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. Board-Recognized Peer Review Program Providers .................................... 4
    American Institute of Certified Public Accountants (AICPA) ......................... 4
    a. California Society of Certified Public Accountants (CalCPA) ...................... 4
    b. National Peer Review Committee (NPRC) ................................................. 4
    c. Other State Societies ................................................................................. 5
VII. Activities and Accomplishments ................................................................... 5
    a. Administrative Functions ........................................................................... 5
    i. Committee Meetings .................................................................................. 5
    ii. Oversight Checklists ................................................................................ 5
        A. Revisions to PROC Oversight Checklists .......................................... 6
    iii. Approval of Board-Recognized Peer Review Program Providers .......... 7
    iv. Withdrawal of Board Recognition of a Peer Review Program Provider ...... 7
    b. Program Oversight ..................................................................................... 7
    i. AICPA ....................................................................................................... 7
        A. AICPA Peer Review Board (PRB) ......................................................... 7
        B. AICPA Peer Review Program Annual Report on Oversight ............... 7
        C. AICPA PRB Oversight Report Acceptance of CalCPA Peer Review Administration ............................................................... 8
        D. AICPA Peer Review Conference ......................................................... 8
        E. AICPA Educational Framework for Peer Reviewers ............................ 8
    ii. CalCPA ................................................................................................... 10
        A. CalCPA Peer Review Committee (PRC) ............................................ 10
        B. CalCPA Report Acceptance Body (RAB) .......................................... 10
        C. CalCPA Administrative Site Visit .................................................... 10
        D. CalCPA Peer Review Annual Report on Oversight ......................... 11
    iii. NPRC ..................................................................................................... 11
        A. NASBA Compliance Assurance Committee (CAC) ............................ 11
        B. NASBA CAC Report on the AICPA NPRC .................................... 11
    iv. Other State Societies .............................................................................. 12
    c. Other Activities ......................................................................................... 12
    i. AICPA Proposed Evolution of Peer Review Administration .................... 12
VIII. Statistics ..................................................................................................... 13
IX. Observations ................................................................................................. 14
X. Conclusion ...................................................................................................... 14
I. Message from the Committee Chair

I am pleased to present the California Board of Accountancy (CBA) with the Peer Review Oversight Committee’s (PROC) 2016 Annual Report. I would like to express my deepest appreciation to Robert Lee, CPA, our immediate-past Chair. During his two-year term as Chair, Mr. Lee has provided unparalleled stewardship and exhibited consummate dedication to ensuring the continued success of the PROC.

Over the last year, the PROC has undertaken several important initiatives to improve the oversight of the peer review process. The PROC has endeavored to further evaluate and refine the Administrative Site Visit process used to evaluate the California Society of Certified Public Accountants administration of the Peer Review Program. The PROC has also established a process to evaluate the various checklists used in its oversight activities on a routine and ongoing basis to ensure the continued completeness and relevance of those checklists. Additionally, the PROC has established a process whereby a member reviews and reports back to the committee information from the important notices posted on the American Institute of Certified Public Accountants’ (CalCPA) and the National Association of State Boards of Accountancy’s (NASBA) websites.

Looking ahead to 2017, the PROC will embark on developing a process to evaluate the peer reviewer population, a responsibility recently added by the CBA to the role of the PROC. The PROC will also begin work on updating and revising the PROC Manual to ensure that the information is current and to assist in future on-boarding of new PROC members.

On that note, later this year, the PROC will be wishing a fond farewell to four of its original members: Katherine Allanson, CPA; Nancy Corrigan, CPA; Robert Lee, CPA; and Sherry McCoy, CPA. These four members have been instrumental in establishing the various processes employed by the PROC over these past eight years, which have allowed for it to grow from a start-up committee to a nationally recognized leader.

After the September 2017 meeting, the PROC will stand at three members. PROC members continue to actively work on recruiting new individuals, and staff are working to increase outreach regarding the recruitment process.

I would like to thank the CBA for the opportunity to lead the PROC over this coming year and look forward to another successful year.

