



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



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

**PROC MEETING  
NOTICE & AGENDA**

**Friday, February 10, 2012  
9:00 a.m. – 3:30 p.m.**

California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815  
Telephone: (916) 263-3680  
FAX: (916) 263-3673

**PROC Purpose Statement**

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

- I. Roll Call and Call to Order (**Nancy Corrigan, Chair**).
- II. Report of the Committee Chair (**Nancy Corrigan**).
  - A. Approval of the December 9, 2011 PROC Minutes.
  - B. Report on the January 26-27, 2012 CBA Meeting.
  - C. Report on Conflicts of Interest Involving Members of the PROC.
- III. Report on PROC Activities (**Nancy Corrigan**).
  - A. Report on the January 20, 2012 American Institute of CPAs' Peer Review Board Meeting.
  - B. Report on CalCPA Report Acceptance Body (RAB) Meetings:
    - i. December 13, 2011
    - ii. January 5, 2012
    - iii. January 24, 2012
- IV. Reports and Status of Peer Review Initial Implementation.
  - A. Statistics of Licensees Who Have Reported Their Peer Review Information to the CBA (**Kathy Tejada, Enforcement Manager**).
  - B. Status of Correspondence to Licensees Regarding Peer Review Reporting (**April Freeman, CBA Staff**).

- C. Status of PROC Roles and Responsibilities Activity Tracking **(April Freeman)**.
- D. Discussion of UPDATE Articles Regarding Peer Review Tips and Recruitment of Peer Reviewers **(April Freeman)**.
- E. Discussion Regarding Verification of Peer Review Reporting Forms **(April Freeman)**.
- F. Discussion Regarding Consumer Feedback on Peer Review Program Provider **(Rafael Ixta, Enforcement Chief)**.

#### **LUNCH**

- V. Discussion Regarding Peer Review Survey Results **(April Freeman)**.
- VI. Discussion Regarding the PROC's Annual Report to the CBA **(Rafael Ixta)**.
- VII. Discussion of PROC Member Reappointment **(Rafael Ixta)**.
- VIII. Discussion Regarding PROC Assignments **(Nancy Corrigan)**.
- IX. Future Agenda Items **(April Freeman)**.
- X. Public Comment for Items Not on the Agenda.
- XI. Adjournment.

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

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

For further information regarding this meeting, please contact:

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

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



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

**PROC Item II.A.**  
February 10, 2012

**MINUTES OF THE  
December 9, 2011  
PROC MEETING**

Embassy Suites Irvine  
2120 Main Street  
Irvine, CA 92614  
Telephone: (949) 553-8332

PROC Members:

Nancy Corrigan, Chair  
Katherine Allanson  
Gary Bong  
T. Ki Lam - Absent  
Sherry McCoy  
Robert Lee  
Seid M. Sadat

Staff and Legal Counsel:

Rafael Ixta, Chief, Enforcement Division  
Kathy Tejada, Manager, Enforcement Division  
April Freeman, Peer Review Analyst

Other Participants:

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

I. Roll Call and Call to Order.

Nancy Corrigan, Chair, called the meeting of the Peer Review Oversight Committee (PROC) to order at 9:00 a.m.

II. Report of the Committee Chair.

A. Approval of October 27, 2011 Minutes.

Ms. Corrigan asked members if they had any changes or corrections to the minutes of October 27, 2011, PROC meeting. Ms. Corrigan requested that the last sentence of the second paragraph of Item II.B. be revised to state that Texas provided their materials to the CBA PROC and showed interest in using the CBA PROC's improved materials to upgrade their program.

Ms. Corrigan also requested that the last sentence of the second paragraph of Item III.A. be revised to state that she believes the CalCPA Peer Review Committee demonstrates concern about maintaining the quality of peer reviews.

