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

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

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

(1)	The profession has too many disclosure requirements and continuing education requirements along with the peer review requirement; the professional standards are overly burdensome.	6
(2)	The peer review process is overly time consuming, costly, and a burden on small firms.	77
(3)	The peer review process is educational, helpful and a necessity to maintain the quality of firms practicing in public accounting.	116
(4)	The administration process over peer reviews, knowing who to contact, making the arrangements, due dates, having data requested by the administering entity and the peer reviewer and who to respond to with the final report, was very confusing.	35
(5)	The peer review process is required too frequently for firms and should be extended over a longer period of time (five years, etc.)	8
(6)	If firms perform no audits, perform only compilations without disclosure or just a few compilations with disclosure, they should be exempt from peer review.	41
(7)	The process from having the peer review to being accepted is too long.	4
(8)	The peer review process is not helpful, does not mean anything to clients, has no positive influence on clients, is punitive to the firms and of no benefit to the firms or their clients.	45
(9)	Other.	7
	Total responses	339

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

Additional Comments

- Numerous responding indicated that even with peer review they see substandard work when they obtain a new client, thus there is no benefit to the peer review process.

- Numerous responding did not see the impact that a few compilations have on the public (clients, bankers, etc.) and saw no risk to performing a few engagements and being exempt from peer review. They saw no value given the small practice that they have. Some believe that since they are retired or work part-time, they should not have to undergo peer review.

- Numerous responding saw no benefit to the process, and high cost, if they are only occasionally preparing financial statements without disclosures.

- Many small firm responders blame larger firms for getting their own clients and their own firms into trouble and then creating the peer review process for all firms.

- Many responding plan to reduce their practice to avoid the cost of the peer review process.

- Several responses indicated that to pay both a peer reviewer and the administering entity was unfair, with the total cost many times being all of their profits or a large percentage of what they bill the client. Many are unable to pass the cost to the client.

- Several responses compared CPAs to other professions (doctors and lawyers) who do not have similar requirements, indicating that the peer review process is punitive rather than educational. Some indicated that CPAs do not need to be regulated by the government.

- Several responded that the additional 24-hour continuing education required should be sufficient and that a peer review on top of this is excessive.

Recommendations of the Task Force

(1) Provide more education on the benefits of peer review, including (a) the promotion of quality and consistency between CPA firms, (b) the educational benefits to smaller firms, and (c) the benefit of peer review as a marketing tool.

(2) Provide more education on the concept that a CPA's primary objective is to protect the public interest. To do this CPAs need to understand that they need to promote an environment whereby the public is protected by this primary objective, and that peer review and the regulations that we practice by are designed to ensure this.

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

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

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

Are You Required to Get a Peer Review?

You need a peer review if you perform any accounting and auditing services using the following professional standards:

- Statements on Auditing Standards (SASs)
- Statements on Standards for Accounting and Review Services (SSARS)*
- Statements on Standards on Attestation Engagements (SSAEs)
- Government Auditing Standards
- Audits of non-Securities and Exchange Commission (SEC) issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB)

The peer review must be accepted within 18 months after the first engagement or three years since your last peer review.

To enroll for a peer review, contact:
California Society of Certified Public Accountants (CalCPA)
at (650) 522-3094 (www.calcpa.org), or
National Peer Review Committee (NPRC)
at (919) 402-4502, press 2 (PRSupport@aicpa.org)

CalCPA/NPRC will work with you to select a peer reviewer and schedule the peer review.

Once the peer review is completed, you are required to report the results of your peer review on the Peer Review Reporting Form (PR-1) Form to the California Board of Accountancy (CBA).

Report your peer review results by submitting the PR-1 form to the CBA with your license renewal application.

Questions? Contact the CBA's Peer Review Unit at (916) 561-1706 or visit the website at www.cba.ca.gov.

* Firms, which as their highest level of work, perform only compilations where no report is issued in accordance with the provision of SSARS are not required to undergo peer review.

