CALIFORNIA BOARD OF ACCOUNTANCY

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

CALIFORNIA BOARD OF ACCOUNTANCY PUBLIC MEETING NOTICE FOR THE CHAIR/VICE-CHAIR TRAINING AND STRATEGIC PLANNING COMMITTEE, COMMITTEE ON PROFESSIONAL CONDUCT, LEGISLATIVE COMMITTEE, MOBILITY STAKEHOLDER GROUP, AND CALIFORNIA BOARD OF ACCOUNTANCY MEETINGS

DATE:	Thursday, January 21, 2016	**CHAIR/VICE-CHAIR TRAINING AND STRATEGIC PLANNING COMMITTEE MEETING** **TIME:** 9:00 a.m.
DATE:	Thursday, January 21, 2016	**COMMITTEE ON PROFESSIONAL CONDUCT MEETING** **TIME:** 10:30 a.m.
DATE:	Thursday, January 21, 2016	**LEGISLATIVE COMMITTEE MEETING** **TIME:** 10:45 a.m. Or upon adjournment of the Committee on Professional Conduct Meeting
DATE:	Thursday, January 21, 2016	**MOBILITY STAKEHOLDER GROUP MEETING (one or more members will participate via teleconference)** **TIME:** 11:00 a.m. Or upon adjournment of the Legislative Committee Meeting
DATE:	Thursday, January 21, 2016	**CALIFORNIA BOARD OF ACCOUNTANCY MEETING** **TIME:** 1:30 p.m. to 5:00 p.m.
DATE:	Friday, January 22, 2016	**CALIFORNIA BOARD OF ACCOUNTANCY MEETING** **TIME:** 9:00 a.m. 3:00 p.m.

PLACE: **Wyndham Irvine-Orange County Airport**
17941 Von Karman Avenue
Irvine, CA 92614
Telephone: (949) 863-1999

Mobility Stakeholder Group Meeting – Alternative Teleconference Location
Executive Law Offices
3175-E Sedona Court
Ontario, CA 91764
(909) 291-2435 ext. 202

Enclosed for your information is a copy of the agendas for the Chair/Vice-Chair Training and Strategic Planning Committee, Committee on Professional Conduct, Legislative Committee, Mobility Stakeholder Group, and California Board of Accountancy meetings on January 21-22, 2016. For further information regarding these meetings, please contact:

Corey Riordan, Board Relations Analyst
(916) 561-1716 or cfriordan@cba.ca.gov
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815

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

The meeting is accessible to individuals who are physically disabled. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Corey Riordan at (916) 561-1716, or email cfriordan@cba.ca.gov, or send a written request to the California Board of Accountancy Office at 2000 Evergreen Street, Ste. 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.

CALIFORNIA BOARD OF ACCOUNTANCY

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DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
CHAIR/VICE-CHAIR TRAINING AND
STRATEGIC PLANNING COMMITTEE

MEETING AGENDA

Thursday, January 21, 2016
9:00 a.m. – 10:00 a.m.

Wyndham Irvine-Orange County Airport
17941 Von Karman Avenue
Irvine, CA 92614
Telephone: (949) 863-1999

Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks.

I. Welcome and Introduction (**Katrina Salazar, CPA, CBA President**).

II. Overview of Role and Expectations for Chairs and Vice-Chairs of a CBA Committee (**Katrina Salazar**).

III. Presentation Regarding How to Conduct a Meeting Procedurally and in Accordance with the Bagley-Keene Open Meeting Act (**Kristy Schieldge, DCA Legal Counsel**).

A. Adequate Notice of Meetings and Agenda Items.

B. Importance of Roll Call and Need to Establish a Quorum.

C. Facilitating Discussion on Agenda Items and Avoiding a Discussion on Items Not on the Agenda.

D. General Rules for Conducting Meetings in Open and Closed Session.

E. When to Call for a Motion or the Vote and How to Address a Tie Vote.

F. Requirement for Reporting Action Taken and the Vote or Abstention of Each Member.

G. Requirement to Take Public Comment Before a Vote and Include Public Comment on Agenda.

H. How to Deal with Disruptive Persons at a Meeting.

IV. How to Handle Contact from Consumers or Licensees Outside of the Meeting (**Kristy Schieldge, DCA Legal Counsel**).

V. CBA Staff Roles and Responsibilities Which Support CBA and Committee Members and Meetings (**Patti Bowers, CBA Executive Officer**).

VI. Public Comments. *

Adjournment.

Action may be taken on any item on the agenda. In accordance with the Bagley-Keene Open Meeting Act, all meetings of the Strategic Planning Committee 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 Strategic Planning Committee prior to the Strategic Planning Committee taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the Strategic Planning Committee. Individuals may appear before the Strategic Planning Committee to discuss items not on the agenda; however, the Strategic Planning Committee can take no official action on these items at the time of the same meeting. (Government Code section 11125.7(a).)

CBA members who are not members of the Strategic Planning Committee may be attending the meeting. However, if a majority of members of the full board are present at the Strategic Planning Committee meeting, members who are not Strategic Planning Committee members may attend the meeting only as observers.

CALIFORNIA BOARD OF ACCOUNTANCY

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
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CALIFORNIA BOARD OF ACCOUNTANCY
COMMITTEE ON PROFESSIONAL CONDUCT

MEETING AGENDA
Thursday, January 21, 2016
10:30 a.m.

Wyndham Irvine-Orange County Airport
17941 Von Karman Avenue
Irvine, CA 92614
Telephone: (949) 863-1999

Important Notice to the Public

All times indicated, other than those identified as "time certain," are approximate and subject to change. Agenda items may be discussed and action taken out of order at the discretion of the Committee on Professional Conduct Chair. The meeting may be cancelled without notice. For verification of the meeting, call (916) 561-1716 or access the California Board of Accountancy's website at http://www.cba.ca.gov.

		CBA Item #
	Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks (**Leslie LaManna, Chair**).	
I.	Approve Minutes of the November 19, 2015 Committee on Professional Conduct Meeting.	XIII.B.
II.	Review of the Exemption/Extension Options From the Continuing Education Requirements (**Gina Sanchez, Licensing Chief**).	XII.A.2.
III.	Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Sections 80.1, 80.2, 87, and 87.1 – Continuing Education for Providing Preparation Engagements (**Gina Sanchez**).	XII.A.3.
IV.	Public Comments.*	
V.	Agenda Items for Next Meeting.	
	Adjournment	

Action may be taken on any item on the agenda. In accordance with the Bagley-Keene Open Meeting Act, all meetings of the Committee on Professional Conduct 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 Committee on Professional Conduct prior to the Committee on Professional Conduct taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the Committee on Professional Conduct. Individuals may appear before the Committee on Professional Conduct to discuss items not on the agenda; however, the Committee on Professional Conduct can take no official action on these items at the time of the same meeting. (Government Code section 11125.7(a))

California Board of Accountancy members who are not members of the Committee on Professional Conduct may be attending the meeting. However, if a majority of members of the full board are present at the Committee on Professional Conduct meeting, members who are not Committee on Professional Conduct members may attend the meeting only as observers.

CALIFORNIA BOARD OF ACCOUNTANCY

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CALIFORNIA BOARD OF ACCOUNTANCY
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CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE COMMITTEE

MEETING AGENDA
Thursday, January 21, 2016
10:45 a.m.
Or Upon Adjournment of the Committee on Professional Conduct Meeting

Wyndham Irvine-Orange County Airport
17941 Von Karman Avenue
Irvine, CA 92614
Telephone: (949) 863-1999

Important Notice to the Public

All times indicated, other than those identified as "time certain," are approximate and subject to change. Agenda items may be discussed and action taken out of order at the discretion of the Legislative Committee Chair. The meeting may be cancelled without notice. For verification of the meeting, call (916) 561-1716 or access the California Board of Accountancy's website at http://www.cba.ca.gov.

		CBA Item #
	Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks (**Deidre Robinson, Chair**).	
I.	Approve Minutes of the July 23, 2015 Legislative Committee Meeting.	XIII.C.
II.	Overview of the California Legislative and Regulatory Process and the Legislative Committee's Role (**Nooshin Movassaghi, Legislation Analyst**)	XII.B.2.
III.	Update on Previously Approved Legislative Proposals Regarding Ethics Study Requirement and Expedited Rulemaking Authority for Practice Privilege Program (**Nooshin Movassaghi**).	XII.B.3.
IV.	Public Comments.*	
V.	Agenda Items for Next Meeting.	
	Adjournment	

Action may be taken on any item on the agenda. In accordance with the Bagley-Keene Open Meeting Act, all meetings of the Legislative Committee 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 Legislative Committee prior to the Legislative Committee taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the Legislative Committee. Individuals may appear before the Legislative Committee to discuss items not on the agenda; however, the Legislative Committee can take no official action on these items at the time of the same meeting. (Government Code section 11125.7(a))

CBA members who are not members of the Legislative Committee may be attending the meeting. However, if a majority of members of the full board are present at the Legislative Committee meeting, members who are not Legislative Committee members may attend the meeting only as observers.

CALIFORNIA BOARD OF ACCOUNTANCY

DEPARTMENT OF CONSUMER AFFAIRS
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CALIFORNIA BOARD OF ACCOUNTANCY'S MOBILITY STAKEHOLDER GROUP

NOTICE OF PUBLIC TELECONFERENCE MEETING AND AGENDA
Thursday, January 21, 2016
11:00 a.m.
Or Upon Adjournment of the Legislative Committee Meeting

One or more Mobility Stakeholder Group (MSG) members will participate in this meeting at the teleconference sites listed below. Each teleconference location is accessible to the public and the public will be given an opportunity to address the MSG members at each teleconference location. The public teleconference sites for this meeting are as follows:

Wyndham Irvine-Orange County Airport
17941 Von Karman Avenue
Irvine, CA 92614
Telephone: (949) 863-1999

Executive Law Offices
3175-E Sedona Court
Ontario, CA 91764
(909) 291-2435 ext. 202

Important Notice to the Public

All times indicated, other than those identified as "time certain," are approximate and subject to change. Agenda items may be discussed and action taken out of order at the discretion of the Mobility Stakeholder Group's Chair. The meeting may be cancelled without notice. For verification of the meeting, call (916) 561-1716 or access the California Board of Accountancy's website at http://www.cba.ca.gov.

		CBA Item #
	Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks (**Jose Campos, Chair**).	
I.	Approval of Minutes of the September 17, 2015 Mobility Stakeholder Group Meeting.	XIII.D.
II.	Mobility Stakeholder Group Decision Matrix and Stakeholder Objectives (**Written Report Only**).	XII.C.2.

III.	Timeline for Activities Regarding Determinations to be Made Pursuant to Business and Professions Code Section 5096.21 (**Written Report Only**).	XII.C.3.
IV.	Review and Possible Approval of the 2015 Mobility Stakeholder Group Annual Report (**Matthew Stanley, Information and Planning Officer**).	XII.C.4.
V.	Overview of the Findings of the National Association of State Boards of Accountancy Related to Business and Professions Code Section 5096.21(c) (**Matthew Stanley**).	XII.C.5.
VI.	Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAverify (**Matthew Stanley**).	XII.C.6.
VII.	Discussion Regarding Proposed Agenda Items for the Next Mobility Stakeholder Group Meeting (**Matthew Stanley**).	VIII.C.7.
VIII.	Public Comments.*	
	Adjournment	

Action may be taken on any item on the agenda. In accordance with the Bagley-Keene Open Meeting Act, all meetings of the Mobility Stakeholder Group 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 Mobility Stakeholder Group prior to the Mobility Stakeholder Group taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the Mobility Stakeholder Group. Individuals may appear before the Mobility Stakeholder Group to discuss items not on the agenda; however, the Mobility Stakeholder Group can take no official action on these items at the time of the same meeting. (Government Code section 11125.7(a))

CBA members who are not members of the Mobility Stakeholder Group may be attending the meeting. However, if a majority of members of the full CBA are present at the Mobility Stakeholder Group meeting, members who are not Mobility Stakeholder Group members may attend the meeting only as observers.

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DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY

MEETING AGENDA

January 21, 2016
1:30 p.m. – 5:00 p.m.

January 22, 2016
9:00 a.m. – 3:00 p.m.

Wyndham Irvine-Orange County Airport
17941 Von Karman Avenue
Irvine, CA 92614
Telephone: (949) 863-1999

Important Notice to the Public

All times indicated, other than those identified as "time certain," are approximate and subject to change. Agenda items may be discussed and action taken out of order at the discretion of the California Board of Accountancy President. The meeting may be cancelled without notice. For verification of the meeting, call (916) 561-1716 or access California Board of Accountancy's website at http://www.cba.ca.gov.

Thursday, January 21, 2016
1:30 p.m. – 4:00 p.m.

Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks (**Katrina Salazar, President**).

I. Presentation Regarding Assessing the Quality of Employee Benefit Plan Audits.

1:30 p.m. – 3:00 p.m.

A. Ian Dingwall, CPA, Chief Accountant, United States Department of Labor.

3:00 p.m. – 3:30 p.m.

B. Jim Brackens, CPA, CGMA, Vice-President of Ethics and Practice Quality, American Institute of Certified Public Accountants.

3:30 p.m. – 4:00 p.m.

C. Maria Caldwell, Esq., Chief Legal Officer and Director of Compliance Services, National Association of State Boards of Accountancy.

4:00 p.m. – 5:00 p.m.

II. Closed Session.**

A. Pursuant to Government Code Section 11126(c)(3), the California Board of Accountancy Will Convene Into Closed Session to Deliberate on Disciplinary Matters (Stipulated Settlements, Default Decisions, and Proposed Decisions).

B. Pursuant to Government Code Section 11126(e), the California Board of Accountancy Will Meet In Closed Session to Receive Advice from Legal Counsel on Litigation (David Greenberg v. California Board of Accountancy, Los Angeles County Superior Court, Case No. BS155045; David B. Greenberg v. California Board of Accountancy, Orange County Superior Court, Case No. 30-2015-00809799-CU-WM-CJC.; David B. Greenberg v. California Board of Accountancy, Orange County Superior Court, Case No. 30-2015-00809802-CU-WM-CJC.; and David Greenberg v. Erin Sunseri, et al., U.S. District Court, Southern District of Florida, Case No. 15-CV-80624.).

Friday, January 22, 2016 9:00 a.m.

III. Presentation from Senator John Moorlach, 37th California Senate District Regarding His Role, the Certified Public Accounting Profession, and Legislation.

IV. Petition Hearings.

None.

TIME CERTAIN 9:30 a.m.

10:30 a.m. – 11:10 a.m.

V. Report of the President (**Katrina Salazar**).

A. Introduction of New California Board of Accountancy Member George Famalett.

B. Report of the Leadership Roundtable Meeting Regarding the Leadership Responsibilities and the California Board of Accountancy Activities for 2016.

C. Report of the January 21, 2016 Chair/Vice-Chair Training and Strategic Planning Committee Meeting.

D. Resolution for Retired California Board of Accountancy Members Sarah Anderson and Louise Kirkbride.

E. Resolution for Bruce C. Allen, California Society of CPAs, Government Relations Director.

F. Resolution for Retired Enforcement Advisory Committee Member Mervyn McCulloch.

G. Exposure Draft Regarding Proposed Revisions to the American Institute of Certified Public Accountants/National Association of State Boards of Accountancy (NASBA) Uniform Accountancy Act and NASBA Uniform Accountancy Act Rules (Retired Status) (**Gina Sanchez, Licensing Chief**).

H. Discussion Regarding the Study of California's Attest Experience Requirement (**Gina Sanchez**).

I. Discussion Regarding the Impact of the Proposed Changes to the American Institute of Certified Public Accountants Exposure Draft on Standards for Performing and Reporting on Peer Reviews, Improving Transparency and Effectiveness of Peer Review, November 10, 2015 (**Dominic Franzella, Enforcement Chief**).

J. Developments Since the February 2015 United States Supreme Court Decision: North Carolina State Board of Dental Examiners v. Federal Trade Commission.

K. Discussion on the California Little Hoover Commission Hearing Regarding Occupational Licensing.

L. Announcement of New Committee and Liaison Appointments (**Written Report Only**).

M. Department of Consumer Affairs Director's Report on Departmental Activities (**DCA Representative**).

11:10 a.m. – 11:15 a.m.

VI. Report of the Vice-President (**Alicia Berhow**).

A. Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee.

B. Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee.

C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.

11:15 a.m. – 11:25 a.m.

VII. Report of the Secretary/Treasurer (**Michael Savoy**).

A. Discussion of Governor's Budget.

11:25 a.m. – 11:45 a.m.

VIII. Report of the Executive Officer (**Patti Bowers**).

A. Update on the Relocation of the California Board Accountancy's Office.

B. Update on Staffing.

C. Review and Approval of Proposed Changes to the California Board of Accountancy's Member Guidelines and Procedures Manual (**Deanne Pearce, Assistant Executive Officer**).

D. Update on the California Board of Accountancy's Communications and Outreach (**Matthew Stanley, Information and Planning Officer**).

11:45 a.m. – 12:10 p.m.

IX. Report on the Enforcement Advisory Committee, Qualifications Committee, and Peer Review Oversight Committee.

A. Enforcement Advisory Committee (**Joseph Rosenbaum, Chair**).

1. Report of the December 10, 2015 Enforcement Advisory Committee Meeting (**Joseph Rosenbaum**).

B. Qualifications Committee (**Jenny Bolsky, Chair**).

1. Report of the January 20, 2016 Qualifications Committee Meeting (**Jenny Bolsky and Alicia Berhow, Qualifications Committee Liaison**).

C. Peer Review Oversight Committee (**Robert Lee, Chair**).

1. Report of the December 9, 2015 Peer Review Oversight Committee Meeting (**Robert Lee**).

12:10 p.m. – 12:25 p.m.

X. Report of the Enforcement Chief (**Dominic Franzella**).

A. Enforcement Activity Report.

XI. Report of the Licensing Chief (**Gina Sanchez**).

A. Licensing Activity Report.

12:25 p.m. – 2:00 p.m.

Lunch

2:00 p.m. – 2:40 p.m.

XII. Committee Reports.

A. Committee on Professional Conduct (**Leslie LaManna**).

1. Report of the January 21, 2016 Committee on Professional Conduct Meeting.

2. Review of the Exemption/Extension Options From the Continuing Education Requirements.

3. Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Sections 80.1, 80.2, 87, and 87.1 – Continuing Education for Providing Preparation Engagements.

B. Legislative Committee (**Deidre Robinson**).

1. Report of the January 21, 2016 Legislative Committee Meeting.

2. Overview of the California Legislative and Regulatory Process and the Legislative Committee's Role.

3. Update on Previously Approved Legislative Proposals Regarding Ethics Study Requirement and Expedited Rulemaking Authority for Practice Privilege Program.

C. Mobility Stakeholder Group (**Jose Campos**).

1. Report of the January 21, 2016 Mobility Stakeholder Group Meeting.

2. Mobility Stakeholder Group Decision Matrix and Stakeholder Objectives (**Written Report Only**).

3. Timeline for Activities Regarding Determinations to be Made Pursuant to Business and Professions Code Section 5096.21 (**Written Report Only**).

4. Review and Possible Approval of the 2015 Mobility Stakeholder Group Annual Report.

5. Overview of the Findings of the National Association of State Boards of Accountancy Related to Business and Professions Code Section 5096.21(c).

6. Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAverify.

7. Discussion Regarding Proposed Agenda Items for the Next Mobility Stakeholder Group Meeting.

2:40 p.m. – 2:45 p.m.