**It was motioned by Robert Lee, seconded by Katherine Allanson, and unanimously carried by those present to adopt the minutes of the October 27, 2011 PROC meeting as revised.**

B. Report on the November 17-18, 2011 CBA Meeting.

Ms. Corrigan summarized the report she gave at the California Board of Accountancy's (CBA) November 17-18, 2011 meeting. She stated that the CBA was very interested with her report on the CalCPA's October 20-21, 2011 Peer Review Committee meeting and the running list of peer review issues that CalCPA publishes. She also reported to the CBA on her and Sherry McCoy's October 11, 2011 visit to CalCPA's office; the ongoing progress on the PROC's Annual Report; and, the PROC's approval of the letter sent to AICPA in response to the most recent Exposure Draft. Again, the CBA thanked the PROC for their hard work.

1. Discussion Regarding Disseminating Portions of the CalCPA's Articles Containing Peer Review Tips.

The CBA requested that the PROC discuss the possibility of disseminating peer review tips that would be helpful for licensees.

PROC members suggested that a link to pertinent CalCPA articles be added to the CBA website, and that CalCPA offer courses or webcasts that provide peer review guidance to firms. Mr. Ixta further suggested that an article be written for the CBA UPDATE publication which would include links to CalCPA's website and a list of peer review resources.

Mr. Bong believes that CBA members want the CBA to help firms through the peer review process. He suggested that a checklist be created to assist firms in preparing for a review. Ms. Corrigan added that there is an AICPA checklist that assists the firms with preparing for their peer review.

Ms. McCrone stated that the peer review portion of CalCPA's website is available to the public. She also advised members that in August 2011, CalCPA had a webcast for peer reviewers to bring them current with peer review standards. CalCPA also communicates to peer reviewers through an e-newsletter and expects peer reviewers to educate firms as a part of the peer review process.

Staff will research all options discussed, including seeking CalCPA's approval to link to its website and obtaining any peer review checklists that may already exist.

2. Discussion Regarding Approaches to Enlisting More Peer Reviewers.

Due to the shortage of peer reviewers, the CBA requested that the PROC discuss how to encourage licensees to become peer reviewers.

Mr. Lee commented that CalCPA did an excellent job of updating peer review requirements at the July peer review training course, and suggested that they incorporate information about the shortage of peer reviewers.

Ms. McCrone commented that the Peer Review Committee has been focused on getting new reviewers over the past 4-5 years, and has seen new reviewers recently.

Mr. Ixta suggested including an article in the next CBA UPDATE publication to encourage licensees to consider becoming peer reviewers and include links to the CalCPA and AICPA websites regarding how to become a peer reviewer.

C. Meeting Protocol.

In an effort to make sure all comments are heard, while it is understood that some periods of open discussion are encouraged, Ms. Corrigan requested that members and guests wait to be acknowledged by the Chair before speaking or asking questions.

III. Report on PROC Activities.

A. Report on the October 11, 2011 Visit to the CalCPA Office.

Ms. Corrigan and Ms. McCoy visited CalCPA's office on October 11, 2011 to review their peer review processes and administrative procedures. A summary of the visit was provided to members. Ms. Corrigan stated that they are planning the next visit, at which time they will begin testing a selection of peer review reports.

B. Discussion Regarding Sampling Peer Review Reports.

Ms. Corrigan suggested that the sample size be 2% which is consistent with other organizations. Ms. Allanson further suggested that the PROC start with a sample size that is reasonable to the AICPA, but be prepared to modify the size based on results.

C. Discussion Regarding Letter to the National Association of State Boards of Accountancy (NASBA) Regarding the Peer Review Oversight Committee Summit.

Ms. Corrigan discussed the draft letter to NASBA regarding the August 16, 2011 PROC Summit. The letter thanks NASBA for the opportunity to participate, requests that another Summit be held in the near future, and requests that future Summits be available via teleconference or webcast to increase participation. She requested comments from members.

Mr. Ixta suggested copying the CBA Executive Officer and the CBA President on the letter. Members agreed with the edit.