Sincerely,

Jeffery De Lyser
II. Background

In 2009, the CBA sponsored Assembly Bill (AB) 138 (Chapter 312, Statutes of 2009) implementing mandatory peer review. AB 138 was signed by Governor Arnold Schwarzenegger and became effective on January 1, 2010. AB 138 requires all California-licensed firms, including sole proprietorships, providing accounting and auditing services, to undergo a peer review once every three years as a condition of license renewal. Effective January 1, 2012, Senate Bill 543 (Chapter 448, Statutes of 2011) removed the sunset language included in the original enabling legislation, making mandatory peer review permanent in California. Peer review, as defined by Business and Professions Code (BPC) section 5076(b)(1), is 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.

III. PROC Responsibilities

The PROC derives its authority from 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, as defined by the CBA, are:

a. Hold meetings as necessary in order to conduct business and report to the CBA regarding the effectiveness of mandatory peer review.

b. 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.

c. Evaluate any Application to Become A Board-recognized Peer Review Provider and recommend approval or denial to the CBA.

d. Refer to the CBA any Provider that fails to respond to any request.

e. Collect and analyze statistical monitoring and reporting data from each Provider on an annual basis.

f. Prepare an Annual Report to the CBA regarding the results of its oversight.

g. Evaluate the peer reviewer population.
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.

<table>
<thead>
<tr>
<th>Current members</th>
<th>Term Expiration Date</th>
<th>Maximum Term Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jeffrey De Lyser, CPA Chair</td>
<td>March 31, 2017</td>
<td>March 31, 2021</td>
</tr>
<tr>
<td>Kevin Harper, CPA, Vice-Chair</td>
<td>March 31, 2017</td>
<td>March 31, 2023</td>
</tr>
<tr>
<td>Katherine Allanson, CPA</td>
<td>July 31, 2017</td>
<td>July 31, 2017</td>
</tr>
<tr>
<td>Nancy J. Corrigan, CPA</td>
<td>July 31, 2017</td>
<td>July 31, 2017</td>
</tr>
<tr>
<td>Robert Lee, CPA</td>
<td>September 30, 2017</td>
<td>September 30, 2017</td>
</tr>
<tr>
<td>Sherry McCoy, CPA</td>
<td>July 31, 2017</td>
<td>July 31, 2017</td>
</tr>
<tr>
<td>Renee Graves, CPA</td>
<td>November 19, 2017</td>
<td>November 30, 2023</td>
</tr>
</tbody>
</table>

At its November 17-18, 2016 meeting the CBA appointed Jeffrey De Lyser, CPA as Chair and appointed Kevin Harper, CPA, as Vice-Chair of the PROC. The PROC is actively looking for new members as more than half of the members’ term will have expired by September 30, 2017.

V. Legislation and Regulations

In October 2014, the AICPA issued the Statement on Standards for Accounting and Review Services (SSARS) 21, which superseded all but one of the prior standards and created a new level of accounting and auditing service for engagements to prepare financial statements. The new standards took effect for reviews, compilations, and engagements to prepare financial statements for periods ending on or after December 15, 2015 and allowed for early implementation. The new preparation engagement standard applies when a CPA is engaged to prepare financial statements but is not engaged to perform an audit, review, or compilation on those financial statements.

In January 2015, the AICPA adopted a change to the peer review standards to exclude firms that only perform preparation engagements (with or without disclaimer reports) under SSARS from enrollment in peer review. However, for firms that are otherwise required to undergo peer review, engagements to prepare financial statements would fall within the scope of the peer review.

At its May 2015 meeting, the CBA considered whether to amend its regulations regarding peer review exclusions to adjust for the adoption of SSARS 21. The CBA adopted a proposal to initiate the rulemaking process to amend CBA Regulations section 42 – Peer Review Exclusions. The amendment was to exclude firms, which as their highest level of work perform only preparation engagements (with or without disclaimers reports) in accordance with the provisions of SSARS from the peer review requirement.
On November 7, 2016, the Office of Administrative Law approved the rulemaking package to amend CBA Regulations section 42. The revisions to the regulation take effect January 1, 2017.