XIII. Acceptance of Minutes.

A. Draft Minutes of the November 19-20, 2015 California Board of Accountancy Meeting.

B. Minutes of the November 19, 2015 Committee on Professional Conduct Meeting.

C. Minutes of the July 23, 2015 Legislative Committee Meeting.

D. Minutes of the September 17, 2015 Mobility Stakeholder Group Meeting.

E. Minutes of the October 22, 2015 Enforcement Advisory Committee Meeting.

F. Minutes of the October 21, 2015 Qualifications Committee Meeting.

G. Minutes of the August 21, 2015 Peer Review Oversight Meeting.

2:45 p.m. – 2:50 p.m.

XIV. Other Business.

A. American Institute of Certified Public Accountants.

1. Report on Public Meetings of the American Institute of Certified Public Accountants Attended by a California Board of Accountancy Representative.

B. National Association of State Boards of Accountancy.

1. Report on Public Meetings of the National Association of State Boards of Accountancy Attended by a California Board of Accountancy Representative.

2:50 p.m. – 3:00 p.m.

XV. Closing Business.

A. Public Comments.*

B. Agenda Items for Future California Board of Accountancy Meetings.

C. Press Release Focus (**Matthew Stanley**).

Adjournment

In accordance with the Bagley-Keene Open Meeting Act, all meetings of the California Board of Accountancy are open to the public. While the California Board of Accountancy intends to webcast this meeting, it may not be possible to webcast the entire open meeting due to limitations on resources.

*Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the California Board of Accountancy prior to the California Board of Accountancy taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the California Board of Accountancy, but the California Board of Accountancy President may, at his or her discretion, apportion available time among those who wish to speak. Individuals may appear before the California Board of Accountancy to discuss items not on the agenda; however, the California Board of Accountancy can neither discuss nor take official action on these items at the time of the same meeting (Government Code sections 11125, 11125.7(a)).

**Action may be taken on any item on the agenda. The time and order of agenda items, including closed session, are subject to change at the discretion of the California Board of Accountancy President and may be taken out of order.

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CBA Item I.
January 21-22, 2016

Presentation Regarding Assessing the Quality of Employee Benefit Plan Audits

Consumer Protection Objectives

The purpose of this agenda item is to provide background material to the California Board of Accountancy (CBA) to reference during the presentation regarding assessing the quality of employee benefit plan audits. This information will assist the CBA in its preparations for future discussions on this topic and how best to protect consumers including the more than 9.6 million employee benefit plan participants in California.

Action(s) Needed

No specific action is required on this agenda item as this topic is assigned to the Committee on Professional Conduct (CPC) to further explore and recommend specific actions to the CBA at future meetings.

Background

In May 2015, the United States Department of Labor (DOL) Employee Benefits Security Administration published a report titled "Assessing the Quality of Employee Benefit Plan Audits" (**Attachment 1**). In the report, the DOL found that 39 percent of these audits contained major deficiencies with respect to one or more relevant generally accepted auditing standards requirements. The DOL conclusions and recommendations can be found on pages 22-23 of Attachment 1.

In an August 2015 letter from Mr. Ian Dingwall, Chief Accountant at DOL (**Attachment 2**), he highlighted the findings of the report and provided the CBA with statistics specific to California. He noted that there is $653 billion in benefits promised to 22.5 million plan participants and beneficiaries. He also noted that in California, there are 965 firms, auditing over 7,453 employee benefit plans, covering 9,648,455 participants and $581 billion in plan assets. This means that California is responsible for more than 42 percent of participants nationally and almost 90 percent of the plan assets.

The letter also requested state boards of accountancy to "make it clear that only those CPAs who possess the unique technical expertise to audit employee benefit plans be permitted to perform" these services.

At the CBA's September 2015 meeting, CBA President Campos assigned this topic to the CPC to further study and to examine options that could include changes to the

CBA's laws, regulations, continuing education requirements, enhanced enforcement strategies, increased outreach, or other changes that will improve the quality of employee benefit plan audits in California to protect the consumers relying on those benefit plans.

Comments

The presentations regarding the DOL report and the quality of employee benefit plan audits will be made by the following individuals:

- Ian Dingwall, Chief Accountant, DOL
- Maria Caldwell, Chief Legal Officer and Director of Compliance Services, National Association of State Boards of Accountancy (NASBA)
- Jim Brackens, Vice-President of Ethics and Practice Quality, American Institute of Certified Public Accountants

NASBA has provided a document (**Attachment 3**) for the CBA to reference during its portion of the presentation.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations as this item is informational only.

Recommendation

Staff do not have a recommendation on this agenda item as no action is needed due to the fact that the CPC will be discussing this topic at future meetings.

Attachments

1. Assessing the Quality of Employee Benefit Plan Audits
2. August 28, 2015 Letter from Mr. Ian Dingwall
3. NASBA's Report on DOL Referral to Boards of Accountancy

Assessing the Quality of Employee Benefit Plan Audits

Attachment 1

U.S. Department of Labor
Employee Benefits Security Administration
Office of the Chief Accountant
May 2015

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Executive Summary

The Office of the Chief Accountant (OCA), Employee Benefits Security Administration (EBSA), U.S. Department of Labor (DOL), has completed an assessment of the quality of audit work performed by independent qualified public accountants (IQPAs) with respect to financial statement audits of employee benefit plans covered under the Employee Retirement Income Security Act of 1974 (ERISA) for the 2011 filing year (plan year beginning in 2011).

Objectives and Scope

The primary objective of EBSA's review was to assess the level and quality of IQPAs' audits of ERISA-covered employee benefit plans.

EBSA's assessments involved a review of the Form 5500 Annual Return/Report filings and related audit reports for the 2011 filing year (plan years beginning in 2011). The Agency selected a statistically valid sample of 400 plan audits from a target population of 81,162 Form 5500 filings for 2011 in which an accountant's report/audit opinion was attached.

In the 2011 Form 5500 database there were 81,162 filings that contained CPA audit reports. Those 81,162 audits were performed by 7,330 different CPA firms. Because the population of plan auditors is so diverse and heavily skewed to those CPA firms that audit a small number of plans, the sample was designed to look at the relationship between auditor characteristics and audit quality. Historically, EBSA has found that CPAs with smaller employee benefit plan audit practices tended to have the most audit deficiencies. Therefore, the Agency divided the population of CPAs into six strata based on the number of plan audits that the CPA firm performed with the desire to more definitively determine where in the population deficient audit work predominated.

Findings

Overall, EBSA's review found that 61% of the audits fully complied with professional auditing standards or had only minor deficiencies under professional standards. However, 39% of the audits (nearly 4 out of 10) contained major deficiencies with respect to one or more relevant GAAS requirements which would lead to rejection of a Form 5500 filing, putting $653 billion and 22.5 million plan participants and beneficiaries at risk. These figures reflect increases in the amount of plan assets and number of plan participants at risk compared with prior EBSA studies.

Additionally, the audit review supports the following findings:

- There is a clear link between the number of employee benefit plan audits performed by a CPA and the quality of the audit work performed. Analysis of the data indicates a wide disparity between those CPAs who perform the fewest plan audits and those firms that perform the largest number of plan audits. CPAs who performed the fewest number of employee benefit plan audits annually had a 76% deficiency rate. In contrast, the firms performing the most plan audits had a deficiency rate of only 12%.

- The accounting profession's peer review and practice monitoring efforts have not resulted in improved audit quality or improved identification of deficient audit

engagements. In 4 of the 6 audit strata, a substantial number of CPA firms received an acceptable peer review report, yet had deficiencies in the audit work that EBSA reviewed.

- CPA firms that were members of the American Institute of Certified Public Accountants' (AICPA) Employee Benefit Plan Audit Quality Center tended to produce audits that have fewer audit deficiencies. Overwhelmingly, most CPAs in the two smallest audit strata are not Employee Benefit Plan Audit Quality Center members.

- Training specifically targeted at audits of employee benefit plans (EBPs) may contribute to better audit work. As the level of EBP-specific training increased, the percentage of deficient audits decreased.

- Of the 400 plan audit reports reviewed, 67 (17%) of the audit reports failed to comply with one or more of ERISA's reporting and disclosure requirements.

Conclusion

It appears that the quality of employee benefit plan audits has not improved since EBSA's previous studies given an overall deficiency rate for plan audits of 39%.

Additionally, EBSA concludes that:

- Once again, the smaller the firm's employee benefit plan audit practice, the greater the incidence of audit deficiencies.

- Audit areas that are unique to employee benefit plans such as contributions, benefit payments, participant data and party-in-interest/prohibited transactions, continue to lead the list of audit deficiencies. As EBSA found in its two previous studies, CPAs often failed to consider these unique audit areas and, therefore, performed inadequate audit work.

- CPAs failed to comply with professional standards either because they were not adequately informed about employee benefit plan audits, or failed to properly utilize the technical materials that were in their possession. Audit partners in firms performing a greater number of plan audits tended to have a greater amount of employee benefit plan specific training. In a number of instances, however, even having the proper technical guidance did not ensure that a quality audit was performed.

- The Practice Monitoring Peer Review process established by the AICPA and administered by sponsoring state CPA societies does not appear to be an effective tool in identifying deficient plan audit work and ensuring compliance with professional standards. While selecting an employee benefit plan audit is a required part of the peer review process (where applicable), CPAs who performed deficient audits often received acceptable peer review reports.

- Members of the AICPA's Employee Benefit Plan Audit Quality Center (EBPAQC) tend to have fewer audits containing multiple GAAS deficiencies. Additionally, non EBPAQC member firms tend to have a larger number of GAAS deficiencies, per audit engagement, than EBPAQC members.

Recommendations

Based upon the findings of this report, EBSA makes the following eleven recommendations.

Enforcement

1. Revise case targeting to focus on:

    a. CPA firms with smaller employee benefit plan audit practices that audit plans with large amounts of plan assets, and

    b. CPA firms in the 25-99 plan audit strata given their high deficiency rates and the amount of plan assets ($317.1 billion) and plan participants (9.3 million) at risk from deficient audits.

2. Work with the National Association of State Boards of Accountancy (NASBA) and the AICPA to improve the investigation and sanctioning process for those CPAs who perform significantly deficient audit work. Work with NASBA to get state boards of accountancy to accept the results of investigations performed by EBSA or the AICPA's Professional Ethics Division, in order to use those results in disciplining CPAs (at the state licensing board level).

3. Amend ERISA to make sure the annual reporting civil penalties focus on the responsible party. Under this proposal, the Secretary of Labor would be authorized to assess all or part of the current annual reporting civil penalty of up to $1,100 per day against the accountant engaged to do an ERISA plan audit if the plan's annual report is rejected due to a deficient audit or because the accountant failed to meet the standards for qualification to perform an ERISA plan audit.

4. Work with the AICPA's Peer Review staff:

    a. to streamline the peer review process and make it more responsive in helping to improve employee benefit plan audit quality.

    b. to ensure that CPAs who are required to undergo a peer review have in fact had an acceptable peer review.

    c. to identify those CPAs who have not received an acceptable peer review and refer those practitioners to the applicable state licensing boards of accountancy.

Regulatory/Legislative

5. Amend the ERISA definition of "qualified public accountant" to include additional requirements and qualifications necessary to ensure the quality of plan audits. The Secretary of Labor would be authorized to issue regulations concerning the qualification requirements.

6. Amend ERISA to repeal the limited-scope audit exemption. This exemption prevents accountants from rendering an opinion on the plans' financial statements for assets held

in regulated entities such as financial institutions. When auditors have to issue a formal and unqualified opinion, they have a powerful incentive to rigorously adhere to professional standards ensuring that their opinion can withstand scrutiny. The limited-scope audit exemption undermines this incentive by removing auditors' obligations to stand behind the plans' financial statements.

7. Amend ERISA to give the Secretary of Labor authority to establish accounting principles and audit standards that would protect the integrity of employee benefit plans and the benefit security of participants and beneficiaries. Under this approach, the Secretary of Labor would be authorized to establish standards that address financial reporting issues that are either unique to or have substantial impact upon employee benefit plans.

Outreach

8. Work with the NASBA to encourage state boards of accountancy to require specific licensing requirements for CPAs who perform employee benefit plan audits. This would include specific training and experience in the audits of employee benefit plans.

9. Continue and expand EBSA's outreach activities:

    a. Continue the Agency's work with plan administrator organizations (e.g. ASPPA), to explain the importance of hiring competent CPAs to plan administrators and other plan fiduciaries with hiring authority.

    b. Use information contained in the EFAST2 database to target correspondence to:

        i. plan administrators in the 1-2 and 3-5 plan strata, highlighting the high deficiency rate among plan auditors and providing information about how to select a qualified plan auditor; and

        ii. CPA firms in the 25-99 stratum, discussing the audit deficiencies found in the audit study and working with the firms to ensure that plan audits comply with professional standards.

10. Communicate with each of the state boards of accountancy (licensing boards) regarding the results of the study and the need to ensure that only competent CPAs are performing employee benefit plan audits.

11. Expand EBSA's outreach with individual state societies of CPAs who have a large number of plan audits performed by CPA firms in the 1-5 plan audit stratum. For those states that do not already do so, encourage them to create employee benefit plan audit training programs.

Background

ERISA was enacted by Congress to remedy abuses in the nation's private pension and welfare benefit plan system. ERISA covers pension and welfare benefits and is administered by three separate federal agencies: the Department of Labor (DOL), the Internal Revenue Service (IRS) and the Pension Benefit Guaranty Corporation (PBGC).

ERISA contains a number of provisions that were enacted in recognition of the need to establish an effective mechanism to protect the interests of plan participants and beneficiaries, and to establish an effective mechanism to detect and deter abusive practices. These provisions include the annual reporting of financial information and activities of employee benefit plans. The Secretary of Labor is principally responsible for enforcing the fiduciary and reporting and disclosure provisions that are contained in Title I of ERISA.

In enacting ERISA in 1974, Congress included a requirement for employee benefit plans to file an annual report of their financial condition and operations with the Department. Among other information, the plan's annual report must include an audit report issued by an independent qualified public accountant (IQPA)[1] stating whether the plan's financial statements (and other schedules required to be included in the annual report) are presented fairly in conformity with generally accepted accounting principles (GAAP). Almost all plans with over 100 participants[2] must be audited annually, and the plan administrator is responsible for engaging an IQPA to perform the required plan audit in accordance with generally accepted auditing standards (GAAS). Under ERISA, the Department plays no role in setting GAAP and GAAS standards. Such standards are set by institutions closely related to the accounting industry - the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA)[3].

Audited financial statements and the CPA's report on the fairness and consistency of their presentation must generally be filed with the Form 5500 Annual Report within 210 days after the close of the plan year. The audit requirement is intended to ensure the integrity of financial information that is incorporated in the annual reports. Section 103 of ERISA specifically requires that these audits be conducted pursuant to the standards established by the accounting and auditing profession itself in the pronouncements which define GAAP and GAAS. While ERISA's auditing provisions have worked to provide DOL and plan participants and beneficiaries with information about the safety of plan operations, experience has shown that "plan" audits do not consistently meet professional standards.

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[1] Almost all plan audits are now performed by Certified Public Accountants (CPAs); therefore, throughout the rest of the report we will broadly refer to plan auditors as CPAs.

[2] Beginning in April 2002, some small pension plans may also be required to have an annual audit pursuant to 29 CFR 2520.104-46.

[3] The Public Company Accounting Oversight Board (PCAOB) is responsible for setting auditing standards for audits of public companies.

Objectives and Scope

The primary objective of this study was to assess whether the level and quality of audit work being performed by CPAs with respect to audits of employee benefit plans regulated by ERISA has improved since OCA's previous comprehensive study in 2004.

EBSA's assessments involved a review of the Form 5500 Annual Return/Report filings and related audit reports for the 2011 filing year (plan years beginning in 2011). OCA selected a statistically valid sample of 400 plan audits. The workpaper reviews, performed at OCA's office, were conducted during the period December 2013 through September 2014. The 400 selected audit reports and supporting workpapers were evaluated against AICPA's Audit and Accounting Guide, *Audits of Employee Benefit Plans (with conforming changes as of January 1, 2012)*.

Who Audits Employee Benefit Plans?

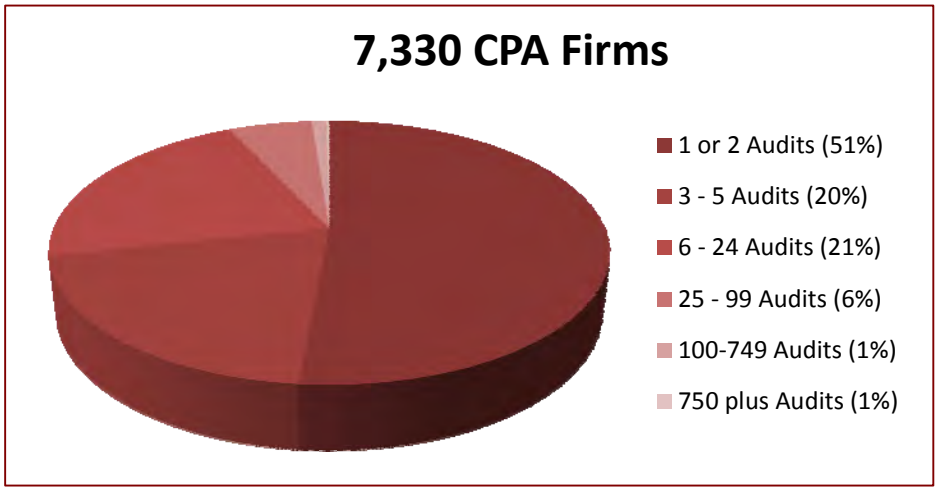
In 2011, there were 81,162 Form 5500 filings containing CPA audit reports. The audits were performed by 7,330 CPA firms. The following table summarizes the number of CPA firms grouped by the number of plans audited and the total number of audits performed. The number of CPA firms decreases rapidly with an increasing number of plans audited. Fifty percent of CPA firms audit 1 or 2 plans while only 0.2 percent of CPA firms audit 750 plans or more.

2011 Form 5500 Database
CPA Firms Performing Plan Audits

Number of Plans Audited	Number of CPA Firms	Number of Audits Performed
1-2	3,684	4,891
3-5	1,519	5,773
6-24	1,603	17,747
25-99	433	18,910
100-749	77	15,418
750+	14	18,423
Total	**7,330**	**81,162**

As the following chart shows, 95% of the CPA firms that perform employee benefit plan audits audit less than 25 plans on an annual basis. Conversely, only 1% of the CPA firms audit 100 or more benefit plans annually.

Number of Audits Performed by CPA Firm
by Stratum



Why was the Sample of Employee Benefit Plan Audits Based on the Number of Audits Performed by the CPA Firm?

Previous assessments show that CPAs performing fewer employee benefit plan audits tended to have the highest proportion of deficient audits. As shown above, there is a large group of plan auditors, or CPA firms, that audit a small number of plans. The statistical sampling plan was designed to adequately represent the larger CPA firms as well as the smaller. The plan auditors were grouped into six strata based on the number of plan audits that the CPA firm performed in plan year 2011. The six CPA firm size strata were chosen to accurately characterize the quality of employee benefit plan audits. Randomly sampling the six strata ensures a representative sample from each subgroup of plan auditors.