**It was motioned by Seid Sadat, seconded by Robert Lee, and passed unanimously by those present to approve the letter to NASBA as revised.**

IV. Reports and Status of Peer Review Initial Implementation.

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

Kathy Tejada reported that as of December 6, 2011, 30,209 peer review reporting forms have been submitted to the CBA from licensees in the first two groups of the phase-in period. The reporting forms are categorized as follows:

Licenses Ending in 01-33

Peer Review Required	2,071
Peer Review Not Required (firms)	4,097
Peer Review Not Applicable (non-firms)	14,991

Licenses Ending in 34-66

Peer Review Required	559
Peer Review Not Required (firms)	1,777
Peer Review Not Applicable (non-firms)	6,714

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

April Freeman advised members that staff is currently preparing reminder letters to be mailed to licensees who are required to report peer review information by July 1, 2012. It is anticipated that the letters will be sent in January 2012. Currently, there are still over 11,000 licensees that have not reported.

C. Status of PROC Roles and Responsibilities Activity Tracking.

Ms. Freeman gave a summary of the activities completed by the PROC in 2011. She pointed out that target dates have been added to the activities that have not yet been completed.

D. Discussion of Implementation Phase-in Dates in California Code of Regulations Title 16 Section 45 – Reporting to the Board.

Mr. Ixta advised members that the phase-in reporting dates referenced in CCR Section 45 do not go beyond July 1, 2013. CBA staff are scheduled to meet to prepare regulatory amendments which will be taken to the January 2012 CBA meeting for discussion.

V. Status of PROC's Annual Report.

Ms. Corrigan reiterated the goal to have the PROC Annual Report submitted to the CBA at its March 2012 meeting. She emphasized that the final draft must be completed at the PROC's February 2012 meeting.

Mr. Ixta stated that staff has prepared a first draft of the report and requested further input and comments from members. The following edits were suggested:

- Message from the Committee Chair – This will be the last section drafted.
- Background – No comments.
- Goals & Objectives – Add the origin of the goals and objectives (January 2008 CBA Memo).
- Committee Members & Staff – Add term expiration dates.
- Legislation & Regulation – No comments.
- Strategic Plan Accomplishments – Questioned necessity. Leave blank for now.
- Statistics – Add how many firms are registered, and how many need a peer review in each phase. Add the number of failures and extensions.
- Board-recognized Peer Review Program Providers – No comments.
- Oversight Activities – Add “Accomplishments” to the title; include PROC Procedures Manual, checklists, letters and exposure drafts; clarify the number of attendees at each meeting; add administrative site visit to “Sample Review” section; clarify information about approval of peer review program providers.
- Findings – Change title to “Observations & Recommendations.” Use completed checklists, minutes, and Chair’s reports to the CBA to prepare findings.
- Preliminary Summary of Peer Review Survey Results – No comments.
- Public Affairs & Outreach – Remove.
- Future Considerations – Members suggested including the length of process; oversight of the NPRC; confidentiality issue.

Mr. Ixta encouraged members to email any additional ideas to Ms. Freeman. Ms. Corrigan reminded members that only issues that have been discussed by the Committee should be included in the report. Staff will bring the final draft of the report to the next meeting.

#### VI. Discussion Regarding Oversight of the AICPA’s National Peer Review Committee (NPRC).

Mr. Ixta provided background information on the NPRC and summarized several items concerning oversight of organization. Ms. McCoy suggested requesting guidance from the CBA on how to proceed with NPRC oversight. Mr. Bong questioned why the PROC would even consider excluding NPRC from oversight since they are a provider.

Mr. Ixta suggested that representatives from AICPA and NPRC be invited to the PROC’s April meeting when this topic is scheduled for discussion.

#### VII. Discussion Regarding Failed Peer Review.

##### A. Enforcement Process for Failed Peer Reviews.

Mr. Ixta explained the procedures that are followed when the CBA receives a failed peer review report; including examining the reasons for the failure, and determining if further investigation is warranted based on evidence of an egregious violation.

Mr. Ixta further explained that failed peer reviews submitted to the CBA are public documents unless protected by law. Failed peer reviews are submitted for the purposes of conducting an investigation and, therefore, exempt from public disclosure under the Public Records Act.

Mr. Bong questioned why the CBA wants copies of failed peer reviews. Mr. Ixta explained that during the legislative process, public interest groups emphasized the importance of CBA reviewing failed peer reviews as an element of consumer protection.