VI. Board-Recognized Peer Review Program Providers

American Institute of Certified Public Accountants (AICPA)

The AICPA Peer Review Program is currently the only CBA-recognized Peer Review Program Provider. Through regulation, the CBA established that the AICPA Peer Review Program meets the standards outlined in Title 16, CCR section 48. Further, the CBA accepts all AICPA-approved entities authorized to administer the AICPA Peer Review Program.

The AICPA 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.

a. California Society of Certified Public Accountants (CalCPA)

CalCPA administers the AICPA Peer Review Program in California. As an administering entity, CalCPA is responsible for ensuring that peer reviews are performed in accordance with the AICPA’s Performing and Reporting on Peer Reviews (Standards). The CalCPA Peer Review Committee (PRC) monitors the administration, acceptance, and completion of peer reviews. CalCPA administers the largest portion of peer reviews to California-licensed firms.

b. National Peer Review Committee (NPRC)

The NPRC administers the AICPA peer review program for firms that meet any of the following three criteria:

- The firm is required to be registered with and subject to permanent inspection by the Public Company Accounting Oversight Board (PCAOB).
- The firm performs engagements under PCAOB standards.
- The firm provides quality control materials (QCM), or is affiliated with a provider of QCM, that are used by firms that it peer reviews.

The National Association of State Boards of Accountancy (NASBA) Compliance Assurance Committee (CAC) provides oversight of the NPRC.
c. Other State Societies

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

VII. Activities and Accomplishments

Following are the activities and accomplishments of the PROC during 2016.

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 the following meetings:

- January 29, 2016 – Sacramento, CA
- May 6, 2016 – Irvine, CA
- August 19, 2016 – Sacramento, CA
- December 9, 2016 – San Diego, CA

A representative of the PROC attended six CBA meetings and reported on PROC activities.

ii. Oversight Checklists

The PROC has developed oversight checklists which serve to document the members’ findings and conclusions after performing specific oversight activities. The checklists, listed herein, are included in the PROC Procedures Manual and additional checklists will be developed as necessary. Members submit the completed checklists to staff to document PROC oversight activities.

Present Checklists:

- 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
- Summary of Oversight of Out-of-State Peer Review Administering Entity
- Summary of Compliance Assurance Committee Meeting
A. Revisions to PROC Oversight Checklists

The PROC established a standing agenda item for its meetings to allow opportunities to review existing PROC checklists. Any checklist used since the last PROC meeting undergoes a review by the PROC to determine if changes are necessary to ensure completeness and relevance of the checklist.

During 2016, the PROC reviewed the following PROC checklists, with approved changes noted:

- **Summary of Administrative Site Visit Checklist to:**
  - See a detailed overview under VII.ii.C on page 10

- **Summary of Peer Review Subcommittee Meeting**
  - No changes

- **Peer Review Board Meeting Checklist**
  - No changes

- **Summary of Peer Review Committee Meeting**
  - Revisions to existing questions to provide further clarity
  - Where to place and develop a more clear conclusion
  - Clarification of PROC purpose
  - Better identification of the entity being reviewed

- **Summary of Compliance Assurance Committee Meeting**
  - Revisions to existing questions to provide further clarity
  - Location to develop a clear conclusion
  - Clarification of PROC purpose
  - Better identification of the entity being reviewed

- **Summary of Out-of-State Peer Review Administering Entity**
  - Revisions to existing questions to provide further clarity
  - Removed redundant questions
  - Determined the PROC conclusion will be limited by what is included in the AICPA site visit result report
iii. Approval of CBA-Recognized Peer Review Program Providers

At such time that the CBA receives an Application to Become a CBA-recognized Peer Review Program Provider, the PROC will review the application and documentation using the Peer Review Program Provider Checklist 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.

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

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

b. Program Oversight

The PROC is charged with providing oversight of all CBA-recognized peer review program providers to ensure that peer reviews are being administered in accordance with the standards adopted by the CBA. During 2016, the PROC performed multiple 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

A. AICPA Peer Review Board (PRB)

The AICPA PRB is responsible for maintaining, furthering and governing the activities of the AICPA 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.