Too Many Employee Benefit Plan Audits are Deficient

GAAS provides the framework for auditors' exercise of their professional responsibilities. These professional auditing standards establish the minimum requirements for performance of an audit engagement. The AICPA creates the auditing standards for employee benefit plans. When auditors depart from these standards they are obligated to acknowledge that fact in their report.

ERISA Section 103(a)(3)(A) requires that employee benefit plans with more than 100 participants retain an IQPA to perform an audit of the plan's financial statements. This section requires that the audit be performed in accordance with GAAS. Some small employee benefit pension plans may also be required to have an audit performed in accordance with GAAS.

OCA analyzed the work performed by plan auditors using the requirements contained in the AICPA's Audit and Accounting Guide, *Audits of Employee Benefit Plans (with conforming changes as of January 1, 2012)*[4], issued by the AICPA. This guide represents the application of professional auditing and accounting standards that are unique to audits of employee benefit plans.

After OCA's review, the 400 audit engagements were classified as falling in one of the following categories:

Audit Status	Explanation
Acceptable	Audit does not contain any findings
Acceptable- minor	Audit is acceptable, with minor findings in certain areas of the audit
Unacceptable- minor	GAAS deficiencies noted; however, overall audit quality is not adversely affected
Unacceptable- major	GAAS findings noted and overall audit quality is adversely affected

Based on these categories and sample results, EBSA estimates that 61% of the audits complied with professional auditing standards or had only minor deficiencies. However, 39% of the audits (nearly 4 out of 10) contained "Unacceptable-major" deficiencies with respect to one or more relevant GAAS requirements, putting $653 billion dollars and 22.5 million plan participants and beneficiaries at risk. This reflects an increase in the amount of plan assets and number of plan participants at risk compared with prior EBSA studies. [EBSA's 2004 study estimated that a total of $410 billion in assets held by plans had not been properly audited.]

The chart below, based on the four statistically based studies, shows the increase in the percentage of plan audits that do not comply with professional audit standards over the past 26 years.

Results of Prior Audit Quality Studies

Audit Quality Study	1988	1997	2004	2014
Audits With GAAS Deficiencies	23%	19%	33%	39%

The increase in non-compliant audits corresponds with the increase in the number of limited-scope audits. As the following chart shows, the percentage of limited-scope audits (to the overall audit population) has increased from 48% in 2001 to 83% in 2013.

[4] Applicable professional guidance for financial statement audits of plan year 2011 Form 5500 filings.

Limited-Scope Audits

Filing Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Limited-Scope Audits	48%	51%	56%	59%	62%	62%	65%	67%	78%	79%	80%	81%	83%

As discussed later in this report, it appears that the increased number of limited-scope audits has contributed to declining audit quality. CPAs have less incentive to focus on relevant audit areas when they know the engagement will result in their issuance of "no opinion" on the plan's financial statements.

Does Size of a CPA's Employee Benefit Plan Practice Correlate with Audit Quality?

Yes. The results of this audit study clearly indicate a link between the number of employee benefit plan audits performed by a CPA and the quality of the audit work performed. Analysis of the data indicates a wide disparity between those CPAs who perform the fewest plan audits and those firms that perform the largest number of plan audits. As the following chart shows, CPAs who performed only one or two employee benefit plan audits annually had a 76% deficiency rate. In contrast, the deficiency rate at the stratum of firms performing the most plan audits was only 12%.

Major Deficiency Audit Rates

by Stratum

(95% Confidence Level; Statistically Significant Differences between Stratum)

Strata	Audit Reviews	Audits With Deficiencies	Standard Error	Lower Bound	Upper Bound
1-2	95	75.8%	4.4%	66.1%	83.4%
3-5	95	68.4%	4.8%	58.3%	77.0%
6-24	95	67.4%	7.7%	50.9%	80.4%
25-99	65	41.5%	9.7%	24.4%	61.0%
100-749	25	12.0%	4.9%	5.2%	25.4%
750+	25	12.0%	8.0%	3.0%	37.8%
Total Reviewed	**400**	**38.8%**	**3.5%**	**32.2%**	**45.9%**

Note: Statistics are calculated using sample weights, which account for the different amount of audits performed by each stratum. For this reason, the population average may be different from the un-weighted sample averages.

Not only did CPA firms with smaller employee benefit plan audit practices have significantly higher overall deficiency rates, but their audits also had an unacceptably high number of deficient audit areas. As seen in the table below, for the 1-2 plan audit stratum, 56% of the audits contained five or more deficient audit areas. Similarly, in the 3-5 plan audit stratum, about 42% of plan audits contained five or more deficiencies. Similar trends hold for the next two strata as well. In the two largest CPA firm audit strata, the audits that had five or more deficiencies (one in each stratum) presented unique audit situations not normally encountered in performing a routine plan audit.

Audits Containing Five or More Deficiencies
by Strata

IQPA EBP Audits	# of Deficient Audits	Audits With 5 or More Deficiencies
1-2	72	53 (56%)
3-5	65	40 (42%)
6-24	64	37 (39%)
25-99	27	14 (22%)
100-749	3	1 (33%)
750+	3	1 (4%)

As shown in the table below, there were significant differences in deficiency rates across multiple plan audit strata, with the 1-2 Plans, 3-5 Plans, 6-24 Plans, and 25-99 Plans strata all having a significantly higher major deficiency rate than the 100-749 Plans and the 750+ Plans strata.

Differences in Major *Audit* Deficiency Rate
by Strata

Strata	1 & 2 Plans	3-5 Plans	6-24 Plans	25-99 Plans	100-749 Plans	750+ Plans
1 & 2 Plans	0%	-7%	-8%	-34%	-64%	-64%
3-5 Plans		0%	-1%	-27%	-56%	-56%
6-24 Plans			0%	-26%	-55%	-55%
25-99 Plans				0%	-30%	-30%
100-749 Plans					0%	0%
750+ Plans						0%

Note: Significant differences across strata groups at the 95% confidence level are highlighted in red.

For example, a plan administrator who hires a CPA that performs only 1- 2 plan audits has a 64% greater chance of hiring someone whose audit contains deficiencies, as opposed to the administrator hiring a CPA with an annual plan audit practice of 100+ plan audits.

Are More Participants and Plan Assets at Risk with Certain Size CPA Firms?

The sample allows EBSA to estimate the number of participants and plan assets impacted by audits containing one or more GAAS deficiencies. **Overall, $653 billion dollars were held by plans with audits that contained GAAS deficiencies.** As the chart below shows, 93% of the plan assets at risk were audited by CPAs performing fewer than 100 audits annually. Further scrutiny of the data indicates that 82% of the plan assets at risk were audited by CPAs in two strata, the 6-24 and 25-99 audit strata.

Plan Assets at Risk

by Stratum

(95% Confidence Level)

Strata	Assets Held by Plans With Deficient Audits (Millions)	Standard Error	Lower Bound	Upper Bound
1-2	$27,815	$6,124	$17,794	$41,819
3-5	$46,686	$18,161	$19,908	$88,977
6-24	$217,404	$101,632	$60,700	$444,807
25-99	$317,158	$234,512	$38,516	$854,795
100-749	$7,060	$5,012	$0	$17,650
750+	$37,098	$24,881	$0	$95,264
Total Sample	$653,221	$260,840	$263,940	$1,245,938

Note: Statistics are calculated using sample weights, which account for the different amount of audits performed by each stratum.

Based on the sample results, EBSA estimates that there were 22.5 million participants impacted by audits with one or more GAAS deficiencies. 70% of participants at risk were in the 6-24 and 25-99 plan audit strata.

Plan Participants Impacted

by Stratum

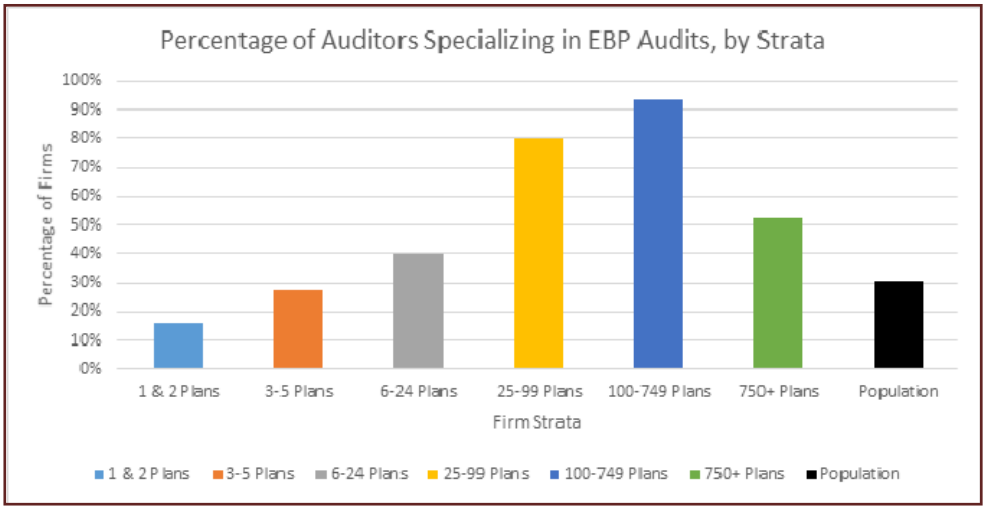
(95% Confidence Level)

Audit Strata	Participants in Plans With Deficient Audits (Millions)	Standard Error	Lower Bound	Upper Bound
1-2	1.04	0.13	0.80	1.31
3-5	1.40	0.20	1.01	1.82
6-24	6.51	1.92	3.19	10.63
25-99	9.31	6.47	1.65	23.98
100-749	3.61	3.44	0.00	13.11
750+	0.65	0.45	0.00	1.73
Total Sample	22.52	7.63	10.22	39.37

Note: Statistics are calculated using sample weights, which account for the different amount of audits performed by each stratum.

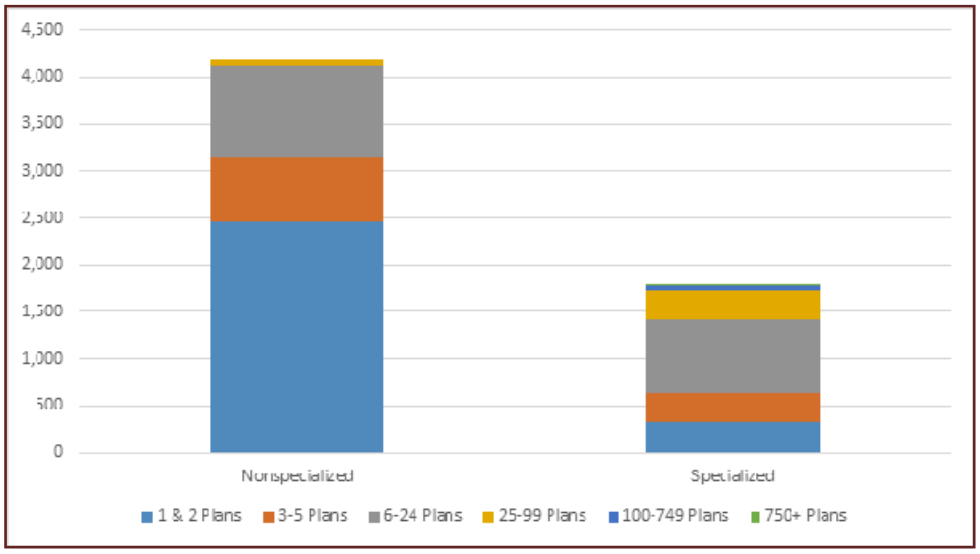
How Does the Quality of a Firm's Audits Relate to the Proportion of the Firm's Practice Devoted to EBP Audits?

The 400 audit engagements reviewed as part of the audit study were performed by 232 different CPA firms. For those 232 CPA firms, EBSA gathered information regarding the size of the EBP practice relative to the auditor's complete audit practice. The chart below shows that EBP specialization across the six auditor stratum varies widely. As the chart shows, most CPAs firms in the 1-2 and 3-5 audit strata do not specialize in EBP audits. For example, in the 1-2 strata, only 15% of the CPA firms are considered to be "specialized" with respect to employee benefit plan audits. Conversely, in the 100-749 strata over 90% of the firms are considered to be "specialized" firms. Generally, CPAs who do a larger amount of audit work report that they do specialize in EBP audits.



Note: A firm is considered to be specialized if its EBP practice accounts for at least 20% of the revenue for its total audit practice. Statistics are calculated using sample weights, which account for the different amount of audits performed by each stratum. For this reason, the population average may be different from the un-weighted sample averages.

With the wide variation of firms considered to be "specializing" in EBP audits, we looked at CPA firms which had an audit with at least one major GAAS deficiency. The chart below shows the distribution of "specialized" CPA firms with at least one major GAAS deficiency in their audit work. The chart clearly shows that the largest proportion of CPAs performing audits with at least one major GAAS deficiency are not EBP specialists. This is consistent with our finding that CPA firms with smaller EBP audit practices tended to have the highest deficiency rates.

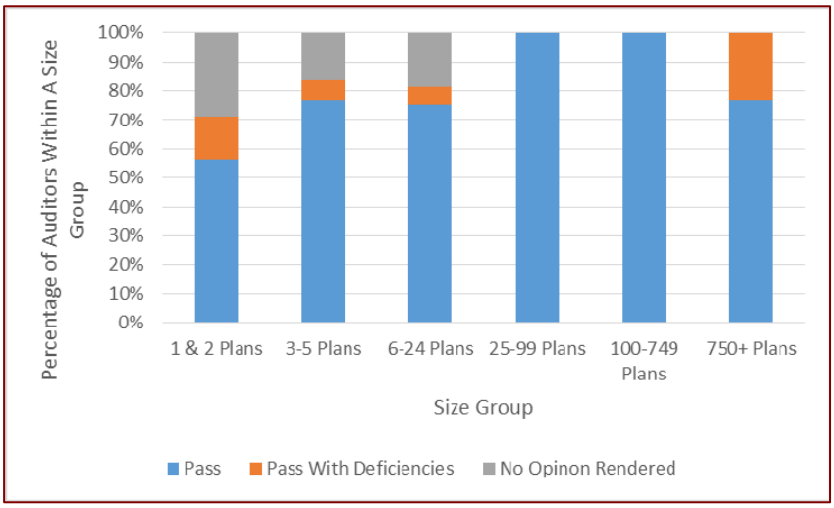


Are Practice Monitoring and Peer Review Activities Related to Improved Audit Quality?

For the 232 sampled CPA firms we obtained peer review information (where applicable). **The audit study showed that the accounting profession's peer review and practice monitoring efforts have not resulted in improved audit quality or in identifying deficient audit engagements.**

Most state licensing boards[5] require that CPAs performing attest engagements participate in a qualifying peer review/practice monitoring program. The AICPA's Peer Review staff estimate that about 27,000 CPA firms are subject to peer review and that 9,000-10,000 peer reviews are performed on an annual basis.[6]

As part of its review, EBSA obtained peer review reports for the 232 CPA firms in the study. The distribution of results of these peer reviews are shown in the chart below. In general, it is estimated that a large portion of the peer reviews of the auditor population end with the auditor passing the peer review. In addition, smaller auditors have no opinion rendered more often than larger auditors, which may be due to a peer review not being performed.



EBSA found that in 4 of the 6 audit strata, a substantial number of CPA firms received an acceptable peer review report yet had deficiencies in the audit work that EBSA reviewed. As the table below highlights, in the 1-2 plan audit stratum, 52% of the deficient audits had received an unqualified or "clean" peer review report. Because these firms perform few employee benefit plan audits, there is a good chance that the audit engagement reviewed by EBSA was also the same audit engagement examined by the CPA firm's peer reviewer.

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[5] The Delaware and Puerto Rico licensing boards do not require CPAs to participate in a practice monitoring/peer review program. Florida, Hawaii and the U.S. Virgin Islands have passed a practice monitoring statute, but it is not yet effective.

[6] Many CPA firms perform audit and attest engagements that do not involve employee benefit plans. The larger number of CPA firms subject to "peer review" includes those CPA firms.

Deficient Audits and Clean Peer Reviews

by Statum

Strata (Audits)	Deficient Audits With Clean Peer Review Report
1-2	52% (49)
3-5	58% (55)
6-24	63% (60)
25-99	40% (26)
100-749	12% (3)
750+	4% (1)

Given the results showing that an alarming number of peer review reports fail to highlight employee benefit plan audit deficiencies, EBSA looked at the results of peer reviews that did not properly identify CPA firms that perform significantly deficient plan audits (chart below).

Audits Containing Multiple Deficiencies and Clean Peer Reports

by Stratum

Strata (Audits)	Deficient Audits With Five or More Deficiencies and a Clean Peer Review Report
1-2	35% (33)
3-5	36% (34)
6-24	37% (35)
25-99	22% (14)
100-749	4% (1)
750+	4% (1)

As reflected in the table above, even audits that had five or more deficiencies often received a clean peer review report. Indeed, in three of the six strata, over 35% of such deficient audits had received acceptable peer review reports.

Is Membership in the AICPA's Employee Benefit Plan Audit Quality Center (EBPAQC) Related to Audit Quality?

For those 232 sampled CPA firms, EBSA also gathered information regarding membership in the AICPA's Employee Benefit Plans Audit Quality Center (EBPAQC). The chart below shows the distribution of EBPAQC members spread out among the six audit strata.

EBPAQC Members

by Stratum

Strata	EBPAQC Member	Non EBPAQC Member	TotalFirms
1-2	11 (12%)	84 (88%)	95
3-5	27 (28%)	68 (72%)	95
6-24	15 (79%)	4 (21%)	19
25-99	12 (92%)	1 (8%)	13
100-749	5 (100%)	0 (0%)	5
750+	5 (100%)	0 (0%)	5
Total	75 (32%)	157 (68%)	232

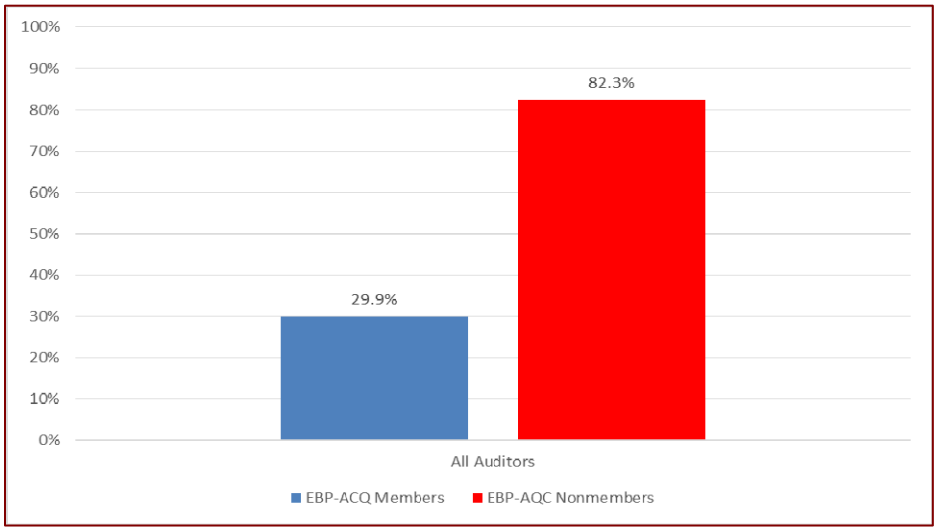
As the chart shows, overwhelmingly, most CPAs in the 1-2 and 3-5 audit strata are not EBPAQC members. These are the two strata that have the highest number of audits not in compliance with professional standards.