B. Summary of Failed Peer Reviews.

Mr. Ixta reported that the CBA has received 36 failed peer review reports and gave an overview of the summary of deficiencies which listed the reasons for each failure. He advised members that the CBA wants to know how many of those failures were a result of firms having their first peer review. Ms. McCrone offered to provide staff with those statistics.

VIII. Adoption of PROC Procedures Manual.

Mr. Ixta presented the final PROC Procedures Manual and asked for a motion to adopt. Ms. Corrigan clarified that additional items can be added to the manual as needed. Member suggested minor edits to the manual.

Members discussed the confidentiality letter and decided that it should not be included as an appendix in the manual at this time. Members do not believe they should be required to sign any type of confidentiality statement, and do not want any peer review program provider dictating what documents they can and cannot view. Members requested that DCA Legal review this issue again and possibly take the issue to the CBA for formal communication to the AICPA.

**It was motioned by Robert Lee, seconded by Seid Sadat, and unanimously carried by those present to adopt the PROC Procedures Manual as revised and without Appendix C – Confidentiality Letter.**

IX. Discussion Regarding Peer Review Survey.

Mr. Ixta stated the peer review survey has been online since December 2010 and will be used to help compile information for the report to the Legislature and Governor in January 2015. The survey was brought to the PROC to share the survey content.

Ms. Freeman advised members that they are welcome to provide input on how survey results should be presented, but that the results have not yet been exported from the database to a functional spreadsheet. Mr. Bong suggested that when analyzing the results, staff should indicate which peer review program provider was used.

In response to members' questions, Mr. Ixta confirmed that the intent of the survey was to be confidential so licensees would answer honestly.

X. Discussion Regarding PROC Assignments.

Ms. Corrigan made the following assignments:

January 5, 2012 RAB meeting – T. Ki Lam & Seid Sadat

January 20, 2012 AICPA PRB meeting – Kathy Allanson, Sherry McCoy & Nancy Corrigan

January 24, 2012 RAB meeting – Robert Lee

February 15, 2102 RAB meeting – Gary Bong  
March 6, 2012 RAB meeting – T. Ki Lam  
April 26, 2012 CalCPA PRC meeting – Sherry McCoy & Nancy Corrigan

XI. Future Agenda Items.

Agenda items for future meetings:

- PROC Annual Report to the CBA (Feb)
- Confidentiality Issue (Feb)
- Conflict of Interests Issue (Feb)
- Peer Review Survey Results (Feb)
- Oversight of NPRC (Apr)
- Modification of Peer Review Survey (Apr)
- Peer Review Articles (Apr)

XII. Public Comment for Items Not on the Agenda.

No public comment.

XIII. Adjournment.

There being no further business, the meeting was adjourned at 2:00 p.m.

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Nancy J. Corrigan, Chair

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



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**PROC Item IV**  
 February 10, 2012

## **Reports and Status of Peer Review Initial Implementation**

**Presented by:** Kathy Tejada, Enforcement Manager and April Freeman, CBA Staff

**Date:** January 23, 2012

### **Purpose of the Item**

This item provides a status of peer review implementation and overview of peer review statistics.

### **Action(s) Needed**

No specific action is needed.

### **Background**

None

### **Comments**

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

As of January 13, 2012, 30,568 peer review reporting forms have been submitted to the CBA. This is an increase of 359 since the 2011 Peer Review Oversight Committee (PROC) December meeting. The reporting forms are categorized as follows:

##### Licenses Ending in 01-33

Peer Review Required	2,102
Peer Review Not Required (firms)	4,106
Peer Review Not Applicable (non-firms)	15,019

##### Licenses Ending in 34-66

Peer Review Required	597
Peer Review Not Required (firms)	1,861
Peer Review Not Applicable (non-firms)	6,883

#### **B. Status of Correspondence to Licensees Regarding Peer Review Reporting**

Staff has prepared reminder letters to be mailed to approximately 10,000 licensees who are required to report peer review information by July 1, 2012. It is anticipated that the letters will be sent in February 2012.

C. Status of PROC Roles and Responsibilities Activity Tracking

The Roles and Responsibilities Activity Tracking chart has been updated to reflect 2012 activities (**Attachment #1**). The 2010-11 chart will be maintained at the CBA office for reference.