During 2016, PROC members observed each AICPA PRB meeting as part of the PROC oversight activity.

B. AICPA Peer Review Program Annual Report on Oversight

The AICPA Annual Report on Oversight provides a general overview, statistics and information, the results of the various oversight procedures performed on the AICPA Peer Review Program, and concludes on whether the objectives of the oversight process were met.

The PROC reviewed the AICPA Annual Report on Oversight issued on September 27, 2016, for the calendar year 2015, at its December 2016 meeting, pertaining to peer reviews commenced and performed during the calendar years 2013-2015. Based on the oversight procedures
performed, the AICPA PRB Oversight Task Force (OTF) concluded that in all material respects (1) the administering entities were complying with the administrative procedures established by the AICPA, (2) the reviews were being conducted and reported upon in accordance with standards, (3) the results of the reviews were being evaluated on a consistent basis by all administering entities and peer review committees, and (4) the information provided via the Internet or other media by administering entities was accurate and timely.

C. **AICPA PRB Oversight Report Acceptance of CalCPA Peer Review Administration**

Biennially, the AICPA PRB’s (OTF) performs an onsite oversight of CalCPA’s administration and report acceptance procedures established by the AICPA Peer Review Program. A member from the AICPA PRB OTF reviews files and interviews staff at the administrative office. In addition the member attends a peer review committee meeting and observes the report acceptance process of the committee members.

In 2014 the AICPA PRB completed its oversight of CalCPA and issued a report on May 4, 2015 and found that CalCPA PRC has adopted a formal oversight program that is well documented and found it to be comprehensive. The AICPA PRB OTF has conducted its oversight visit of CalCPA in 2016 and a report will be available in 2017.

D. **AICPA Peer Review Conference**

On August 8-10, 2016, multiple PROC members attended the 2016 AICPA Peer Review Conference in San Diego. Mr. Robert Lee, PROC Chair; Mr. Jeff De Lyser, PROC Vice-Chair; and Mr. Kevin Harper, PROC member were approved to attend and oversight the AICPA conference where new educational framework, geared towards enhancing audit quality for peer reviewers, were introduced. The topics covered during the conference were highly relevant to the changing peer review landscape of the public accounting industry. Attendees participated in breakout sessions intended to enhance the quality of peer reviews.

E. **AICPA Educational Framework for Peer Reviewers**

The AICPA provided trainings as part of the Enhanced Audit Quality initiative, to promote audit quality and demonstrate the profession’s ongoing commitment to quality improvement. In May 2015, the AICPA released a six-point plan to improve audits. One of the points included in the plan outlines the efforts of Enhancing Quality of Peer Reviewers. The AICPA is seeking to improve the quality of peer reviewers by increasing the qualifications required to perform a review, greatly
enhancing the oversight of reviewers, and expediting removal of poor performers. In addition to assessing reviewer performance, the enhanced oversight program includes root cause analysis, determination of quality control policies and procedures with the strongest correlation to audit quality.

Effective May 1, 2016, peer reviewer initial qualification, ongoing qualification, and reviews of certain must-select engagement trainings will be offered by the AICPA annually. The trainings were offered at the AICPA Peer Review Conference on August 8-10, 2016 in San Diego.

• Initial Training Requirements
  – Eight hours of continuing professional education (CPE), a series of online modules and exams designed to meet NASBA’s CPE Standards, a peer review curriculum “Becoming an AICPA Peer Review Team or Review Captain”
  – On demand self-study CPE available on cpa2biz.com
  – Eight hours of a live seminar course, “Becoming an AICPA Peer Review Team Captain: Case Study Application”
  – Satisfies the annual training requirement

• Ongoing Training Requirements
  – Option 1 – Attend the General Session of the annual Peer Review Conference and acquire 16 hours of CPE
  – Option 2 – Complete the AICPA Peer Review update annual on demand self-study advance reviewer training course
  – Option 3 – Attend an alternative conference session or complete an alternative course that has been approved by the AICPA PRB
  – Satisfies the annual training requirement