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*

Peer Review Oversight Committee

Summary of Oversight of Out-of-State Peer Review Administering Entity

Purpose: As part of its oversight activities, the Peer Review Oversight Committee (PROC) is entrusted to ensure that peer reviews are conducted in accordance with standards established by the California Board of Accountancy (CBA) and administered by the Board-recognized peer review program provider (Provider). Consistent with its legislative mandate, the PROC provides oversight of the Provider's out-of-state administering entities if those entities accept peer review reports pursuant to Business and Professional Code Section 5076 and CBA Regulations Sections 38-48.6. In conducting its oversight, the PROC may review oversight reports prepared by the Provider. These matters are then summarized and reported to the CBA as part of the PROC reporting.

Date:_____

Name of State/Administering Entity:_____

Evaluation of Provider Oversight Report	YES	NO	N/A
1. Did the Provider perform oversight of the Administering Entity (AE) of this state? If so, what is the date of the oversight?			
2. Is there a report available from the Provider?			
3. Were there any findings of concern? If yes, please list:			
4. Were there any recommendations from the Provider? If yes, please list:			
5. Did the AE disagree with any of the recommendations? If yes, please list:			
6. Were there any specific problems or issues? If yes, please list:			

7. Did the AE address issues/recommendations identified in the previous oversight report? If yes, please explain:			

CONCLUSION

1. Does the AE administer peer reviews in accordance with the standards established by the CBA?

☐ Meets Expectations ☐ Does Not Meet Expectations*

Comments:

The above checklist was prepared by:

Print Name _____ Signature _____

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

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*

PEER REVIEW REPORTING FORM
LICENSEE/FIRM INFORMATION

1. Licensee/Firm Name: _____

2. Business Telephone #: _____

3. Business E-mail Address: _____

4. License Number: _____

5. License Expiration Date: _____

6. Does the licensee operate as an accounting firm?

☐ **NO** (Check one below and go to number 15.):

- ☐ Employee, partner or shareholder of an accounting firm
- ☐ Employee, partner or shareholder of a non-accounting firm
- ☐ Employee of the government
- ☐ Unemployed or retired
- ☐ Other_____

☐ **YES** (Select firm type below):

- ☐ Sole Proprietorship
- ☐ General Partnership
- ☐ Limited Liability Partnership
- ☐ Corporation

7. Number of shareholders, partners, owners, and full-time licensees of the firm:

☐ 1 ☐ 2 ☐ 3 ☐ 4
☐ 5-10 ☐ 11-99 ☐ 100+

8a. Has the firm performed accounting and auditing services, as defined in Section 39(a) of Title 16 of the California Code of Regulations, that require a peer review since the last license renewal?

☐ Yes (Go to number 8b.)
☐ No (Go to number 15.)

8b. If the firm completed its first accounting and auditing service within 18 months prior to the expiration date of the license, indicate the date the service was completed:
(NOTE: The firm must have a peer review report accepted by a Board-recognized peer review program provider within 18 months of this date and report the results at the time of the next renewal.)

_____

(If applicable, go to number 15. If not applicable, go to number 9.)

PEER REVIEW INFORMATION

9. Date Last Peer Review Report Accepted: _____

10a. Peer Review Report Rating:

☐ Pass (Go to question 11a.)
☐ Pass w/deficiencies (Go to question 11a.)
☐ Substandard (Go to question 10b.)

PEER REVIEW INFORMATION (continued)

10b. Did your firm submit the peer review report to the Board within the required 45-day reporting period?

☐ Yes

☐ No (Please attach a written explanation as to why the report was not submitted timely.)

11a. Was the peer review administered by the California Society of Certified Public Accountants using the American Institute of Certified Public Accountants Peer Review Program?

☐ Yes

☐ No (Go to question 11b.)

11b. Was the peer review administered by another organization using the American Institute of Certified Public Accountants Peer Review Program?

☐ Yes (Please provide the name of the American Institute of Certified Public Accountants administering entity.)