D. Discussion of UPDATE Articles Regarding Peer Review Tips and Recruitment of Peer Reviewers

In response to a request from the CBA, staff has prepared two articles for the Winter 2012 edition of UPDATE. The first article addresses the shortage of peer reviewers (**Attachment #2**). The second article provides an array of available resources to assist firms in avoiding common peer review pitfalls (**Attachment #3**).

E. Discussion Regarding Verification of Peer Review Reporting Forms

A sample review of Peer Review Reporting Forms will be conducted to determine the validity of the information provided. Four (4) types of reviews will be sampled:

- Corporations (COR) and partnerships (PAR) that reported they are not subject to peer review.
- Certified Public Accountants (CPA) operating as sole proprietors that reported they are not subject to peer review.
- CORs and PARs that incorrectly reported that they are not operating as a firm.
- CPAs that incorrectly reported that they are not operating as sole proprietors.

The information provided on the Peer Review Reporting Form will be validated using the following methods:

- Researching information in the licensing database.
- Cross-referencing continuing education requirements on licensee's renewal forms.
- Researching licensee's internet advertisements.
- Researching licensee's information through social media, i.e. Facebook, Twitter, LinkedIn, etc.
- Cross-checking the complaint database.

**Recommendations**

None

**Attachments**

1. PROC Roles and Responsibilities Activity Tracking 2012
2. UPDATE Article: Peer Review Wants YOU!
3. UPDATE Article: Avoiding Peer Review Pitfalls

**PROC Roles and Responsibilities  
Activity Tracking – 2012**

As of January 13, 2012

<b>Activity</b>	<b>Notes</b>
<p><b>PROC MEETINGS</b></p> <ul style="list-style-type: none"> <li>Conduct four one-day meetings.</li> </ul>	<ul style="list-style-type: none"> <li>PROC Meetings Held: 2/10</li> <li>PROC Meetings Scheduled: 4/20, 6/15, 8/24, 10/19, 12/4</li> </ul>
<p><b>ADMINISTRATIVE SITE VISIT</b></p> <ul style="list-style-type: none"> <li>Conduct, at a minimum, an annual administrative site visit of the peer review program provider.</li> </ul>	<ul style="list-style-type: none"> <li>Scheduled CalCPA Visit: 2/16</li> </ul>
<p><b>PEER REVIEW COMMITTEE MEETING</b></p> <ul style="list-style-type: none"> <li>Attend all peer review program providers' Peer Review Committee (PRC) meetings.</li> <li>Perform, at a minimum, an annual review of peer review program providers' Peer Review Committees.</li> <li>Ensure peer review program provider is adhering to CBA standards.</li> </ul>	<ul style="list-style-type: none"> <li>Attended AICPA PRB: 1/20</li> </ul>
<p><b>PEER REVIEW SUBCOMMITTEE MEETING</b></p> <ul style="list-style-type: none"> <li>Attend at least four of each peer review program provider's peer review subcommittee meetings to observe the acceptance of peer review reports.</li> <li>Perform, at a minimum, four annual reviews of peer review program provider's peer review subcommittee meetings.</li> <li>Ensure that peer reviews are being accepted in a consistent manner.</li> </ul>	<ul style="list-style-type: none"> <li>Attended CalCPA RAB: 1/5, 1/24</li> </ul>
<p><b>REVIEW SAMPLING OF PEER REVIEWS</b></p> <ul style="list-style-type: none"> <li>Perform sampling of peer review reports.</li> </ul>	<ul style="list-style-type: none"> <li>CalCPA Visit Scheduled: 2/16</li> </ul>
<p><b>PEER REVIEWER TRAINING</b></p> <ul style="list-style-type: none"> <li>Ensure that peer reviewers are properly qualified.</li> </ul>	<ul style="list-style-type: none"> <li>Scheduled: 5/23, 6/27-28</li> </ul>
<p><b>EVALUATION OF BOARD-RECOGNIZED PEER REVIEW PROGRAM PROVIDERS</b></p> <ul style="list-style-type: none"> <li>Develop policies and procedures for reviewing and recommending approval to the CBA for new peer review providers.</li> </ul>	TBD
<p><b>ANNUAL REPORT TO THE CALIFORNIA BOARD OF ACCOUNTANCY</b></p> <ul style="list-style-type: none"> <li>Prepare an annual report to the CBA regarding the results of its independent oversight of the Peer Review program.</li> </ul>	<ul style="list-style-type: none"> <li>Scheduled Submission: 3/22</li> </ul>