The following table and chart show the deficiency rates for both EBPAQC members and non-EBPAQC members, across multiple strata. For all strata, audits performed by EBPAQC members had a lower deficiency rate than audits performed by non-EBPAQC members.

Audit Deficiency Rate
by Stratum and EBPAQC Membership Status

Auditor Size	EBP-ACQ Members	EBPAQC Nonmembers
1-2 Plans	63.6%	77.4%
3-5 Plans	55.6%	73.5%
6-24 Plans	60.8%	90.5%
25-99 Plans	36.7%	100.0%
100-740 Plans	12.0%	N/A
750+ Plans	12.0%	N/A
All Auditors	**29.9%**	**82.3%**

Audit Deficiency Rate
by EBPAQC Membership Status



EBSA's analysis also shows that non EBPAQC member firms tend to have a larger number of GAAS deficiencies per audit engagement than EBPAQC members. For example, in the 1-2 audit stratum, 90% of the audits that contained five or more audit deficiencies were performed by CPA firms that are not EBPAQC members. Similar results exist in the 3-5 audit stratum where 77% of the audits with five or more deficiencies were performed by non EBPAQC member firms.

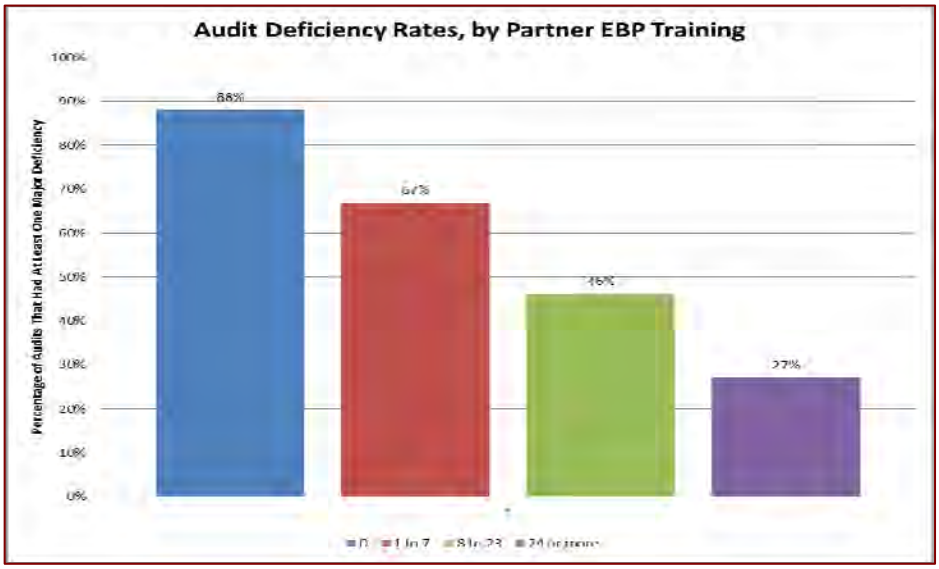
Does the Level of Employee Benefit Plan Specific Continuing Professional Education by Engagement Partners Have an Effect on Audit Quality?

Established professional standards require that auditors have the competence and capabilities necessary to perform professional audits. Employee benefit plan audits exist in an enviroment that is specialized, highly regulated, and subject to governmental oversight.

As a part of the audit quality study, EBSA gathered information regarding the number of hours of employee benefit plan (EBP) specific continuing professional education (CPE) taken within the three years preceeding the performance of the selected audit engagement. The information gathered showed the following:

- Audit partners in firms performing a greater number of plan audits tended to have taken more hours of EBP specific CPE.

- The level of EBP specific CPE was a contributing factor in audit quality as the percentage of audits containing one or more deficient areas of audit decreased as more EBP specific training was obtained.



- The majority of engagement partners in firms performing 25 or more EBP audits annually indicated that they had obtained 8 or more hours of EBP specific training in the 3 years preceeding the audit engagement reviewed. In most cases, these engagement partners had obtained 24 or more hours of EBP specific CPE.

- In contrast, engagement partners performing 24 or fewer EBP audits annually had obtained less EBP specific CPE within the 3 years preceding performance of the audit engagement and, in some cases, had received no training at all.

- While the overall responsibility for the audit engagement rests with the engagement partner, it is just as important for those assigned to and performing the detailed audit work to have EBP specific training.

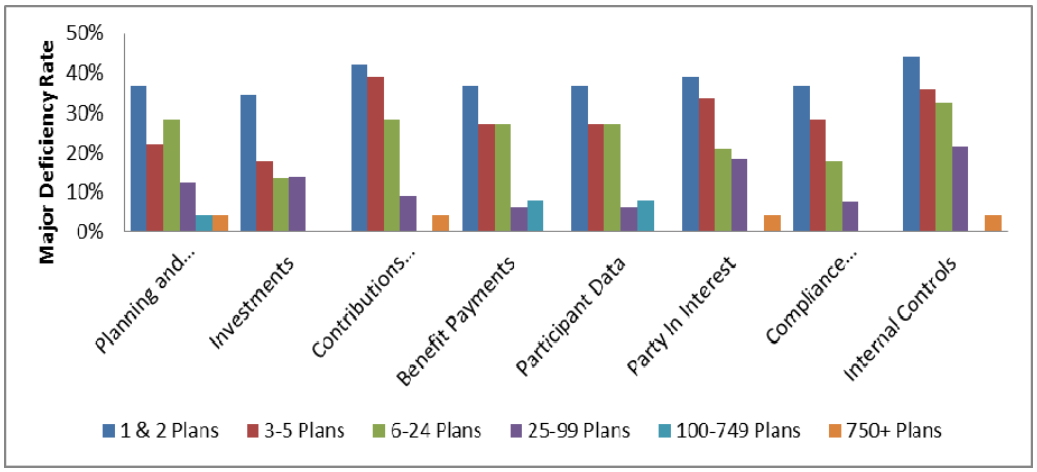
Were There Specific Audit Areas that Resulted In More Deficiencies than Other Areas?

In reviewing the 400 audits in the sample, EBSA looked at sixteen different audit areas to determine if the engagement was conducted in accordance with professional standards. Consistent with previously discussed information, auditors in the two lower audit strata (1-2 plan audits and 3-5 plan audits) disproportionately accounted for deficient audits.

Moreover, when CPAs in these two audit strata performed deficient audits, the audits tended to be deficient in multiple areas. As can be seen in the chart below, CPAs in the 1-2 plan audit stratum had significantly high deficiency rates spanning numerous audit areas that are unique to employee benefit plans, most notably: contributions, planning & supervision, internal controls, participant data, investments, party-in-interest transactions and benefit payments. Similarly, the 3-5 plan audit stratum also contained high deficiency rates especially in the following audit areas: contributions, party-in-interest transactions, internal controls, benefit payments and participant data. Consistent with other findings in this report, the two strata containing CPAs with the largest employee benefit plan audit practices had the lowest deficiency rate in the various audit areas.

Deficiency Rates

by Audit Area



Appendix II contains a detailed breakdown of deficient audit areas by plan audit strata.

As previously noted, many of the audits in the sample were limited-scope audit engagements as permitted by ERISA and codified in 29 CFR 2520.103-8. This regulation allows plan administrators to exclude from the scope of the auditor's engagement investments held and investment-related transactions and income properly certified to by certain qualifying entities. A detailed review of audits disclosed that almost 60% of the limited-scope audits in this study contained major GAAS deficiencies in areas of audit not related to investments. In these audits, CPAs had deficiencies in non-investment-related critical areas such as contributions, participant data, benefit payments and internal controls. These audit deficiencies may have occurred because, knowing that a "limited-scope" audit was being performed, plan auditors were not as focused on all relevant audit areas.

Did Plan Audits Comply With ERISA and DOL Reporting Regulations?

In addition to conforming with and adhering to GAAP and GAAS, respectively, the report of the IQPA must also meet certain ERISA reporting and disclosure requirements. ERISA section 103(a)(3)(A) and DOL regulation 29 CFR 2520.103-1(b) set forth these reporting and disclosure requirements. These reporting and disclosure requirements were enacted to ensure that users (the federal government and plan participants and beneficiaries) were being provided with necessary information that may alert them to instances which could adversely impact the operation of the plan (e.g., fiduciary breaches) and/or its ability to pay plan benefits when due (e.g., losses from imprudent investments).

Of the 400 plan audit reports reviewed, 67 (17%) of the audit reports failed to comply with one or more of ERISA's reporting and disclosure requirements.

Of the 67 reports identified, the area(s) of non-compliance were as follows:

- In 11 (16%) instances, the supplemental schedule(s) required by ERISA reporting and disclosure requirements were not attached or prepared.
- In 11 (16%) instances, the footnotes to the plan's financial statements were either incomplete or missing entirely.
- In 8 (12%) instances, the CPA's audit report was not manually signed, as required by DOL regulations.
- In 7 (10%) instances, delinquent employee contributions were not properly reported or disclosed in the CPA's report or the plan's Form 5500 filing.

What has been Done to Improve Audit Quality in the Last 25 Years?

EBSA has performed two previous "baseline" studies to assess the progress being made in improving audit quality. The Agency's 1997 study indicated that 19% of plan audits contained one or more deficiencies. A second study, performed in 2004, concluded that audit quality had significantly declined and expressed concern that even the largest auditing firms were performing deficient audit work.

For over 25 years, EBSA has continued to take aggressive actions with respect to improving the quality of employee benefit plan audits. Since its creation in 1988, a main function of OCA within EBSA has been to provide compliance assistance and enforce the reporting and disclosure provisions of Title I of ERISA.

In addition, OCA continues to be responsible for establishing and maintaining liaison with private sector professional organizations and regulatory bodies regarding accounting and auditing issues for employee benefit plans. One of OCA's main goals is to improve the quality of employee benefit plan audits to ensure that participants and beneficiaries are receiving the statutory protections that these audits are intended to provide.

Reporting Compliance Activities

Since conducting its two previous studies, OCA has taken the following enforcement actions to ensure compliance with these provisions:

- Issuance of letters rejecting deficient/incomplete Form 5500 Annual Report filings that failed to meet the reporting and disclosure provisions of ERISA.

- Performance of approximately 5,000 workpaper reviews to evaluate the quality of the audit work underlying the CPA's report.

- Referral of practitioners to the AICPA's Professional Ethics Division and/or the respective state board of accountancy for potential disciplinary action due to significantly deficient audit work.

- Establishment of a system of inter-office referrals with EBSA's Office of Enforcement (OE). OE refers to OCA potential ERISA reporting and disclosure violations discovered during fiduciary investigations of employee benefit plans. Likewise, OCA refers potential fiduciary violations to OE.

Activities to Encourage Filer Compliance

Since the issuance of the 1997 report, EBSA has initiated or expanded upon several programs to encourage filer compliance:

- EBSA has created and conducted various national outreach programs aimed at heightening awareness and providing guidance to practitioners regarding the preparation of the Form 5500 Series Annual Report, current and emerging information regarding accounting and auditing issues impacting employee benefit plans, and general information regarding DOL's ongoing enforcement efforts. Additional outreach programs have been created and are aimed at front line state societies of CPAs to provide guidance and heightened awareness to independent auditors who conduct audits of employee benefit plans, especially those CPAs who perform only a limited number of plan audits.

- In March 2002, EBSA made major revisions to its "Delinquent Filer Voluntary Compliance Program." The purpose of the program changes was to encourage filer compliance with the annual reporting obligations under Title I of ERISA through significantly reduced civil penalties.

- The Form 5500 Series Annual Reports underwent major revisions to streamline the Form 5500 and make it easier to complete. At the same time, the instructions to the Form 5500 were clarified and reorganized to more closely track the organization of the revised Form 5500. Coincident with these major revisions to the Form 5500, EBSA participated in numerous technical conferences, webcasts and other public meetings intended to publicize release of the revised Form 5500 and educate plan filers about the changes.

- EBSA implemented the new "all electronic" Electronic Filing Acceptance System (EFAST), to process the Form 5500. The new all electronic processing system was designed to utilize state-of-the-art technologies to process the Form 5500 filings. This system gives filers immediate feedback about correcting reporting deficiencies prior to the filing being finalized.

- In conjunction with implementation of the revised Form 5500 and the new EFAST Processing System, EBSA also created a "Help Desk" function designed to answer filer questions and other technical inquiries. Since its inception in March 2000, the EBSA "Help Desk" has received over 500,000 requests for technical assistance and responded to other filer inquiries.

Work With Professional Organizations

In addition, DOL has worked closely with the AICPA and the Financial Accounting Standards Board (FASB) to update the guidance available to practitioners in this area. The following is a list of actions taken in an effort to address the findings and recommendations contained in EBSA's previous two studies:

- EBSA continues to work with the FASB on issuing revised accounting guidance for employee benefit plans.

- EBSA continues its active involvement with the AICPA's Employee Benefit Plans Technical Expert Panel.

- EBSA works with the AICPA on revisions to the AICPA's Audit and Accounting Guide, *Audits of Employee Benefits Plans*. Annual updates to the Guide have been issued since the Agency's previous studies, and the AICPA published a comprehensive revision to the audit guide in 2013.

- EBSA has provided technical assistance and input to the AICPA for the yearly issuance of *Audit Risk Alerts and Current Industry Developments* that are intended to provide information that may affect the annual audits performed on employee benefit plans.

- EBSA has continued to support the AICPA's annual *National Conference on Employee Benefit Plans*. This conference, created jointly by the DOL and the AICPA in 1990, has grown into one of the AICPA's largest conferences, with an average attendance of over 1,200 participants.

- In December 2001, the AICPA held the inaugural *Benefit Plans and DOL Update Conference*. This conference is designed to provide a "high level" overview of events in the employee benefit plan area for partners and senior managers prior to the start of the "audit season." A similar conference has been held annually since then.

- The AICPA continues to update its self-study continuing professional education programs for employee benefit plan professionals.

- The AICPA has incorporated, as part of one of its practice monitoring programs (peer review), the requirement that engagements selected for review "must" include an audit of an employee benefit plan.

- The AICPA operates a "Technical Hotline" that is available to answer member questions on accounting and auditing related issues.

AICPA Employee Benefit Plan Audit Quality Center

In October 2003, the AICPA Board of Directors approved the development and implementation of an Employee Benefit Plan Audit Quality Center ("Center") with the goal of improving the quality of employee benefit plan audits. The Center is composed of a community of CPA firms who, through voluntary membership, have made a commitment to audit quality by adhering to the Center's membership requirements affecting their management practices, including the designation of a partner-in-charge of the quality of the firm's employee benefit plan audit practice. The Center's membership requirements also include obtaining employee benefit plan specific training; establishing and maintaining quality control practices and procedures specific to the firm's employee benefit plan audit practice; self-monitoring of adherence to policies and procedures; and making the results of their external peer review of their audit practice publicly available. Through the Center, the AICPA offers its members an extensive range of

resources to help firms provide quality service to plans, including regulatory and legislative guidance, practice aids, training opportunities, tools, and research.

Over 2,300 CPA firms, employing 31% of plan auditors and representing all 50 states and the District of Columbia, have joined the AICPA's Employee Benefit Plan Audit Quality Center. It is estimated that the Center's member firms perform over 60% of all employee benefit plan audits annually.

Public Company Accounting Oversight Board (PCAOB)

The PCAOB is a private-sector, non-profit corporation, created by the *Sarbanes-Oxley Act of 2002* (Act), to oversee the auditors of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports. Section 103 of the Act directs the Board to establish auditing and related attestation, quality control, ethics, and independence standards and rules to be used by registered public accounting firms in the preparation and issuance of audit reports as required by the Act or the rules of the Securities and Exchange Commission.

The PCAOB has the authority to adopt auditing standards for public companies and to regularly inspect the operations of accounting firms registered with the Board. The PCAOB may discipline, fine, suspend, or bar firms where it finds that a registered accounting firm has engaged in any practice in violation of the Sarbanes-Oxley Act, securities law, or professional standards.

While the standards established by the PCAOB do not specifically apply to all firms auditing employee benefit plans, firms complying with the standards established by the PCAOB generally apply these standards to all of their audit engagements, including their non-public employee benefit plan audit clients.

Department of Labor – Office of Inspector General (OIG)

For almost thirty years, the OIG, with EBSA's support, has been recommending legislative changes to ERISA in order to strengthen the quality of employee benefit plan audits. The OIG has concluded that EBSA' efforts to improve the quality of employee benefit plan audits have been impaired by EBSA's current inability to take direct action against auditors who perform substandard audits. As a result, the OIG recommended that ERISA be amended to provide EBSA with the authority over registration, suspension and debarment of employee benefit plan auditors and that EBSA be given the ability to levy civil penalties against auditors performing substandard audits.

Conclusions

EBSA's 1997 audit study concluded that there had been no statistical change in the quality of plan audits when compared to the original study performed by the OIG in 1989. EBSA's 2004 audit quality study found that audit quality had gotten worse since the previous study and that the deficient audit work was starting to spread to the largest of the CPA firms. The original OIG study disclosed an audit deficiency rate of 23%. EBSA's 1997 follow-up study resulted in a 19% deficiency rate (not a big enough improvement in audit quality to be considered statistically valid). The Agency's more recent study in 2004 resulted in a 33% deficiency rate for the plan audits reviewed.

Based on the results of the current audit review, a 39% overall deficiency rate for plan audits, it appears that the quality of employee benefit plan audits has not improved. Instead, audit quality continues to trend in the opposite direction with almost 4 out of 10 plan audits failing to comply with professional accounting and auditing standards.

Based on additional analysis, EBSA also concludes that:

- Once again, the smaller the CPA firm's employee benefit plan audit practice, the greater the incidence of audit deficiencies.

- Audit areas that are unique to employee benefit plans such as contributions, benefit payments, participant data and party-in-interest/prohibited transactions, continue to lead the list of audit deficiencies. As found in the two previous studies, CPAs too often failed to consider these unique audit areas and, therefore, performed inadequate audit work.

- CPAs failed to comply with professional standards either because they were not adequately informed about employee benefit plan audits or failed to properly utilize the technical materials that were in their possession. Audit partners in firms performing a greater number of plan audits tended to have a greater amount of employee benefit plan specific training. However, in a number of instances, having the proper technical guidance did not ensure that a quality audit was performed.

- The Practice Monitoring Peer Review process established by the AICPA and administered by sponsoring state CPA societies does not appear to be an effective tool in identifying deficient plan audit work and ensuring compliance with professional standards. While selecting an employee benefit plan audit is a required part of the peer review process (where applicable), CPAs who performed deficient audits often received acceptable peer review reports.

- Members of the AICPA's Employee Benefit Plans Audit Quality Center (EBPAQC) tend to conduct fewer audits containing multiple GAAS deficiencies. Additionally, non EBPAQC member firms tend to have more GAAS deficiencies per audit engagement than EBPAQC members.

Recommendations

To address the deficiencies identified in this report, EBSA makes the following eleven recommendations.

Enforcement

1. Revise case targeting to focus on:

    a. CPA firms with smaller employee benefit plan audit practices that audit plans with large amounts of plan assets, and

    b. CPA firms in the 25-99 plan audit stratum given their high deficiency rates and the amount of plan assets ($317.1 billion) and plan participants (9.3 million) at risk from deficient audits.

2. Work with the National Association of State Boards of Accountancy (NASBA) and the AICPA to improve the investigation and sanctioning process for those CPAs who perform significantly deficient audit work. Work with NASBA to get state boards of accountancy to accept the results of investigations performed by EBSA and the AICPA's Professional Ethics Division, in order to use those results in disciplining CPAs (at the state licensing board level).