• Must-Select Training Requirements
  – Option 1 – Four hours of CPE to attend the relevant Optional Session of the annual Peer Review Conference
  – Option 2 – Complete the relevant ‘Must-Select Industry’ Update courses available for purchase on the cpa2biz.com
  – Option 3 – Complete an alternative course that has been approved by the AICPA PRB
  – Satisfies the annual training requirement
ii. CalCPA

A. CalCPA Peer Review Committee (PRC)

During 2016, PROC members attended both CalCPA PRC meetings, which took place in May and November 2016.

B. CalCPA 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 2016, PROC members observed eight RAB meetings.

C. CalCPA Administrative Site Visit

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

As an administering entity, CalCPA is responsible for administering the AICPA Peer Review Program in compliance with the AICPA Standards, interpretations, and other guidance established by the CBA.

In 2016, the PROC undertook a significant modification of procedures involved in the administrative site visit. The PROC completed a risk assessment of the CalCPA peer review administration to ensure the existing oversight process and checklist continue to work in parallel with the AICPA peer review program. As part of the risk assessment, PROC members visited CalCPA on June 10, 2016 and initiated the development of:

- A general planning checklist
- A risk map and mitigating procedures checklist
- A site visit summary report

On September 26, 2016, the PROC performed its administrative site visit to CalCPA and reviewed its administration of the AICPA’s Peer Review Program. The following procedures were performed as part of the PROC’s oversight responsibilities:

- Reviewed policies and procedures used by CalCPA to govern its peer review program process.
• Read correspondence and other available documentation from other oversight activities performed at CalCPA.
• Reviewed the RAB assignment binder.
• Reviewed a sample of peer review reports and associated files
• Discussed the peer review committee member and individual peer reviewer qualifications process with CalCPA personnel and reviewed a sample for inspection of supporting documentation.
• Considered risk mitigating procedures.

At its December 9, 2016 meeting, the PROC reviewed the proposed administrative site visit procedures, checklists, and a summary report drafted by assigned members.

D. CalCPA Peer Review Program Annual Report on Oversight

The PROC reviewed the CalCPA Peer Review Program Annual Report on Oversight for Calendar Year 2014, issued October 22, 2015. The oversight report summarizes the results of the mandated oversight of two percent of all reviews processed during the year and verification of the resumes and CPE of one third of peer reviewers.

iii. NPRC

A. NASBA Compliance Assurance Committee (CAC)

The charge of the NASBA CAC is to promote effective oversight of compliance with professional standards by CPAs and their firms. As such, the focus of the NASBA CAC is to recommend a nationwide strategy promoting a mandatory program for compliance assurance acceptable to boards of accountancy. The NASBA CAC provides oversight of the NPRC.

The PROC observed two NASBA CAC meetings held on January 11, 2016 and July 19, 2016.

B. NASBA CAC Report on the AICPA NPRC

The PROC reviewed the February 26, 2016 NASBA CAC report on the AICPA NPRC for the period of November 1, 2014 to October 31, 2015 at its May 2016 meeting. Based on the oral reports provided at each CAC meeting by the NASBA representatives serving as members on the AICPA NPRC, as well as reviewing the comprehensive oversight report prepared by the AICPA NPRC issued October 22, 2015 and the administrative oversight report issued by a third party on October 22, 2015, the NASBA CAC is satisfied and can report that the AICPA NPRC has operated appropriately.
iv. Other State Societies

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

The PROC reviews, on a sample basis, the AICPA oversight visit reports as part of the oversight activity of out-of-state administrative entities each year. All AICPA oversight visit reports are reviewed and accepted by the AICPA PRB OTF. For 2016, the PROC reviewed the AICPA’s oversight reports for Colorado, Nevada, Oregon, and Virginia.

c. Other Activities

i. AICPA Proposed Evolution of Peer Review Administration

On February 22, 2016, the AICPA released a paper, “Proposed Evolution of Peer Review Administration, A Discussion Paper Seeking Input from State CPA Society Leaders,” (Paper) and on July 18, 2016, the AICPA released a second paper, “Proposed Evolution of Peer Review Administration, A Supplemental Discussion Paper Seeking Input from State Boards of Accountancy.”