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

## Peer Review Wants YOU!

Would you like to give back to your profession? Are you interested in helping firms achieve their accounting and auditing goals and enhance the quality of their practices? If so, you may want to consider becoming a qualified peer reviewer.

When you become a peer reviewer, you:

- Identify best practices of other firms, which can be applied to other peer review clients and to your own firm.
- Gain broader practice knowledge through the peer review process, which will help sharpen your skills and reinforce your strengths.
- Are creating an opportunity to develop an additional profit center for your firm.
- Enhance the efficacy of the profession's self-regulatory efforts and contribute to the quality of the profession.

For additional information on how to become a peer reviewer, please visit the American Institute of CPAs' website at

<http://www.aicpa.org/INTERESTAREAS/PEERREVIEW/COMMUNITY/PEERREVIEWERS/Pages/default.aspx>.

Questions can be directed to [BecomeAReviewer@aicpa.org](mailto:BecomeAReviewer@aicpa.org).

## Avoiding Peer Review Pitfalls

[The CBA](#), the American Institute of Certified Public Accountants (AICPA) and the California Society of Certified Public Accountants (CalCPA) have a wealth of information to assist you in successfully navigating through the peer review process.

If your firm is in the process of preparing for a peer review, the following articles may contain information to help you avoid some of the common pitfalls:

- [The Lowdown on New Peer Review Regs](#)
- [Smooth Sailing Through New Audit Standards](#)
- [Devil's in the Details](#)
- [Peer Review Program FAQs](#)
- [New Peer Review Standards](#)

Further, CalCPA periodically issues e-Newsletters which address new requirements and problem areas that are being encountered. Information in these articles may also be useful to firms preparing for a peer review. The e-Newsletter Article can be found at: <http://www.calcpa.org/Content/peerreview/enewsletter.aspx>

The AICPA's Professional Standards are available at: <http://www.aicpa.org/Research/Standards/Pages/default.aspx>

As always, extensive peer review information can be found on the CBA website at [www.cba.ca.gov](http://www.cba.ca.gov).



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**PROC Item V.**  
February 10, 2012

### Discussion Regarding Peer Review Survey

**Presented by:** April Freeman, Peer Review Analyst

**Date:** January 24, 2012

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#### Purpose of the Item

The purpose of this agenda item is to provide members with a summary of the preliminary results of the voluntary peer review survey.

#### Action Needed

No specific action is required on this agenda item.

#### Background

The voluntary peer review survey was developed to assist the CBA in collecting information to prepare the report that is due to the Legislature and the Governor on January 1, 2015.

The survey went live on the CBA website on December 9, 2010. The survey is available to all firms at the time they report peer review results online.

#### Comments

For the purpose of analysis, survey results (**Attachment 1**) 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.
- **CEASATION 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.

### **Recommendations**

None

### **Attachments**

1. Peer Review Survey Results

**California Board of Accountancy**  
**Peer Review**  
**Preliminary Voluntary Survey Results**  
 Data as of December 28, 2011

**Attachment 1**

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

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

<b>Type of Correction Ordered</b>	1st Time Peer Reviewed	Previously Peer Reviewed
CPE	32	45
Accelerated 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

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

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

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

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

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

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

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

<b>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)?</b>						
	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%



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



**PROC Item VI.**  
February 10, 2012

## **Discussion Regarding the PROC's Annual Report to the CBA**

**Presented by:** Rafael Ixta, Chief of Enforcement

**Date:** January 31, 2012

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### **Purpose of the Item**

The purpose of this item is to provide members with the final draft of the Peer Review Oversight Committee's (PROC) 2011 Annual Report (Report) to the California Board of Accountancy (CBA).