3. Amend ERISA to make sure the annual reporting civil penalties focus on the responsible party. Under this proposal, the Secretary of Labor would be authorized to assess all or part of the current annual reporting civil penalty of up to $1,100 per day against the accountant engaged to do an ERISA plan audit if the plan's annual report is rejected due to a deficient audit or because the accountant failed to meet the standards for being qualified to perform an ERISA plan audit.

4. Work with the AICPA's Peer Review staff:

    a. to streamline the peer review process and make it more effective at improving employee benefit plan audit quality.

    b. to ensure that CPAs who are required to undergo a peer review have in fact had an acceptable peer review.

    c. to identify those CPAs who have not received an acceptable peer review and refer those practitioners to the applicable state licensing boards of accountancy.

Regulatory/Legislative

5. Amend the ERISA definition of "qualified public accountant" to include additional requirements and qualifications necessary to ensure the quality of plan audits. Under this proposal, the Secretary of Labor would be authorized to issue regulations concerning the qualification requirements.

6. Amend ERISA to repeal the limited-scope audit exemption. This exemption prevents accountants from rendering an opinion on the plans' financial statements for assets held in

regulated entities such as financial institutions. An alternative to the repeal of the limited-scope audit would be to provide the Secretary with the authority to define when a limited-scope audit would be an acceptable substitute for a full audit. When auditors have to issue a formal and unqualified opinion, they have a powerful incentive to rigorously adhere to professional standards ensuring that their opinion can withstand scrutiny. The limited scope audit exemption undermines this incentive by removing auditors' obligations to stand behind the plans' financial statements.

7. Amend ERISA to give the Secretary of Labor authority to establish accounting principles and audit standards that would protect the integrity of employee benefit plans and the benefit security of participants and beneficiaries. Under this approach, the Secretary of Labor would be authorized to establish standards that address financial reporting issues that are either unique to or have substantial impact upon employee benefit plans.

Outreach

8. Work with the NASBA to encourage state boards of accountancy to require specific licensing requirements for CPAs who perform employee benefit plan audits. This would include specific training and experience in the audits of employee benefit plans.

9. Expand EBSA's outreach activities to include:

    a. plan administrator organizations (e.g. ASPPA), to explain to plan administrators and those with responsibility for hiring plan auditors, the importance of hiring competent CPAs.

    b. Using information contained in the EFAST2 database, send targeted correspondence to:

        i. plan administrators in the 1-2 and 3-5 plan strata highlighting the high deficiency rate among plan auditors and providing information about how to select a qualified plan auditor.

        ii. CPA firms in the 25-99 stratum discussing the audit deficiencies found in EBSA's audit study and working with the firms to ensure that plan audits comply with professional standards.

10. Communicate with each of the state boards of accountancy (licensing boards) regarding the results of the audit study and the need to ensure that only competent CPAs are performing employee benefit plan audits.

11. Expand EBSA's outreach with individual state societies of CPAs who have a large number of plan audits performed by CPA firms in the 1-5 plan audit stratum. For those states that do not already do so, encourage them to create employee benefit plan audit training programs.

Appendix I

Objectives, Scope and Sample Composition

Objectives

The primary objective of this study was to assess whether the level and quality of audit work performed by CPAs with respect to audits of employee benefit plans regulated by ERISA has improved since OCA's previous comprehensive study in 2004.

Specific objectives of the review were to:

- assess whether plan audits were conducted in accordance with professional auditing and accounting standards;
- determine if the audit reports complied with ERISA reporting and disclosure requirements; and
- identify areas that may need improvement.

Scope

EBSA's assessments involved a review of the Form 5500 Annual Return/Report filings and related audit reports for the 2011 filing year (plan years beginning in 2011). EBSA selected a statistically valid sample of 400 plan audits from a target population of 81,162 Form 5500 filings for 2011 in which an accountant's report/audit opinion was attached. For the 400 plan audits selected, EBSA's assessment included:

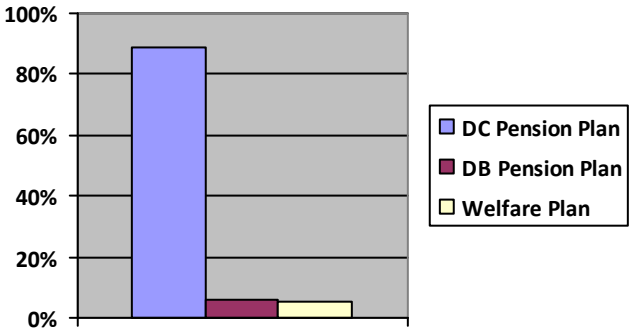
- a review of the plan year 2011 Form 5500 Annual Report and the related IQPA report;
- a detailed review of the audit workpapers for the 2011 plan year audit;
- determining whether the CPA was properly licensed by the applicable state licensing board;
- if applicable, reviewing the peer review report of the CPA's audit practice; and
- voluntary demographic questionnaires given to each of the CPAs in the audit sample.

The workpaper reviews, performed at EBSA's office, were conducted during the period December 2013 through September 2014. The 400 selected audit reports were evaluated based on the AICPA's Audit and Accounting Guide, *Audits of Employee Benefit Plans (with conforming changes as of January 1, 2012)*.

Sample Composition

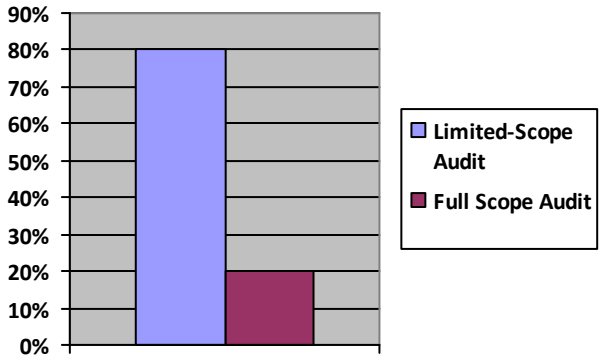
The following charts depict the composition of the sample of the 400 plan audits reviewed during this study.

Type of Plan



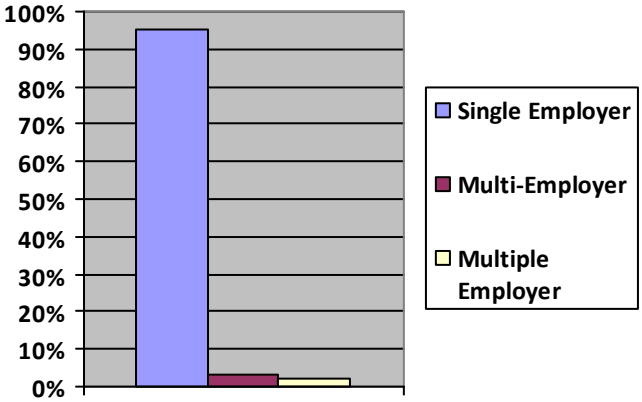
Of the 400 plan audits reviewed, 89% involved defined contribution (DC) pension plans, 6% defined benefit (DB) pension plans and 5% welfare plans.

Type of Audit



Of the 400 plan audits reviewed, 19% involved full-scope audits and 81% limited-scope audits.

Type of Plan Sponsor



Of the 400 plan audits reviewed, 95% involved single employer plans, 3% multi-employer plans, and 2% multiple employer plans.

Appendix II

Audit Deficiencies

by Type of Deficiency

Deficiency Type	Percentage of Audits With Deficiencies	Standard Error	Lower Bound	Upper Bound
Planning and Supervision	7.0%	1.6%	3.8%	10.2%
Investments	4.2%	1.0%	2.2%	6.3%
Contributions Received	8.1%	1.6%	4.9%	11.3%
Benefit Payments	7.8%	1.5%	4.8%	10.8%
Participant Data	7.8%	1.5%	4.8%	10.8%
Plan Obligations	3.7%	1.4%	0.9%	6.6%
Party In Interest	6.6%	1.4%	3.9%	9.3%
Plan Tax Status	4.4%	1.1%	2.2%	6.7%
Commitments and Contingencies	3.1%	1.1%	1.0%	5.1%
Internal Controls	18.3%	2.5%	13.8%	23.7%
Administrative Expenses	4.9%	1.2%	2.6%	7.3%
Subsequent Events	4.9%	1.2%	2.6%	7.3%
Plan Representations	4.9%	1.2%	2.6%	7.3%
Compliance Reporting	6.0%	1.0%	4.0%	8.0%
Compliance with ERISA	4.4%	0.8%	2.8%	6.1%
Notes Receivable	3.6%	1.0%	1.5%	5.6%
All Deficiencies	33.9%	3.3%	27.4%	40.4%

Note: Statistics are calculated using sample weights, which account for the different amount of audits performed by each stratum. For this reason, the population average may be different from the unweighted sample averages.

Planning & Supervision

Audit Quality Study Review Results					
Strata	Acceptable	Acceptable, Minor	Unacceptable, Minor	Unacceptable, Major	Totals
1-2 plans	41	10	9	35	95
3-5 plans	62	9	3	21	95
6-24 plans	53	11	4	27	95
25-99 plans	43	11	3	8	65
100-749 plans	22	2	0	1	25
750+ plans	23	1	0	1	25
Totals	**244**	**44**	**19**	**93**	**400**

Unacceptable, Major Membership in AIPCA Employee Benefit Plan Audit Quality Center			
Strata	Yes	No	Totals
1-2 plans	3	32	35
3-5 plans	4	17	21
6-24 plans	15	12	27
25-99 plans	5	3	8
100-749 plans	1	0	1
750+ plans	1	0	1
Totals	**29**	**64**	**93**

The following details the unacceptable major findings identified in planning and supervision and the number of occurrences.

#	Description of Unacceptable, Major Finding
3	Audit performed and report issued by an "unlicensed" auditor
1	No audit performed, auditor performed and issued a "review" report
49	No/insufficient review of plan documents/plan operations
37	No evidence of required communications (114/115)
25	No/lack of evidence of audit planning
21	No/inadequate evidence of planning analytics with developed expectations
19	No/insufficient audit program
15	No/inadequate assessment of fraud risk
14	No/inadequate procedures on initial/beginning balances
8	No evidence of planning materiality
6	No/inadequate review of audit workpapers or engagement not adequately supervised
4	Inadequate supervision - engagement partner review was completed after report issuance date

3	Failure to document current developments affecting the plan
3	No/inadequate work related to predecessor auditor
2	No/incorrect engagement letter
2	Improper performance of limited scope audit
1	Missing plan documents in permanent file
1	No evidence of review of service provider agreements
1	Inadequate identification of parties in interest for planning
1	Unsigned plan adoption agreements and participant agreements
1	Incorrect industry audit guide was used which resulted in no identification of parties in interest
1	Failure to verify balances transferred from/to new custodian
1	No evidence $1M insurance contract was obtained/reviewed for disclosure and accounting treatment
1	Audit firm was not properly licensed, however, the engagement partner was properly licensed
1	Audit planning did not address the $4.7M rollover into this new plan in 2011
1	No planning documentation of prior year known issues
1	No evidence of planning inquiries
1	Failure to document and assess significant decrease in net assets and large amount of benefit payments
1	No evidence of IQPA consideration of plan termination in planning audit procedures for liquidation basis for investments and accumulated benefit obligations
1	Failure to gain an understanding of the plan
1	No evidence of planning related to testing of mid-year change in trustee/recordkeeper
1	Audit partner did not participate in engagement team fraud brainstorming discussion

Internal Controls

Audit Quality Study Review Results					
Strata	Acceptable	Acceptable, Minor	Unacceptable, Minor	Unacceptable, Major	Totals
1-2 plans	37	5	11	42	95
3-5 plans	49	9	3	34	95
6-24 plans	48	11	5	31	95
25-99 plans	38	10	3	14	65
100-749 plans	20	4	1	0	25
750+ plans	18	6	0	1	25
Totals	**210**	**45**	**23**	**122**	**400**

Unacceptable, Major Membership in AIPCA Employee Benefit Plan Audit Quality Center			
Strata	Yes	No	Totals
1-2 plans	2	40	42
3-5 plans	9	25	34
6-24 plans	23	8	31
25-99 plans	12	2	14
100-749 plans	0	0	0
750+ plans	1	0	1
Totals	**47**	**75**	**122**

The following details the unacceptable major findings identified in internal controls and the number of occurrences.

#	Description of Unacceptable, Major Finding
3	Audit performed by an "unlicensed" auditor
1	Possible fraud discussed in board minutes but engagement team did not inquire of legal counsel or include it as a fraud risk factor
52	No/inadequate documentation of internal control environment
37	Failure to assess/document control risk
37	No evidence of SOC1 report review and/or reliance
29	No/inadequate evidence of fraud "brainstorming"
27	Lack of documentation of risk assessment procedures
22	Failure to review internal controls of service provider(s)
17	Failure to document evaluation of internal control
15	No/inadequate evidence of fraud inquiries
12	No evidence of work performed
4	Failure to document assessment of user controls

4	Failure to obtain bridge/gap letter for period not covered by SOC1 report
3	Failure to identify and document significant audit areas
2	Failure to document assessment of control risk below maximum
2	Inconsistency in documentation of risk assessments
2	SOC1 report does not cover significant period of plan year and no work performed to address such
1	Failure to obtain and review SOC1 report covering 6 months of the plan year
1	Failure to document risk of material misstatement
1	Unclear documentation of low & moderate inherent control risk was determined based on errors in prior years in contributions
1	Failure to identify and review user controls of third party service providers
1	Partner not involved in fraud brainstorming; Sole trustee and person responsible for governance not interviewed for fraud
1	Fraud brainstorming did not include in-charge who performed most audit work
1	Failure to identify audit risks related to liquidation basis of non-marketable investments and accumulated benefit obligations on the liquidation basis, nor benefit payments subsequent to plan termination
1	Failure to document inherent/control risk or combined risk for each significant audit area
1	Failure to document COSO (Committee on Sponsoring Organization) plan sponsor controls
1	Failure to document activity level internal controls at plan sponsor level
1	Inappropriate reliance on SSAE 16 to assess risk in significant audit areas
1	Lack of evidence to support reduction in control risk
1	No evidence of understanding of the plan's internal control environment at the cycle, account, transaction level
1	Inadequate assessment of control risk
1	Fraud brainstorming and inquiries made after audit report date
1	Control risk assessments do not conform with actual level of work performed

Investments – All Audit Combined

Audit Quality Study Review Results					
Strata	Acceptable	Acceptable, Minor	Unacceptable, Minor	Unacceptable, Major	Totals
1-2 plans	53	5	4	33	95
3-5 plans	71	5	2	17	95
6-24 plans	75	6	1	13	95
25-99 plans	54	2	0	9	65
100-749 plans	23	2	0	0	25
750+ plans	22	3	0	0	25
Totals	**298**	**23**	**7**	**72**	**400**

Unacceptable, Major Membership in AIPCA Employee Benefit Plan Audit Quality Center			
Strata	Yes	No	Totals
1-2 plans	4	29	33
3-5 plans	2	15	17
6-24 plans	11	2	13
25-99 plans	8	1	9
100-749 plans	0	0	0
750+ plans	0	0	0
Totals	**25**	**47**	**72**

Note: The detail breakout of investments full scope and limited scope following this combined chart does not include the one (1) plan selected where a "review" engagement was performed.

Investments – Full Scope Only

Audit Quality Study Review Results					
Strata	Acceptable	Acceptable, Minor	Unacceptable, Minor	Unacceptable, Major	Totals
1-2 plans	3	1	0	15	19
3-5 plans	16	1	0	7	24
6-24 plans	7	1	0	6	14
25-99 plans	11	0	0	5	16
100-749 plans	0	1	0	0	1
750+ plans	4	1	0	0	5
Totals	41	5	0	33	79

Unacceptable, Major Membership in AIPCA Employee Benefit Plan Audit Quality Center			
Strata	Yes	No	Totals
1-2 plans	1	14	15
3-5 plans	1	6	7
6-24 plans	6	0	6
25-99 plans	4	1	5
100-749 plans	0	0	0
750+ plans	0	0	0
Totals	12	21	33

The following details the unacceptable major findings identified in investments for full scope audits performed and the number of occurrences.

#	Description of Unacceptable, Major Finding
1	Audit performed by an "unlicensed" auditor
18	Failure to test investment transactions
14	Failure to test investment income
7	Failure to test end of year asset values
5	No evidence of work performed
4	Inappropriate reliance on SOC1 report
4	Insufficient work performed
4	Failure to confirm investments - evidence of existence
2	No review/testing of investment valuation assumptions (ESOP)
2	Inadequate evidence of confirmation of investment ownership and existence with custodian
2	Failure to adequately test change in service provider
1	Failure to test assets transferred from the plan

1	No assessment of valuation spec.'s qualifications
1	Failure to document work performed related to cash
1	Failure to address liquidation basis of non-marketable securities and insurance contracts
1	Failure to adequately test cost basis of non-participant directed investments
1	Failure to test end of year values for investments in self-directed brokerage accounts
1	Insufficient testing of dividend income (ESOP)
1	Investments per the financial statements did not agree to the confirmed trust statement
1	Failure to adequately identify plan's investment medium at the end of year
1	Principal IPG contract was excluded from plan's financial statements; there was no copy of the contract in the audit file; there was no accounting analysis supporting the conclusion for excluding the investment from the plan’s financial statement reporting

Investments – Limited Scope Only

Audit Quality Study Review Results					
Strata	Acceptable	Acceptable, Minor	Unacceptable, Minor	Unacceptable, Major	Totals
1-2 plans	50	4	4	17	75
3-5 plans	55	4	2	10	71
6-24 plans	68	5	1	7	81
25-99 plans	43	2	0	4	49
100-749 plans	23	1	0	0	24
750+ plans	18	2	0	0	20
Totals	**257**	**18**	**7**	**38**	**320**

Unacceptable, Major Membership in AIPCA Employee Benefit Plan Audit Quality Center			
Strata	Yes	No	Totals
1-2 plans	3	14	17
3-5 plans	1	9	10
6-24 plans	5	2	7
25-99 plans	4	0	4
100-749 plans	0	0	0
750+ plans	0	0	0
Totals	**13**	**25**	**38**

The following details the unacceptable major findings identified in investments for limited scope audits performed and the number of occurrences.