The Paper and its supplemental paper discuss a proposed plan to increase the quality, consistency, efficiency, and effectiveness in the administration of peer review. The AICPA is considering a significant reduction of administering entities (AEs) from the 43 present AEs to between eight to 10 AEs, with an approximate volume of 1,000 peer reviews annually. Below is a brief overview of key items within the Paper:

A. Background and focus on improvements to the current peer review program
B. Process improvement
C. Achieving greater consistency, relating to high-level summary of the duties AE staff perform
D. Noted inconsistencies
E. Initial proposed criteria for AEs of the future
F. Oversight
G. Initial feedback on the discussion paper relating to:
   - Continuing as AEs
   - Cost of peer review
   - Peer reviewer pool
   - Performance by a peer reviewer
• Proposed number of AEs (8-10) and administering approximately 1,000 annual reviews
• RABs and RAB Members
• Timeline
• Board Involvement

Within the supplemental paper, the AICPA expressed its understanding that proposed changes to peer review administration will have an impact on the current model for board's of accountancy oversight of the program and may necessitate changes by boards of the current PROC process.

The PROC discussed the Paper at its August 2016 meeting and recommended to the CBA to support the enhancements to the peer review process that continue to improve the quality of peer review. The PROC also expressed to the CBA some of its concerns regarding the optimistic goals regarding available peer reviewers and the cost of peer review.

Since the two Papers were released, the AICPA has indicated that it is combining additional changes to the administration of peer review.

VIII. Statistics

The data in the following table reflect the number of peer review reports accepted by the AICPA and CalCPA from 2012 through 2015 and provides perspective on the size of the peer review program in California. The table provides statistics from the most recent approved CalCPA Peer Review Annual Report as of October 2016. The table does not include statistics for peer reviews accepted by the NPRC or out-of-state administering entities.

The PROC has initiated a data collection process to enhance peer review-related statistics.

<table>
<thead>
<tr>
<th>Results of Peer Reviews Accepted by AICPA and CalCPA 2012-2015*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Review</strong></td>
</tr>
<tr>
<td>-------------------</td>
</tr>
<tr>
<td>System</td>
</tr>
<tr>
<td>Engagement</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

*Data received from CalCPA as of October 2016 for 2012-2015.
IX. Observations

Based on PROC members’ 2016 oversight actions and 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 give ample consideration to the quality of the profession, and exhibit a high level of technical knowledge and diligence in striving to improve the quality of the peer review program and peer reviewers through their handling of a variety of issues that the program faces. The PROC found the agenda items for the meetings to be relevant and appropriate, and that the AICPA PRB members execute their duties in a knowledgeable and professional manner understanding the importance of the peer review program to the accounting profession and the public that it serves.

CalCPA

Through participation in PRC and RAB meetings, and the Administrative Site Visits, the PROC found the CalCPA to give ample consideration to the quality of the profession, and exhibit a high level of technical knowledge and diligence in striving to improve the quality of the peer review program and peer reviewers through their handling of a variety of issues that the program faces. The PROC found the agenda items for the meetings to be relevant and appropriate, and the CalCPA to execute their duties in a knowledgeable and professional manner understanding the importance of the peer review program to the accounting profession and the public that it serves.

NPRC

Through the participation in the CAC meetings, who oversees the NPRC, the PROC found nothing that suggested that the NPRC did not meet standards established by the AICPA.

X. Conclusion

Based on its oversight activities, the PROC concluded that the AICPA Peer Review Program, including its administering entities, CalCPA and NPRC, function effectively in accordance to standards adopted by the CBA. The PROC is encouraged by the increased attention to the areas of concern for peer review including employee benefit plan, single audits, and the efforts to enhance peer review program and process. The PROC recommends that the CBA continue to recognize the AICPA Peer Review Program as a Board-recognized Peer Review Program Provider.