### **Action(s) Needed**

It is requested that members review the final draft of the Report prior to the meeting and be prepared to finalize and approve the Report during the meeting.

### **Background**

Pursuant to Title 16, California Code of Regulations, Section 47(c), the PROC is required to report to the CBA annually regarding the results of its oversight, including the scope of work, findings, and conclusions.

### **Comments**

As cited above in "Background", CCR Section 47(c) requires that the PROC report annually regarding its oversight. However, this initial Report presents Peer Review Program information beyond the scope of those specific mandated requirements, in order to provide stakeholders with a summary of the historical genesis of the Peer Review Program as well as perspective regarding program implementation beyond just the PROC's activities. PROC activities and accomplishments, which represent the real focus of this Report, are iterated in Section X. "Activities and Accomplishments", beginning on page 7 of the Report.

It is anticipated that future PROC annual reports will present only information required per CCR Section 47(c), as opposed to additional program details, unless the CBA instructs the committee otherwise.

This Report is scheduled to be presented to the CBA at its March 22-23, 2012 meeting.

### **Recommendations**

It is recommended that members adopt the Report as revised during the meeting, and delegate authority to the PROC Chair to approve the final report.

### **Attachment**

1. Final draft of the PROC's 2011 Annual Report to the CBA

## 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 each event type. The checklists were created using information gathered from states with active oversight committees, which we revised to meet California's unique needs. The checklists 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 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 a few more hurdles to jump and matters to address, we believe we are well on our way to being a regularly functioning 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.

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 using professional standards.

## 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 Certified Public Accountants (CPA) 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.

At the January 2008 meeting, the CBA adopted the following roles and responsibilities for the PROC:

- Oversee the activities of Board-recognized peer review program providers (Provider) 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.

<u>Current members:</u>	<u>Term Expiration Date:</u>
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. 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	Licensee Not Operating as a Firm	Total
01-33	July 1, 2011	2,099	4,105	15,014	21,218
34-66	July 1, 2012	591	1,848	6,846	9,285
<b>Total</b>		<b>2,690</b>	<b>5,953</b>	<b>21,860</b>	<b>30,503</b>

\* 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	260	673
Engagement	535	563	1,098
<b>Total</b>	<b>948</b>	<b>823</b>	<b>1,771</b>

\*Data received from CalCPA.

## VII. Peer Review Voluntary Survey

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.

To gather information needed to compile this report, 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 and gathers valuable information on the impact of peer review on small firms and sole proprietors.

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.

- **CEASATION 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.

## **VIII. 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 primary 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 usually must perform follow up 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 Accountancy Oversight Board (PCAOB) or perform audits of non-Security and Exchange Commission (SEC) issuers pursuant to the standards of the PCAOB.

## **IX. 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

Meeting minutes for the last two PROC meetings are attached for reference **(Appendix B)**.

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 C)** 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 C**).

Additional checklists will be developed for the sample reviews and the administrative site visit, 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 – Orlando, FL
- May 3, 2011 – Durham, NC

- August 10, 2011 – Portland, OR
- October 6, 2011 – Teleconference

#### **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 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 2012 in conjunction with an 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.

## **X. Findings**

Based on PROC members' attendance at the various peer review bodies' meetings cited on pages 8 – 10 of 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.

## **XI. 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:

1. Strengthen the process and procedures for monitoring the quality of peer reviewers. Specifically, explore whether a limitation should be placed on the volume of peer review engagements an individual peer reviewer manages at a given time, to ensure the quality of the peer review process.
2. Provide feedback regarding the two-day peer reviewer training course regarding whether entry level peer reviewers are obtaining the foundational information they need to become a successful peer reviewer.
3. Although all PROC members have signed confidentiality agreements and are bound by confidentiality, the AICPA Peer Review Program does not allow PROC members to take possession of peer review materials prior to the Report Acceptance Body meetings. The inability to review RAB documents prior to a meeting prevents PROC members from effectively determining if peer review reports are being accepted in a consistent and appropriate manner. The PROC is requesting that the CBA formally communicate these concerns to the AICPA for resolution.

## **XII. 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 4-6 months. The PROC intends to study the process to determine if the process can be improved.