#	Description of Unacceptable, Major Finding
2	Audit performed by an "unlicensed" auditor
10	Audit workpapers do not contain the certification
6	Failure to adequately test change in service provider
5	Certifying entity does not qualify for limited scope
3	Certification not consistent with plan reporting period
3	Uncertified investments/transactions not audited
3	Unsigned certification
3	No list of plan investments and/or transactions certified included with the certification
2	Certification is not for the plan
2	No comparison/reconciliation of certified income to amount reported on financial statements
2	Certifying entity identified in report not consistent with certification
1	Inappropriate treatment of contract to fair value adjustment

1	No audit program
1	Certification did not mention the plan name nor period covered
1	Failure to test assets transferred from plan
1	Certification obtained 3/21/14, audit report dated 10/5/12
1	Trust report prepared by and obtained from the recordkeeper
1	Investments per trust do not agree to financial statements
1	Failure to gain understanding of plan's common/collective trust and stable value funds
1	Inadequate evidence of evaluation of GIC for accounting and presentation
1	Failure to evaluate insurance contract, contract to fair value, and whether it was fully-benefit responsive
1	Failure to analyze pooled separate account for investments in common collective trust/stable value funds
1	Unexplained variance in certified participant loan total
1	Dividend income and net appreciation do not tie to financial statements
1	No documentation supporting fair value reported on 5500 - amount marked up to fair value without corresponding adjustment to contract value
1	Certification obtained from trustee for master trust – certification at plan level obtained from entity that was not a qualifying entity and was not an agent for the trustee

Notes Receivable

Audit Quality Study Review Results						
Strata	Acceptable	Acceptable, Minor	Unacceptable, Minor	Unacceptable, Major	N/A	Totals
1-2 plans	34	4	3	20	34	95
3-5 plans	31	4	4	13	43	95
6-24 plans	46	3	6	16	24	95
25-99 plans	35	1	1	2	26	65
100-749 plans	11	0	0	0	14	25
750+ plans	16	0	0	0	9	25
Totals	**173**	**12**	**14**	**51**	**150**	**400**

Unacceptable, Major Membership in AIPCA Employee Benefit Plan Audit Quality Center			
Strata	Yes	No	Totals
1-2 plans	2	18	20
3-5 plans	4	9	13
6-24 plans	7	9	16
25-99 plans	1	1	2
100-749 plans	0	0	0
750+ plans	0	0	0
Totals	**14**	**37**	**51**

The following details the unacceptable major findings identified in notes receivable and the number of occurrences.

#	Description of Unacceptable, Major Finding
2	Audit performed by an "unlicensed" auditor
21	No work performed
30	No/inadequate testing of compliance with plan
7	No review of supporting loan documentation
5	No/inadequate testing for determination of delinquent loans that should be reported as deemed distributions
4	No audit program
3	No listing of outstanding loans
2	No evidence of test of loan interest
2	No work performed on participant loans which were not covered by the limited scope certification
1	No testing of transfer to new custodian
1	Inadequate consideration of error in loan reporting on financial statements

1 Inadequate documentation as to the source of listing of participant loans for completeness and accuracy

Contributions Received & Receivable

Audit Quality Study Review Results						
Strata	Acceptable	Acceptable, Minor	Unacceptable, Minor	Unacceptable, Major	N/A	Totals
1-2 plans	44	5	6	40	0	95
3-5 plans	47	4	6	37	1	95
6-24 plans	51	10	5	27	2	95
25-99 plans	50	6	2	6	1	65
100-749 plans	23	1	1	0	0	25
750+ plans	21	2	1	1	0	25
Totals	236	28	21	111	4	400

Unacceptable, Major Membership in AIPCA Employee Benefit Plan Audit Quality Center			
Strata	Yes	No	Totals
1-2 plans	3	37	40
3-5 plans	6	31	37
6-24 plans	17	10	27
25-99 plans	5	1	6
100-749 plans	0	0	0
750+ plans	1	0	1
Totals	32	79	111

The following details the unacceptable major findings identified in contributions received & receivable and the number of occurrences.

#	Description of Unacceptable, Major Finding
3	Audit performed by an "unlicensed" auditor
1	Failure to identify or inquire about potential missing contributions occurring in time period leading up to plan admin termination and his possible conversion, fraud and theft
53	Failure to test timely remittance of employee contributions
35	Failure to test compliance with plan compensation provisions
24	No/Inadequate testing of use of forfeitures
10	Failure to agree/reconcile contributions to plan sponsor payroll records, employee records, custodian/trust, and/or Schedule H
10	No/inadequate testing of rollover contributions (material amount)
9	No work performed
7	Failure to address testing errors and/or variance and their impact on financial statements
5	No/inadequate testing of contribution receivable(s)

5	Inadequate testing/documentation of recalculation of contributions/deferrals
3	Failure to test rollovers for compliance with the plan document
2	Insufficient work performed of contributing employers (multi-employer plans)
2	No audit program
2	No schedule of contributions received &/or receivable
2	Failure to recognize untimely employee contributions
2	Failure to review criteria for contribution receivables and recording per GAAP
2	Inadequate documentation related to late remittances
1	Failure to agree contributions to actuarial report
1	Failure to adequately test timing of employee contributions
1	No testing of ROTH contributions
1	Inappropriate reliance on SOC1 Report
1	Failure to consider plan's funding status (DB plan)
1	No contributions withheld from a bonus and no testing to determine the propriety of such
1	Failure to verify employer discretionary percentage
1	No disclosure of corrective distributions in the plan's financial statements and notes
1	Failure to document recalculation of employer match
1	Failure to adequately communicate delinquent remittances to management
1	No schedule/listing of contributions
1	Testing of employer matching contribution did not adequately address the apparent failure by the sponsor the match the required 3% of compensation
1	Failure to evaluate any required employer receivable that might result from any unfunded accumulated benefit obligation resulting from plan termination
1	Failure to identify inconsistency in COBRA contributions
1	Failure to determine if reinsurance receivable was complete
1	Inadequate testing of recalculation of employee deferrals
1	Inadequate sample size
1	Receivable improperly accrued
1	Delinquent contributions reported on supplemental schedule differed to that reported in the workpapers and on Schedule H

1	Inadequate testing of employer contributions which appear to not be made in accordance with the plan
1	Failure to compare amount of employer contributions to amount approved by the Board of Directors
1	Eligibility testing did not include test of end of year employment requirement
1	Inadequate consideration of impact of non-correction of prior year errors on current year's work & financial statements
1	Lack of documentation for support of employer contribution formula
1	Lack of identification of improper use of forfeitures to offset employer contributions prior to plan expenses being paid

Benefit Payments

Audit Quality Study Review Results						
Strata	Acceptable	Acceptable, Minor	Unacceptable, Minor	Unacceptable, Major	N/A	Totals
1-2 plans	44	11	5	35	0	95
3-5 plans	59	8	2	26	0	95
6-24 plans	53	6	8	26	2	95
25-99 plans	54	5	1	4	1	65
100-749 plans	23	0	0	2	0	25
750+ plans	24	1	0	0	0	25
Totals	**257**	**31**	**16**	**93**	**3**	**400**

Unacceptable, Major Membership in AIPCA Employee Benefit Plan Audit Quality Center			
Strata	Yes	No	Totals
1-2 plans	2	33	35
3-5 plans	4	22	26
6-24 plans	15	11	26
25-99 plans	3	1	4
100-749 plans	2	0	2
750+ plans	0	0	0
Totals	**26**	**67**	**93**

The following details the unacceptable major findings identified in benefit payments and the number of occurrences.

#	Description of Unacceptable, Major Finding
3	Audit performed by an "unlicensed" auditor
41	No recalculation of benefit payments
38	No/inadequate work regarding eligibility of individuals receiving benefit
28	No work performed
19	No/inadequate work regarding validity of claims
10	Inappropriate reliance on SOC1 report
9	No/inadequate work regarding forfeitures
7	Failure to trace benefit payments to individual participant's account
6	No/inadequate work regarding participant receipt of benefit payment
6	No/inadequate testing of hardship/in-service benefit payments
3	No testing of rollovers out of plan for compliance with plan document
3	No schedule/listing of benefit payments made

2	Inappropriate application of limited scope audit
2	Total per financial statement was not reconciled to total per trust report
2	No review of supporting documents and approvals
2	No/inadequate testing for compliance with plan document
1	No testing of long outstanding benefit checks
1	Participant confirmation were not included in workpapers
1	No audit program
1	Inadequate follow up on error noted in benefit recalculation testing
1	Unreconciled difference in total benefit payments between distribution listing and that reported on the financial statements
1	No testing of corrective distributions
1	No reconciliation of total benefit payments to total participant accounts
1	No agreement of benefit payment recalculations for compliance with formula in plan document
1	Failure to identify inconsistency in COBRA contributions but lack of reporting of dental and vision claims
1	Inadequate testing of propriety of payee

Participant Data, Including Individual Participant Accounts

Audit Quality Study Review Results						
Strata	Acceptable	Acceptable, Minor	Unacceptable, Minor	Unacceptable, Major	N/A	Totals
1-2 plans	23	7	6	59	0	95
3-5 plans	40	7	10	37	1	95
6-24 plans	32	12	12	37	2	95
25-99 plans	35	8	6	16	0	65
100-749 plans	23	1	0	1	0	25
750+ plans	17	5	2	1	0	25
Totals	**170**	**40**	**36**	**151**	**3**	**400**

Unacceptable, Major Membership in AIPCA Employee Benefit Plan Audit Quality Center			
Strata	Yes	No	Totals
1-2 plans	6	53	59
3-5 plans	7	30	37
6-24 plans	22	15	37
25-99 plans	13	3	16
100-749 plans	1	0	1
750+ plans	1	0	1
Totals	**50**	**101**	**151**

The following details the unacceptable major findings identified in participant data, including individual participant accounts, and the number of occurrences.

#	Description of Unacceptable, Major Finding
3	Audit performed by an "unlicensed" auditor
89	Failure to adequately test allocations to participant accounts
73	No/insufficient testing of payroll data
68	No/Inadequate testing of participant investment options
41	No reconciliation of total individual participant accounts to total plan assets
35	Failure to adequately test eligibility, terminations and forfeitures
29	Failure to test compliance with plan compensation provisions
18	No work performed
10	Failure to adequately test change in service provider
10	Inappropriate reliance on SOC1 report
2	No audit program
2	Inadequate testing of participant deferral percentage

1	No testing of participant accounts at time of change in trustee/third party administrator
1	Failure to obtain or evaluate any census data based on premise that an actuarial report did not need to be obtained for a terminated plan
1	No testing for compliance with IRS deferral limits
1	Failure to test participant opening balances audited by another auditor
1	Failure to test payroll process
1	Inadequate evidence obtained of transfer of $2.3M to an affiliated entity benefit plan
1	Failure to test that newly eligible employees were included in the plan
1	Failure to test the basic data used by the actuary
1	No evidence of testing of participant data provided to the plan's actuary
1	No alternative procedures performed on non-reply participant confirmations
1	No testing of employee withholdings for authorization
1	No evidence of work performed on individual participant accounts
1	Detail tests of data samples incomplete
1	Inadequate work performed, most standard participant data substantive audit procedures not performed
1	No evidence of recalculation of employee deferral percentage
1	No evidence of testing opening participant balances from plan inception to 12/31/2010
1	No testing for inclusiveness
1	No testing of health coverage/plan selected by participant
1	No recalculation of employee contributions

Plan Obligations

Audit Quality Study Review Results						
Strata	Acceptable	Acceptable, Minor	Unacceptable, Minor	Unacceptable, Major	N/A	Totals
1-2 plans	2	0	0	2	91	95
3-5 plans	5	1	1	5	83	95
6-24 plans	5	0	1	2	87	95
25-99 plans	6	2	1	3	53	65
100-749 plans	4	0	0	2	19	25
750+ plans	1	1	0	1	22	25
Totals	**23**	**4**	**3**	**15**	**355**	**400**

Unacceptable, Major Membership in AIPCA Employee Benefit Plan Audit Quality Center			
Strata	Yes	No	Totals
1-2 plans	0	2	2
3-5 plans	1	4	5
6-24 plans	2	0	2
25-99 plans	2	1	3
100-749 plans	2	0	2
750+ plans	1	0	1
Totals	**8**	**7**	**15**

The following details the unacceptable major findings identified in plan obligations and the number of occurrences.

#	Description of Unacceptable, Major Finding
7	No/insufficient testing of census data (defined benefit pension plans)
3	No work performed
1	No/inadequate testing of IBNR
2	Failure to assess specialist's qualifications
2	Failure to test insurance premiums paid
1	Failure to assess whether actuary used plan's provisions and considered amendment effective 1/1/2011
1	Failure to obtain liquidation basis actuarial report for the terminated plan
1	Failure to review/assess specialist's assumptions
1	No evidence of testing of plan's funding status

Parties In Interest/Prohibited Transactions

Audit Quality Study Review Results					
Strata	Acceptable	Acceptable, Minor	Unacceptable, Minor	Unacceptable, Major	Totals
1-2 plans	32	18	8	37	95
3-5 plans	44	12	7	32	95
6-24 plans	41	20	14	20	95
25-99 plans	42	4	7	12	65
100-749 plans	20	4	1	0	25
750+ plans	18	6	0	1	25
Totals	**197**	**64**	**37**	**102**	**400**

Unacceptable, Major Membership in AIPCA Employee Benefit Plan Audit Quality Center			
Strata	Yes	No	Totals
1-2 plans	4	33	37
3-5 plans	8	24	32
6-24 plans	12	8	20
25-99 plans	8	4	12
100-749 plans	0	0	0
750+ plans	1	0	1
Totals	**33**	**69**	**102**

The following details the unacceptable major findings identified in parties in interest/prohibited transactions and the number of occurrences.

#	Description of Unacceptable, Major Finding
3	Audit performed by an "unlicensed" auditor
46	No work performed
39	Failure to document related parties/parties in interest
29	Failure to document results of inquiries of management
17	Inadequate work
3	Failure to properly disclose prohibited transactions in notes to financial statements
3	No/inadequate evidence of consideration of effect of prohibited transactions/party in interest transactions on plan financial statements
3	Incomplete listing of parties in interest
2	No audit program
1	Failure to adequately and accurately identify accounting and reporting with parties in interest

1	No procedures performed to verify major areas regarding parties in interest
1	Inadequate documentation of management inquiries
1	Inadequate work regarding transactions with plan sponsor of money going from plan to the sponsor
1	Inadequate work, overall conclusion of no non-exempt transactions was not supported by evidence of procedures performed and parties in interest portion of audit program was not completed

Plan Tax Status

Audit Quality Study Review Results					
Strata	Acceptable	Acceptable, Minor	Unacceptable, Minor	Unacceptable, Major	Totals
1-2 plans	51	10	10	24	95
3-5 plans	60	9	6	20	95
6-24 plans	68	10	5	12	95
25-99 plans	56	2	5	2	65
100-749 plans	23	0	2	0	25
750+ plans	24	1	0	0	25
Totals	282	32	28	58	400

Unacceptable, Major Membership in AIPCA Employee Benefit Plan Audit Quality Center			
Strata	Yes	No	Totals
1-2 plans	0	24	24
3-5 plans	6	14	20
6-24 plans	11	1	12
25-99 plans	1	1	2
100-749 plans	0	0	0
750+ plans	0	0	0
Totals	18	40	58

The following details the unacceptable major findings identified in plan tax status and the number of occurrences.

#	Description of Unacceptable, Major Finding
3	Audit performed by an "unlicensed" auditor
27	No work performed
20	No evidence IRS tax compliance tests were reviewed
8	No tax determination letter obtained
7	Failure to document results of inquiries with management
4	Inadequate work
2	No audit program
1	Compliance tests indicate data integrity issues that could affect the results of the testing, but no indication this was considered
1	Incorrect tax letter
1	Plan document is outdated
1	Footnotes do not match plan document
1	Footnotes do not address tax uncertainties

1	IRS determination letter not reviewed or which was for the correct plan
1	Inconsistent documentation regarding compliance tests
1	No evidence of work performed in support of the prior year testing results which resulted in the current year return of excess contributions
1	No evidence of IRS tax compliance tests
1	No work performed other than obtaining an IRS determination letter
1	Plan failed ADP & ACP testing which required $48,257 in corrective distributions, but no evidence of work performed

Commitments & Contingencies

Audit Quality Study Review Results					
Strata	Acceptable	Acceptable, Minor	Unacceptable, Minor	Unacceptable, Major	Totals
1-2 plans	65	2	2	26	95
3-5 plans	65	11	4	15	95
6-24 plans	67	16	3	9	95
25-99 plans	58	2	1	3	64
100-749 plans	23	1	1	0	25
750+ plans	23	1	1	0	25
Totals	**301**	**33**	**12**	**53**	**399**

Unacceptable, Major Membership in AIPCA Employee Benefit Plan Audit Quality Center			
Strata	Yes	No	Totals
1-2 plans	1	25	26
3-5 plans	1	14	15
6-24 plans	8	1	9
25-99 plans	2	1	3
100-749 plans	0	0	0
750+ plans	0	0	0
Totals	**12**	**41**	**53**

The following details the unacceptable major findings identified in commitments & contingencies and the number of occurrences.

#	Description of Unacceptable, Major Finding
3	Audit performed by an "unlicensed" auditor
33	No work performed
12	Failure to document results of inquiries with management
8	Inadequate work
2	No audit program

Administrative Expenses

Audit Quality Study Review Results						
Strata	Acceptable	Acceptable, Minor	Unacceptable, Minor	Unacceptable, Major	N/A	Totals
1-2 plans	53	9	2	25	6	95
3-5 plans	54	7	6	18	10	95
6-24 plans	60	9	2	18	6	95
25-99 plans	53	3	0	4	5	65
100-749 plans	18	4	0	1	2	25
750+ plans	23	1	0	0	1	25
Totals	**261**	**33**	**10**	**66**	**30**	**400**

Unacceptable, Major Membership in AIPCA Employee Benefit Plan Audit Quality Center			
Strata	Yes	No	Totals
1-2 plans	2	23	25
3-5 plans	3	15	18
6-24 plans	10	8	18
25-99 plans	2	2	4
100-749 plans	1	0	1
750+ plans	0	0	0
Totals	**18**	**48**	**66**

The following details the unacceptable major findings identified in administrative expenses and the number of occurrences.

#	Description of Unacceptable, Major Finding
3	Audit performed by an "unlicensed" auditor
55	No work performed
7	Inadequate work performed
1	Area classified as immaterial but no other work or audit program
1	Expenses deemed immaterial but amount is above materiality threshold
1	Fees netted against forfeitures with negative fee reported as other income & not analyzed for possible related party transaction

Subsequent Events

Audit Quality Study Review Results					
Strata	Acceptable	Acceptable, Minor	Unacceptable, Minor	Unacceptable, Major	Totals
1-2 plans	48	9	6	32	95
3-5 plans	55	12	2	26	95
6-24 plans	58	15	8	14	95
25-99 plans	54	4	4	3	65
100-749 plans	22	2	0	1	25
750+ plans	23	2	0	0	25
Totals	**260**	**44**	**20**	**76**	**400**

Unacceptable, Major Membership in AIPCA Employee Benefit Plan Audit Quality Center			
Strata	Yes	No	Totals
1-2 plans	2	30	32
3-5 plans	6	20	26
6-24 plans	9	5	14
25-99 plans	2	1	3
100-749 plans	1	0	1
750+ plans	0	0	0
Totals	**20**	**56**	**76**

The following details the unacceptable major findings identified in subsequent events and the number of occurrences.

#	Description of Unacceptable, Major Finding
3	Audit performed by an "unlicensed" auditor
42	No work performed
14	Failure to review interim financial information
13	Failure to document results of inquiries with management
9	Inadequate work performed
2	No audit program for this area of audit
2	Inadequate documentation of inquiries
2	Inadequate audit evidence that work was performed
1	Inadequate documentation - unable to determine accounting records or data reviewed, with whom inquiries were made, and result of such inquiries
1	Failure to obtain evidence of complete liquidation of the plan by 7/25/12

1	Audit documentation did not indicate subsequent event of plan asset transfer to a successor plan in 2012
1	No review of subsequent plan amendments
1	No indication whether receivables were subsequently received
1	Inadequate review through 10/1/12 of final 5500 filing in which benefits paid were materially greater that the accumulated benefit obligation reflected on the 12/31/11 statement of accumulated plan benefits
1	No inquiries of plan administrator or trustee, inquiries were only made of controller who was not a plan official
1	Audit documentation submitted pertained to the 2010 plan year

Plan Mergers & Terminating Plans

Audit Quality Study Review Results						
Strata	Acceptable	Acceptable, Minor	Unacceptable, Minor	Unacceptable, Major	N/A	Totals
1-2 plans	6	0	0	0	89	95
3-5 plans	2	0	0	1	92	95
6-24 plans	2	0	0	1	92	95
25-99 plans	3	0	0	0	62	65
100-749 plans	1	1	0	1	22	25
750+ plans	2	1	0	0	22	25
Totals	**16**	**2**	**0**	**3**	**379**	**400**

Unacceptable, Major Membership in AIPCA Employee Benefit Plan Audit Quality Center			
Strata	Yes	No	Totals
1-2 plans	0	0	0
3-5 plans	1	0	1
6-24 plans	0	1	1
25-99 plans	0	0	0
100-749 plans	1	0	1
750+ plans	0	0	0
Totals	**2**	**1**	**3**

The following details the unacceptable major findings identified in plan mergers & terminating plans and the number of occurrences.