☐ No (Please provide the name of the Board-recognized peer review program that administered the peer review.)

12. What was the highest level of accounting and auditing service your firm provided during the three-year period encompassing your peer review?

☐ Audit

☐ Review

☐ Compilations w/disclosures

☐ Compilations w/o disclosures prepared using GAAP

☐ Compilations w/o disclosures prepared using OCBOA

13. What was the cost to have the peer review performed? $ _____

14. How much time did your firm spend preparing for the peer review?

☐ 0 days

☐ 1-5 days

☐ 6-10 days

☐ 10+ days

15. I hereby certify, under penalty of perjury under the laws of the State of California, that all statements, answers, and representations on this form, including supplementary information attached hereto, are true, complete and accurate.

_____ _____

Signature **Date**

PERSONAL INFORMATION COLLECTION AND ACCESS

The information provided in this form will be used by the California Board of Accountancy (CBA), to determine qualifications for a Certified Public Account License. Sections 5080 through 5095 of the Business and Professions Code authorize the collection of this information. Failure to provide any of the required information is grounds for rejection of the application as being incomplete.

Information provided may be transferred to the Department of Justice, a District Attorney, a City Attorney, or to another government agency as may be necessary to permit the CBA, or the transferee agency, to perform its statutory or constitutional duties, or otherwise transferred or disclosed a provided in Civil Code Section 1798.24.

Each individual has the right to review his or her file, except as otherwise provided by the Information Practices Act. Certain information provided may be disclosed to a member of the public, upon request, under the California Public Records Act.

The Executive Officer of the CBA is responsible for maintaining the information in this application, and may be contacted at 2000 Evergreen Street, Suite 210, Sacramento, CA 95815, telephone number (916) 263-3680 regarding questions about this notice or access to records.

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*

Confidential Survey

The California Board of Accountancy (CBA) is conducting a voluntary, confidential survey of certified public accountant (CPA) firms as they submit their peer review reporting form. Please take a moment to complete this brief survey to provide the CBA with valuable information on the performance of the CBA's Peer Review Program and how it has impacted your firm. The results will be used only for aggregate statistical purposes. Individual responses are completely confidential and will not be subject to release under the Public Records Act.

Thank you for taking the time to assist the CBA in improving its peer review program. If you do not want to participate in this survey, please click the "No, Thank You" button at the bottom of this page and you will be directed to the confirmation page acknowledging receipt of your peer review information.

1. Was your recent peer review the first time you have undergone a peer review?
   Yes ___ No ___

2. Which type of peer review did you undergo?
   Engagement Review ___ System Review ___

3. Was your firm <u>required</u> to take any corrective actions as a result of undergoing peer review?
   Yes ___ No ___

   What did you have to do (mark all that apply)?
   ___ Additional CPE ___ Additional inspections or reviews
   ___ Accelerated review ___ Strengthen staff (through training or new staff)
   ___ Update Library ___ Submission of additional materials
   ___ Other (please describe) _____

4. Has your firm voluntarily made any changes that improved its processes as a result of undergoing peer review?
   Yes ___ No ___

   What changes did you make (mark all that apply)?
   ___ Additional CPE ___ Strengthen staff (through training or new staff)
   ___ Update Library ___ Other (please describe) _____

5. What percentage of your workload during the three years encompassing your recent peer review was spent on Compilations without disclosure using other comprehensive basis of accounting (OCBOA)? _____

6. Did you raise your fees to offset the cost of your peer review?
   Yes ___ No ___

   If so, by what percentage? _____

7. Do you believe that undergoing peer review has helped to improve your overall service to your clients?
   Yes ___ No ___

8. Do you, or will you, voluntarily notify clients that you have undergone peer review?
   Yes ___ No ___

9. Do you, or will you, use peer review as a marketing tool to potential clients?
   Yes ___ No ___

10. To eliminate the need for a future peer review, will you cease providing the services which trigger a mandatory peer review under the law?
    Yes ___ No ___

11. Do you have any additional comments on the peer review process?