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



**PROC Item VII.**  
February 10, 2012

### **Discussion of PROC Member Reappointment**

**Presented by:** Rafael Ixta, Enforcement Chief

**Date:** January 24, 2012

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#### **Purpose of the Item**

The purpose of this agenda item is to provide members with information regarding reappointment to the PROC.

#### **Action Needed**

No specific action is required on this agenda item.

#### **Background**

Pursuant to Business and Professions Code Section 5076.1(c), members of the committee shall be appointed to two-year terms and may serve a maximum of four consecutive terms.

#### **Comments**

In preparation for the annual committee reappointment process, each member will be asked to provide their interest in being considered for reappointment as a member of the PROC. Members should also indicate if, at any time in the future, they would be interested in appointment or reappointment as chairperson.

For informational purposes, the Committee Reappointment Interest Survey Form is **Attachment 1**. A formal copy will be distributed to all members in the near future.

#### **Recommendations**

None

#### **Attachment**

1. Committee Reappointment Interest Survey Form

Committee Reappointment Interest Survey Form

\_\_\_\_\_  
(PRINT NAME)

\_\_\_\_\_  
(TELEPHONE NUMBER)

CIRCLE ONE:

<p>I wish to continue to serve on the <b>PROC Committee</b>.</p> <p><b>If "YES," enclose current resume with response.</b></p>	<p>YES</p>	<p>NO</p>
<p>Comments:</p>		
<p>I wish to continue to serve as Chair/Vice-Chair of the <b>PROC Committee</b>.</p> <p><b>If "YES," enclose current resume with response.</b></p>	<p>YES</p>	<p>NO</p>
<p>Comments:</p>		
<p>I wish to be considered for a future appointment as Chair of the <b>PROC Committee</b>.</p>	<p>YES</p>	<p>NO</p>
<p>Comments:</p>		
<p>I wish to be considered for a future appointment as Vice-Chair of the <b>PROC Committee</b>.</p>	<p>YES</p>	<p>NO</p>
<p>Comments:</p>		

SIGNATURE: \_\_\_\_\_ DATE: \_\_\_\_\_



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



**PROC Item VIII.**  
February 10, 2012

### **Discussion Regarding PROC Assignments**

**Presented by:** Nancy J. Corrigan, PROC Chair

**Date:** January 25, 2012

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#### **Purpose of the Item**

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

#### **Action(s) Needed**

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

#### **Background**

None

#### **Comments**

The PROC's 2012 Year-at-a-Glance calendar (**Attachment 1**) includes meetings and activities that are currently scheduled for the following:

- CBA
- PROC
- American Institute of Certified Public Accountants' (AICPA) Peer Review Board
- California Society of Certified Public Accountants' (CalCPA) Report Acceptance Body
- CalCPA Administrative Site Visit
- CalCPA Peer Review Committee
- CalCPA Peer Reviewer Training

#### **Recommendations**

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

#### **Attachment**

1. 2012 Year-at-a-Glance CBA PROC Calendar, updated January 13, 2012.

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)  
PEER REVIEW OVERSIGHT COMMITTEE (PROC)  
2012 Year-at-a-Glance Calendar**  
(as of January 13, 2012)

**JANUARY 2012**

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

**FEBRUARY 2012**

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

**MARCH 2012**

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

**APRIL 2012**

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

**MAY 2012**

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

**JUNE 2012**

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

**JULY 2012**

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

**AUGUST 2012**

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

**SEPTEMBER 2012**

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

**OCTOBER 2012**

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

**NOVEMBER 2012**

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

**DECEMBER 2012**

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

 10-day Meeting Notice Date  
 Deadline for Exec Surname

**COMMITTEE/TASK FORCE**

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

**GENERAL LOCATION**

NC-NORTHERN CALIFORNIA  
SC-SOUTHERN CALIFORNIA  
SJ-SAN JOSE  
SM - SAN MATEO  
ONT - ONTARIO  
PS - PALM SPRINGS  
SAC - SACRAMENTO  
OAK - OAKLAND  
LA - LOS ANGELES  
T-TELECONFERENCE

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