#	Description of Unacceptable, Major Finding
1	Failure to obtain liquidation basis actuarial report
1	Failure to evaluate potential employer contribution on liquidation basis
1	Failure to perform audit procedures on plan liquidation occurring during subsequent events time period
1	Inadequate documentation of audit work on subsequent events/pending dissolution of the plan
1	Failure to test plan assets transferred at 12/31/2011 (plan year end) to another plan at the detailed participant level until 2013

Plan Representations

Audit Quality Study Review Results					
Strata	Acceptable	Acceptable, Minor	Unacceptable, Minor	Unacceptable, Major	Totals
1-2 plans	77	4	6	8	95
3-5 plans	83	4	2	6	95
6-24 plans	84	7	4	0	95
25-99 plans	59	4	0	2	65
100-749 plans	23	2	0	0	25
750+ plans	21	4	0	0	25
Totals	**347**	**25**	**12**	**16**	**400**

Unacceptable, Major Membership in AIPCA Employee Benefit Plan Audit Quality Center			
Strata	Yes	No	Totals
1-2 plans	1	7	8
3-5 plans	2	4	6
6-24 plans	0	0	0
25-99 plans	1	1	2
100-749 plans	0	0	0
750+ plans	0	0	0
Totals	**4**	**12**	**16**

The following details the unacceptable major findings identified in plan representations and the number of occurrences.

#	Description of Unacceptable, Major Finding
3	Audit performed by an "unlicensed" auditor
1	No audit performed, auditor performed and issued a "review" report
4	No client representation letter obtained
6	Inadequate representations obtained
5	Client representations were not appropriately tailored to the plan
2	Inappropriate client representation letter date
1	Unsigned client representation letter
1	Failure to evaluate numerous representations that were inconsistent with information known by the auditor
1	Client representation letter was not on letterhead of the plan or plan sponsor & the signer was identified as "office manager". Signer also signed as the plan administrator on the Form 5500.
1	Representation letter contains the language for a full scope audit but a limited scope audit was performed

Compliance with GAAS & GAAP

Audit Quality Study Review Results					
Strata	Acceptable	Acceptable, Minor	Unacceptable, Minor	Unacceptable, Major	Totals
1-2 plans	39	12	9	35	95
3-5 plans	57	5	6	27	95
6-24 plans	61	11	6	17	95
25-99 plans	49	5	6	5	65
100-749 plans	22	3	0	0	25
750+ plans	21	4	0	0	25
Totals	**249**	**40**	**27**	**84**	**400**

Unacceptable, Major Membership in AIPCA Employee Benefit Plan Audit Quality Center			
Strata	Yes	No	Totals
1-2 plans	4	31	35
3-5 plans	5	22	27
6-24 plans	10	7	17
25-99 plans	5	0	5
100-749 plans	0	0	0
750+ plans	0	0	0
Totals	**24**	**60**	**84**

The following details the unacceptable major findings of established professional standards (GAAS & GAAP) in audit reports issued and the number of occurrences.

#	Description of Unacceptable, Major Finding
3	Audit performed by an "unlicensed" auditor
1	No audit performed, auditor performed and issued a "review" report
57	Inadequate footnote disclosures
28	Inappropriate presentation of financial information on financial statements
16	No/lack of ASC 820 Fair Value Measurement disclosures
4	Report not modified for lack of ERISA schedules
3	Incorrect/incomplete ASC 820 Fair Value Measurement disclosures
4	Opinion does not extend to all financial statements and/or years presented
4	Failure to refer to supplemental information (e.g., ERISA required schedules)
2	Delinquent employee contributions not reported/disclosed
2	Inappropriate presentation of participant loans

2	No adjustment from fair value to contract value for fully-benefit responsive contract
2	Audit opinion does not contain the appropriate language required by SAS 58 (e.g., reference to U.S. GAAP)
2	No FAS 157 Subsequent Events disclosure
1	Plan failed to present its financial statements on the liquidation basis of accounting and the auditor failed to evaluate and/or report on this departure from GAAP
1	Audit report does not contain the "independent" title
1	Audit workpapers did not document sufficient appropriate audit evidence to support an unqualified opinion
1	Failure to modify full scope, unqualified report for a material omission from the schedule of reportable transactions
1	Failure to present benefit responsive insurance contract at contract value and to make necessary footnote disclosures
1	Improper reporting in auditor's report of benefit responsive and non-benefit-responsive contracts
1	Incorrect footnote disclosures
1	Opinion only, no financial statements attached to 5500
1	Required 5% investment disclosure is for the incorrect plan year
1	Inappropriately presented benefit payments as refunds of contributions
1	Inadequate footnote disclosure for investments
1	Inappropriate report date
1	Investment amount on financial statements not consistent with footnote disclosures
1	Incomplete schedule of assets
1	Limited scope audit inappropriately applied
1	Reportable transaction schedule presented but should not have one
1	Principal IPG contract of $4.5 million excluded from the plan's financial statements
1	Lack of consideration of report modification for significant uncertainty for rehabilitation of plan to avoid insolvency
1	Financial statements inappropriately presented on the liquidation basis, liquidation basis does not apply to frozen plans
1	No reference to the other comprehensive basis of accounting used in the auditor's report
1	Inappropriately indicated limited scope covered benefit payments

Compliance with Department of Labor Rules and Regulations For Reporting and Disclosure

Audit Quality Study Review Results					
Strata	Acceptable	Acceptable, Minor	Unacceptable, Minor	Unacceptable, Major	Totals
1-2 plans	49	8	5	33	95
3-5 plans	72	4	3	16	95
6-24 plans	75	3	4	13	95
25-99 plans	55	2	3	5	65
100-749 plans	25	0	0	0	25
750+ plans	23	2	0	0	25
Totals	299	19	15	67	400

Unacceptable, Major Membership in AIPCA Employee Benefit Plan Audit Quality Center			
Strata	Yes	No	Totals
1-2 plans	2	31	33
3-5 plans	3	13	16
6-24 plans	8	5	13
25-99 plans	3	2	5
100-749 plans	0	0	0
750+ plans	0	0	0
Totals	16	51	67

The following details the unacceptable major findings in audit reports issued related to compliance with Department of Labor Rules and Regulations for Reporting and Disclosure and the number of occurrences.

#	Description of Unacceptable, Major Finding
3	Audit performed by an "unlicensed" auditor
1	No audit performed, auditor performed and issued a "review" report
1	Audit performed by an auditor who lacked independence
11	No/inadequate footnote disclosures
11	Required supplemental schedules not prepared/attached
9	Incomplete Schedule of Assets Held for Investment (e.g., does not include all investments, missing participant loans, no indication of parties in interest, etc.)
8	Unsigned audit report
7	Delinquent employee contributions not reported/disclosed
6	No/Incomplete audit report attached to the plan's Form 5500

5	Financial statements do not agree to the Schedule H
4	Schedule H, Line 3, audit opinion type not properly completed
4	Limited scope audit incorrectly applied
3	Statement of Net Assets not presented comparatively
1	Audit report contains an unacceptable qualification
1	Administrative fees not separately disclosed from benefit payments
1	Certification provided by third-party not supported by evidence of Agency relationship with trustee
1	Plan Form 5500 contained Schedule A's for welfare benefits but no evidence of review to determine whether a separate plan & filing should have been made
1	Incorrect format of schedule of assets
1	No certification to support limited scope audit disclaimer opinion in the audit report
1	Inappropriate reference to certifying entity
1	Opinion does not extend to all required supplemental schedules
1	Reference made to an incorrect, non-qualifying, certifying entity in the audit opinion
1	Schedule of Reportable Transactions did not disclose common stock shares purchased from officers of the sponsor company
1	Schedule of Assets Held for Investment does not break out self-directed brokerage accounts
1	Total investments per schedule of assets does not reconcile to total assets presented on the plan's financial statements
1	Inappropriate items included on the schedule of assets held
1	Incorrect schedule of assets held
1	Auditor unable to explain $21,530 in deemed distribution loans, principal and interest
1	Audit report is not for the plan

Appendix III

Appendix III Overview

The following chart presents, among strata, the number of audits with an unacceptable major review result, by the number of affected audit areas. For example, in the 1-2 plan stratum, there were 2 audits with an unacceptable major review result with one affected audit area. The remainder of Appendix III provides the detail findings of the 234 audits with an unacceptable major review result.

Number of Audits by Stratum by Number of Deficient Areas of Audit for Engagements With an Unacceptable Major Review Result

Strata	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total
1 - 2 plans	2	4	8	5	7	3	7	2	5	7	3	6	4	4	5	72
3 - 5 plans	3	7	7	8	11	3	2	1	7	3	6	2	4	0	1	65
6 - 24 plans	7	9	4	7	5	8	2	9	4	4	3	0	2	0	0	64
25 - 99 plans	2	1	4	6	6	0	3	2	1	2	0	0	0	0	0	27
100 - 749 plans	1	0	0	1	0	0	0	1	0	0	0	0	0	0	0	3
750+ plans	1	1	0	0	1	0	0	0	0	0	0	0	0	0	0	3
Totals	16	22	23	27	30	14	14	15	17	16	12	8	10	4	6	234
	6.8%	9.4%	9.8%	11.5%	12.8%	6.0%	6.0%	6.4%	7.3%	6.8%	5.1%	3.4%	4.3%	1.7%	2.6%	100%

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
1	No	15	Limited	DC 401(k)	Internal Controls	No/inadequate documentation of internal control environment Lack of documentation of risk assessment procedures No/inadequate evidence of fraud "brainstorming" No review of internal control of service provider(s)
					Notes Receivable	No/inadequate testing of compliance with plan document
					Contributions Received & Receivable	No test of timely remittance of employee contributions No testing of compliance with compensation provisions Inadequate testing of use of forfeitures Inadequate documentation of recalculation of contributions
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No recalculation of benefit payments
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of participant eligibility/terminations/forfeitures Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Parties in Interest/ Prohibited Transactions	No documentation of parties in interest/related parties No documentation of results of inquiries with management
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed No documentation of results of inquiries with management

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Commitments & Contingencies	No documentation of results of inquiries with management
					Subsequent Events	No review of interim financial data No documentation of results of inquiries with management
					Minor Item(s):	
					Planning & Supervision	No evidence of required communications (114/115) Audit report dated under old standards when substantial audit work was completed rather than under the new standards of when work had been reviewed
					Investments & Investment Transactions	Uncertified investments/transactions not audited No agreement of certified investment income to financial statements
					Administrative Expenses	No work performed
					Plan Representations	Inadequate representations
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	Required schedules not attached/prepared
2	No	15	Limited	DC 401(k)	All relevant areas of audit	Unlicensed auditor
					Compliance with GAAS & GAAP	Unlicensed auditor
					Compliance with ERISA & DOL Rules	Unlicensed auditor

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
3	No	15	Full	DC	Planning & Supervision	No/lack of lack of evidence of audit planning No/insufficient audit program Improper performance of limited scope audit No/inadequate assessment of fraud risk
					Internal Controls	No work performed
					Investments & Investment Transactions	No work performed Audit workpapers did not contain the certification for a limited scope audit
					Notes Receivable	No work performed
					Contributions Received & Receivable	No work performed
					Benefit Payments	No work performed
					Participant Data & Participant Accounts	No work performed
					Parties in Interest/Prohibited Transactions	No work performed
					Plan Tax Status	No work performed
					Commitments & Contingencies	No work performed
					Administrative Expenses	No work performed
					Subsequent Events	No work performed
					Plan Representations	No plan representation letter
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Report does not refer to prior year presented
					Compliance with ERISA & DOL Rules	Limited scope audit incorrectly applied Financial statements did not agree to Form 5500, Schedule H Schedule H, Line 3, opinion type incorrectly indicated

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
4	No	15	Limited	DC 401(k)	Internal Controls	No/inadequate documentation of internal control environment Lack of documentation of risk assessment procedures No/inadequate evidence of fraud "brainstorming" No review of internal control of service provider(s)
					Notes Receivable	No/inadequate testing of compliance with plan document
					Contributions Received & Receivable	No test of timely remittance of employee contributions No testing of compliance with compensation provisions Inadequate testing of use of forfeitures Inadequate documentation of recalculation of contributions
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No recalculation of benefit payments
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of participant eligibility/terminations/forfeitures Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties No documentation of results of inquiries with management
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed No documentation of results of inquiries with management
					Commitments & Contingencies	No documentation of results of inquiries with management
					Subsequent Events	No review of interim financial data No documentation of results of inquiries with management

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Minor Item(s): Planning & Supervision	No evidence of required communications (114/115) Audit report dated under old standards when substantial audit work was completed rather than under the new standards of when work had been reviewed
					Investments & Investment Transactions	Uncertified investments/transactions not audited No agreement of certified investment income to financial statements
					Administrative Expenses	No work performed
					Plan Representations	Inadequate representations
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	Required schedules not attached/prepared
5	No	15	Full	DC 401(k)	All relevant areas of audit	Unlicensed auditor
					Compliance with GAAS & GAAP	Unlicensed auditor
					Compliance with ERISA & DOL Rules	Unlicensed auditor
6	Yes	14	Limited	DC 403b	Planning & Supervision	No/insufficient audit program
					Internal Controls	Lack of documentation of risk assessment procedures No assessment/documentation of control risk No SOC1 report bridge letter
					Investments & Investment Transactions	No audit program for this area of audit
					Notes Receivable	No work performed No audit program for this area of audit

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions No testing of compliance with compensation provisions Inadequate testing of use of forfeitures
					Benefit Payments	No work performed
					Participant Data & Participant Accounts	Inadequate testing of participant eligibility/terminations/forfeitures Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options No reconciliation of participant accounts to total assets
					Parties in Interest/Prohibited Transactions	No work performed
					Commitments & Contingencies	No work performed
					Administrative Expenses	No work performed
					Subsequent Events	Inadequate work - documentation submitted pertained to the 2010 plan year
					Plan Representations	Inadequate representations Representation letter inappropriately contains wording for a full scope audit
					Compliance with GAAS & GAAP	Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	Incorrect format for schedule of assets
7	No	14	Limited	DC	All relevant areas of audit	Unlicensed auditor
					Compliance with GAAS & GAAP	Unlicensed auditor
					Compliance with ERISA & DOL Rules	Unlicensed auditor

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
8	No	14	Full	DC	Planning & Supervision	No/lack of evidence of audit planning
					Internal Controls	No work performed
					Investments & Investment Transactions	No work performed
					Notes Receivable	No work performed
					Contributions Received & Receivable	No work performed
					Benefit Payments	No work performed
					Participant Data & Participant Accounts	No work performed
					Parties in Interest/Prohibited Transactions	No work performed Incomplete identification of parties in interest/related parties
					Plan Tax Status	No work performed
					Commitments & Contingencies	No work performed
					Administrative Expenses	No work performed
					Subsequent Events	No work performed
					Compliance with GAAS & GAAP	Inadequate footnote disclosures Non-compliance with SAS 58 - no reference to U.S. GAAP and GAAS
					Compliance with ERISA & DOL Rules	Statement of net assets not comparative IQPA opinion contains an unacceptable qualification Schedule of investments does not break out self -directed brokerage accounts Schedule H, Line 3, opinion type incorrectly indicated

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
9	No	14	Limited	DC 401(k)	Planning & Supervision	No/insufficient review of plan documents/plan operations No evidence of planning inquiries No analytical procedures
					Internal Controls	No/inadequate documentation of internal control environment No evidence of SOC1 report review reliance No review of internal control of service provider(s) No documentation to support assessment of control risk below maximum Fraud brainstorming did not include in-charge who performed most of the audit work
					Investments & Investment Transactions	Audit workpapers did not contain the certification The trust report prepared by and obtained from the recordkeeper
					Notes Receivable	No/inadequate testing of compliance with plan document
					Contributions Received & Receivable	No testing of rollover contributions which were material
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No recalculation of benefit payments No/inadequate work regarding forfeitures No testing to ensure participant receipt of distribution
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of participant eligibility/ terminations/ forfeitures No testing of compliance with compensation provisions No reconciliation of participant accounts to total assets
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed No documentation of results of inquiries with management
					Commitments & Contingencies	Inadequate evidence that work was performed

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Administrative Expenses	No work performed
					Subsequent Events	Inadequate evidence that work was performed
					Compliance with GAAS & GAAP	No/lack of ASC 820 fair value measurement disclosures Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	No/inadequate footnote disclosures
					Minor Item(s): Plan Representations	Three representations in the template were omitted from the client signed representation letter, but there was no documentation of any follow up by the IQPA
10	No	13	Full	DC 403b	Planning & Supervision	No/insufficient audit program No evidence of required communications (114/115)
					Internal Controls	No documentation of evaluation of internal control No assessment/documentation of control risk No evidence of SOC1 report review reliance
					Investments & Investment Transactions	No work performed
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions
					Benefit Payments	No tracing of benefit payments to participant accounts
					Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	No work performed
					Plan Tax Status	No work performed
					Commitments & Contingencies	No work performed

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Administrative Expenses	No work performed
					Subsequent Events	No work performed
					Compliance with GAAS & GAAP	No/lack of ASC 820 fair value measurement disclosures Report not modified for lack of ERISA schedules
					Compliance with ERISA & DOL Rules	No/inadequate footnote disclosures Required schedules not attached/prepared
11	No	13	Full	DC 401(k)	Planning & Supervision	No/lack of lack of evidence of audit planning No/insufficient audit program
					Internal Controls	No work performed
					Investments & Investment Transactions	No work performed
					Contributions Received & Receivable	No work performed
					Benefit Payments	No work performed
					Participant Data & Participant Accounts	No work performed
					Parties in Interest/Prohibited Transactions	No work performed
					Plan Tax Status	No work performed
					Commitments & Contingencies	No work performed
					Subsequent Events	No work performed
					Plan Representations	Inadequate representations Representations not appropriately tailored to plan

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Compliance with GAAS & GAAP	Inadequate footnote disclosures Report did not refer to supplemental information Inappropriately presented benefit payments as refunds of contributions
					Compliance with ERISA & DOL Rules	Incomplete schedule of assets
12	No	13	Full	Health	Planning & Supervision	No/insufficient audit program No/insufficient review of plan documents/plan operations No evidence of required communications (114/115) No/inadequate assessment of fraud risk
					Internal Controls	No/inadequate documentation of internal control environment Lack of documentation of risk assessment procedures No/inadequate evidence of fraud inquiries
					Investments & Investment Transactions	No testing of end of year asset values No testing of investment transactions Insufficient work performed
					Contributions Received & Receivable	Insufficient work performed of contributing employers (multi-employer plans) No test of timely remittance of employee contributions
					Benefit Payments	No work performed
					Participant Data	No work performed
					Plan Obligations	No work performed
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties No documentation of results of inquiries with management
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed
					Administrative Expenses	No work performed
					Subsequent Events	No review of interim financial data

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Compliance with GAAS & GAAP	Opinion only, no financial statements attached to 5500
					Compliance with ERISA & DOL Rules	Opinion only, no financial statements attached to 5500
13	No	13	Other "Review"	DC	All relevant areas of audit	No audit performed
					Compliance with GAAS & GAAP	No audit performed
					Compliance with ERISA & DOL Rules	No audit performed
14	No	12	Limited	DC 401(k)	Planning & Supervision	No/lack of evidence of audit planning No evidence of required communications (114/115) No/insufficient review of plan documents/operation
					Internal Controls	No assessment/documentation of control risk No/inadequate evidence of fraud "brainstorming" No/inadequate evidence of fraud inquiries No evidence of SOC1 report review reliance
					Notes Receivable	No work performed
					Contributions Received & Receivable	No work performed
					Benefit Payments	No work performed
					Participant Data & Participant Accounts	No/insufficient testing of payroll data No testing of compliance with compensation provisions Inadequate testing of allocations to participant accounts Inappropriate reliance on SOC1 report
					Parties in Interest/Prohibited Transactions	No work performed No documentation of parties in interest/related parties
					Commitments & Contingencies	No work performed

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Administrative Expenses	No work performed
					Subsequent Events	No work performed
					Compliance with ERISA & DOL Rules	No/inadequate footnote disclosures Incomplete schedule of assets
					Minor Item(s): Plan Tax Status	No tax determination letter obtained
15	No	12	Limited	DC 401(k)	Investments & Investment Transactions	Certifying entity identified in report was not consistent with certification Certification did not have financial information attached
					Benefit Payments	No recalculation of benefit payments No/inadequate work regarding eligibility No test of receipt of benefit payments
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of participant eligibility/ terminations/forfeitures Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	Inadequate work Identification of a related party as a trustee who does not appear to be a trustee
					Subsequent Events	No review of interim financial data No documentation of results of inquiries with management
					Compliance with GAAS & GAAP	Inadequate footnote disclosures Report not modified for lack of ERISA schedules
					Compliance with ERISA & DOL Rules	Required schedules not attached/prepared
					Minor Item(s): Planning & Supervision	Engagement letter contains full scope language for limited scope audit Expectations memo identified significant changes - one identified & one was not, both were not addressed

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Internal Controls	No/inadequate documentation of internal control environment No documentation of evaluation of internal control Control risk assessed at low for all areas was not supported
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No testing of compliance with compensation provisions Inadequate testing of use of forfeitures
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed
					Plan Representations	Representations not appropriately tailored to plan
16	No	12	Limited	DC 401(k)	Planning & Supervision	No audit materiality determined No indication of supervisory review of workpapers
					Internal Controls	No/inadequate documentation of internal control environment No documentation of evaluation of internal control No/inadequate evidence of fraud "brainstorming"
					Investments & Investment Transactions	Audit workpapers did not contain the certification
					Contributions Received & Receivable	No test of timely remittance of employee contributions
					Benefit Payments	No recalculation of benefit payments
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of allocations to participant accounts
					Parties in Interest/Prohibited Transactions	No work performed
					Plan Tax Status	No work performed
					Commitments & Contingencies	No work performed

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Subsequent Events	No work performed
					Compliance with GAAS & GAAP	No/lack of ASC 820 fair value measurement disclosures
					Compliance with ERISA & DOL Rules	Financial statements did not agree to Schedule H
17	No	12	Limited	DC 401(k)	Planning & Supervision	No/lack of evidence of audit planning No/insufficient audit program No/inadequate assessment of fraud risk No/insufficient review of plan documents/operations
					Internal Controls	No work performed No/inadequate documentation of internal control environment No assessment/documentation of control risk No/inadequate evidence of fraud "brainstorming"
					Investments & Investment Transactions	No list of plan investments
					Notes Receivable	No work performed
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions No testing of compliance with compensation provisions Inadequate testing of use of forfeitures
					Benefit Payments	No work performed
					Participant Data & Participant Accounts	No work performed
					Parties in Interest/Prohibited Transactions	No work performed
					Plan Tax Status	No work performed

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Commitments & Contingencies	Inadequate work
					Administrative Expenses	No work performed
					Subsequent Events	No work performed
18	No	12	Full	DC	Investments & Investment Transactions	No testing of investment transactions Investments per the financial statements did not agree to the confirmation trust statement
					Notes Receivable	No/inadequate testing of compliance with plan document
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions No testing of compliance with compensation provisions
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No recalculation of benefit payments
					Participant Data & Participant Accounts	Inadequate testing of participant eligibility/terminations/forfeitures No/insufficient testing of payroll data Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	No documentation of results of inquiries with management
					Commitments & Contingencies	Inadequate work
					Administrative Expenses	No work performed
					Subsequent Events	No work performed
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	Delinquent employee contributions not reported/disclosed

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Minor Item(s): Internal Controls	No/inadequate documentation of internal control environment
19	No	12	Limited	DC 401(k)	Planning & Supervision	No/lack of evidence of audit planning No/insufficient audit program No/inadequate assessment of fraud risk No/insufficient review of plan documents/operations
					Internal Controls	No work performed
					Contributions Received & Receivable	No work performed
					Benefit Payments	No work performed
					Participant Data & Participant Accounts	No work performed
					Parties in Interest/Prohibited Transactions	No work performed
					Plan Tax Status	No work performed
					Commitments & Contingencies	No work performed
					Administrative Expenses	No work performed
					Subsequent Events	No work performed
					Compliance with GAAS & GAAP	Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	No/inadequate footnote disclosures
20	No	11	Limited	DC 401(k)	Planning & Supervision	Auditor lacked independence No/lack of evidence of audit planning No/insufficient audit program No evidence of required communications (114/115)
					Internal Controls	No/inadequate evidence of fraud "brainstorming" No evidence of SOC1 report review reliance

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Investments & Investment Transactions	No audit program for this area of audit
					Notes Receivable	No work performed No audit program for this area of audit
					Contributions Received & Receivable	No work performed No audit program for this area of audit
					Benefit Payments	No work performed No audit program for this area of audit
					Participant Data & Participant Accounts	No work performed No audit program for this area of audit
					Parties in Interest/Prohibited Transactions	No work performed No audit program for this area of audit No identification of parties in interest/related parties
					Plan Tax Status	No work performed No audit program for this area of audit
					Commitments & Contingencies	No work performed No audit program for this area of audit
					Subsequent Events	No work performed No audit program for this area of audit
21	No	11	Limited	DC 401(k)	Planning & Supervision	No/insufficient review of plan documents/operations No/inadequate procedures on initial/beginning balances No/inadequate work related to predecessor auditors
					Internal Controls	No/inadequate documentation of internal control environment Lack of documentation of risk assessment procedures Inconsistent evidence of review of SOC1 report
					Investments & Investment Transactions	Certification not consistent with plan reporting period Inadequate testing of change in service provider Uncertified investments and/or transactions not audited

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Notes Receivable	No/inadequate testing of compliance with plan document Participant loans were not certified and full scope procedures were not performed No schedule of loans reconciling to financial statements Insufficient work to determine if total amount was proper
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions Inadequate testing of use of forfeitures No contributions withheld from a bonus and no testing to determine the propriety of such
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits
					Participant Data & Participant Accounts	Inadequate testing of participant eligibility/terminations/forfeitures Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options No reconciliation of participant accounts to total assets
					Parties in Interest/Prohibited Transactions	Inadequate work No documentation of parties in interest/related parties
					Plan Tax Status	No documentation of results of inquiries with management No tax determination letter obtained No evidence IRS tax compliance tests were reviewed
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	Required schedules not attached/prepared Statement of net assets not comparative

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
22	No	11	Limited	DC 401(k)	Planning & Supervision	No/insufficient review of plan documents/operations No/inadequate work related to predecessor auditors No evidence of required communications (114/115) Firm is not licensed but individual is licensed
					Internal Controls	No evidence of SOC1 report review reliance Inconsistency in risk assessment for contributions
					Notes Receivable	No/inadequate testing of compliance with plan document
					Contributions Received & Receivable	Insufficient documentation to enable re-performance Insufficient work related to possible late submission of employee contributions
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No/inadequate testing of hardship/in-service payments Un-reconciled difference in total benefit payments between distribution listing and that reported on the financial statements
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of participant eligibility/ terminations/forfeitures Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Administrative Expenses	Expenses deemed immaterial but amount is above materiality threshold Fees netted against forfeitures with negative fee reported as other income & not analyzed for possible related party transaction
					Subsequent Events	No review of interim financial data No documentation of results of inquiries with management

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Minor Item(s): Parties in Interest/Prohibited Transactions	No disclosure of prohibited transactions in notes to financial statements Inadequate work
					Commitments & Contingencies	No documentation of results of inquiries with management Inadequate work
					Compliance with GAAS & GAAP	Inadequate footnote disclosures Delinquent employee contributions not reported/disclosed
23	No	10	Limited	DC 401(k)	Notes Receivable	No work performed
					Contributions Received & Receivable	No resolution of variances in calculations Lack of documentation for support of employer contribution formula Lack of identification of improper use of forfeitures to offset employer contribution prior to plan expenses being paid
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of participant eligibility/terminations/forfeitures No/insufficient testing of payroll data
					Parties in Interest/Prohibited Transactions	No disclosure of prohibited transactions in notes to financial statements Inadequate work
					Compliance with GAAS & GAAP	No/lack of ASC 820 fair value measurement disclosures Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	Limited scope audit incorrectly applied Required schedules not attached/prepared
					Minor Item(s): Internal Controls	Lack of documentation of risk assessment procedures No/inadequate evidence of fraud "brainstorming" No review of internal control of service provider(s)

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Investments & Investment Transactions	3 of 4 insurance policies were not available and no documentation supporting estimated value of the cash surrender value of the policies
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits Lack of follow-up on inconsistencies in reporting of distributions to participants who appear to be related parties
					Subsequent Events	No documentation evidencing what subsequent accounting records were reviewed and the results of examinations
24	No	10	Full	DC 401(k)	Internal Controls	No/inadequate documentation of internal control environment No evidence of SOC1 report review reliance Lack of evidence to support reduction in control risk
					Investments & Investment Transactions	No assessment of valuation specialist's qualifications No testing of investment transactions No testing of investment income Inadequate testing of change in service provider Inadequate identification of plan's investment medium(s) at end of year
					Participant Data & Participant Accounts	Inadequate testing of change in service provider
					Plan Tax Status	No work performed
					Plan Representations	Representations not appropriately tailored to plan Inappropriate representation letter date
					Compliance with GAAS & GAAP	No/lack of ASC 820 fair value measurement disclosures Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	Required schedules not attached/prepared Incorrect schedule of assets held for investment

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Minor Items: Planning & Supervision	Lack of planning analytical procedures
					Contributions Received & Receivable	No reconciliation of employer & employee contribution amounts
					Benefit Payments	No reconciliation of distributions
25	No	10	Full	DC 401(k)	Internal Controls	No documentation of evaluation of internal control No assessment/documentation of control risk
					Investments & Investment Transactions	No confirmation of investments No testing of investment transactions
					Benefit Payments	No work performed
					Participant Data & Participant Accounts	No/insufficient testing of payroll data No testing of compliance with compensation provisions Inadequate testing of allocations to participant accounts
					Parties in Interest/Prohibited Transactions	No work performed Incomplete list of parties in interest
					Commitments & Contingencies	No work performed
					Subsequent Events	No work performed
					Compliance with GAAS & GAAP	Opinion does not extend to all financial statements Inadequate footnote disclosures
					Minor Item(s): Planning & Supervision	No analytics No evidence of supervisory review
					Compliance with ERISA & DOL Rules	Incorrect opinion disclosed on Schedule H, Part III

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
26	No	10	Limited	DC 401(k)	Contributions Received & Receivable	No testing of compliance with compensation provisions Inadequate work recalculating employer and employee contributions Circular employee contribution testing Eligibility testing did not include test of end of year employment requirement
					Benefit Payments	Inadequate follow up on errors noted in benefit recalculation testing No testing of participant receipt
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of eligibility/terminations/forfeitures Inadequate testing of participant investment options No reconciliation of total participant accounts to total assets
					Minor Item(s): Planning & Supervision	Report dated prior to partner review sign off date Management letter dated for date prior to sponsor signature date
					Internal Controls	No/inadequate evidence of fraud inquiries No/inadequate documentation of internal control environment No evidence of SOC1 report review reliance Control risk below maximum but no evidence of test of controls
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed Unclear if determination letter was for the plan Eligibility period for pretax and rollover contributions was waived but there were no amendments to support this
					Subsequent Events	No review interim financial data
					Plan Representations	Inappropriate representation letter date
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosures

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Compliance with ERISA & DOL Rules	No/inadequate footnote disclosures
27	No	10	Full	Health	Planning & Supervision	No/insufficient review of plan documents/plan operations
					Internal Controls	No review of internal control of service providers
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No/inadequate work regarding validity of claims No recalculation of benefit payments
					Participant Data	No work performed Inadequate testing of participant eligibility/terminations/forfeitures
					Plan Obligations	No work performed
					Administrative Expenses	No work performed
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	No/inadequate footnote disclosures
					Minor Item(s): Parties in Interest/Prohibited Transactions	No documentation of pa rties in interest/related parties
28	No	10	Full	DC 401(k)	Planning & Supervision	No/insufficient review of plan documents/plan operations Lack of preliminary analytics
					Internal Controls	No/inadequate documentation of internal control environment No assessment/documentation of control risk Lack of documentation of risk assessment procedures No evidence of SOC1 report review reliance SOC1 report does not cover entire period and no work performed to address such

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Investments & Investment Transactions	No testing of end of year asset values No testing of investment transactions No testing of investment income
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions
					Participant Data & Participant Accounts	No work performed
					Parties in Interest/Prohibited Transactions	No work performed
					Commitments & Contingencies	No work performed
					Subsequent Events	No work performed
					Compliance with GAAS & GAAP	Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	Statement of net assets not comparative
29	No	10	Limited	DC 401(k)	Planning & Supervision	No planning analytics
					Internal Controls	No documentation of evaluation of internal control No assessment/documentation of control risk No/inadequate evidence of fraud "brainstorming
					Contributions Received & Receivable	No test of timely remittance of employee contributions No testing of compliance with compensation provisions No test of rollovers No reconciliation to trust report and sponsor records Inadequate testing of forfeitures
					Benefit Payments	Inadequate work No list of benefit payments made No reconciliation to trust and participant accounts No test of corrective distributions No review of supporting documents & approvals No tracing of payment to participant's account

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Participant Data & Participant Accounts	No/insufficient testing of payroll data No evidence of work performed on individual participant accounts
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed No evidence of work performed in support of prior year testing results which resulted in current year return of excess contributions
					Administrative Expenses	No work performed
					Subsequent Events	No documentation of results of inquiries with management
					Compliance with GAAS & GAAP	No/lack of ASC 820 fair value measurement disclosures No subsequent events disclosure
					Compliance with ERISA & DOL Rules	Incomplete schedule of assets Participant loans not disclosed on schedule of assets
30	No	9	Limited	DC 401(k)	Planning & Supervision	No evidence of required communications(114/115)
					Internal Controls	No documentation of SOC1 report controls relied upon No documentation of an assessment of user controls
					Contributions Received & Receivable	No test of timely remittance of employee contributions No recalculation of employee contributions based upon participant election No evidence supporting receipt of contributions & whether receivables should be recognized
					Benefit Payments	Participant confirmations not included in workpapers
					Participant Data & Participant Accounts	No/insufficient testing of payroll data No testing of compliance with compensation provisions Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options No reconciliation of participant accounts to total plan assets
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties No documentation of results of inquiries with management

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed No documentation of results of inquiries with management
					Commitments & Contingencies	No documentation of results of inquiries with management
					Subsequent Events	No documentation of results of inquiries with management
31	No	9	Full	DC 401(k)	Planning & Supervision	IQPA did not address the $4.7M rollover into this new plan in 2011
					Internal Controls	Lack of documentation of risk assessment procedures
					Investments & Investment Transactions	No testing of end of year asset values No testing of investment transactions No testing of investment income
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No testing of rollover contributions
					Benefit Payments	No recalculation of benefit payments No/inadequate work regarding eligibility No/inadequate testing of hardship/in-service payments
					Participant Data & Participant Accounts	No/insufficient testing of payroll data No testing of compliance with compensation provisions Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties No documentation of results of inquiries with management
					Compliance with GAAS & GAAP	Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	Opinion does not extend to all supplemental schedules
32	No	9	Full	DC 401(k)	Internal Controls	No/inadequate documentation of internal control environment No understanding of internal control environment for third party recordkeeper & accounting services

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Investments & Investment Transactions	No testing of investment transactions No testing of investment income No testing of end of year fair values for investments held in self-directed brokerage accounts
					Contributions Received & Receivable	No audit program for this area of audit No agreement of contributions to trust records No testing/reconciliation of contribution receivable
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Administrative Expenses	No work performed
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	Financial statements did not agree to Schedule H Inappropriate items included on the schedule of assets
					Minor Item(s): Plan Tax Status	No tax determination letter obtained
					Plan Representations	Representations not appropriately tailored to plan
33	No	9	Limited	DC	Planning & Supervision	No/lack of lack of evidence of audit planning No/insufficient audit program No/insufficient review of plan documents/operations
					Internal Controls	No work performed No evidence of fraud "brainstorming"
					Benefit Payments	No work performed
					Participant Data & Participant Accounts	No work performed

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Parties in Interest/Prohibited Transactions	No work performed
					Plan Tax Status	No work performed
					Commitments & Contingencies	No work performed
					Administrative Expenses	No work performed
					Subsequent Events	No work performed
34	No	9	Limited	DC 401(k)	Internal Controls	No/inadequate documentation of internal control environment No/inadequate evidence of fraud "brainstorming" No/inadequate evidence of fraud inquiries
					Notes Receivable	No/inadequate testing of compliance with plan document
					Contributions Received & Receivable	No testing of rollover and Roth contributions Inadequate testing of forfeitures
					Participant Data & Participant Accounts	Inappropriate reliance on SOC1 report Inadequate testing of participant investment options Inadequate testing of allocations to participant accounts
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties
					Administrative Expenses	No work performed
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosures
					Minor Item(s): Planning & Supervision	Engagement letter language is for a full scope audit but a limited scope audit was performed Engagement letter is not for the plan
					Benefit Payments	No/inadequate work regarding hardship/in-service payments

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
35	No	8	Full	DC	Planning & Supervision	No/insufficient audit program Inadequate documentation of plan operations/administration Inadequate preliminary analytic review Inadequate review of workpapers
					Internal Controls	No/inadequate documentation of internal control environment No documentation of evaluation of internal control No review of internal control of service providers
					Investments & Investment Transactions	Inappropriate reliance on SOC1 report Inadequate evidence of confirmation of investment ownership and existence with custodian
					Contributions Received & Receivable	No test of timely remittance of employee contributions No testing of compliance with compensation provisions Inadequate testing of use of forfeitures
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Compliance with GAAS & GAAP	Inadequate footnote disclosures
					Minor Item(s): Commitments & Contingencies	No work performed - IQPA indicated "n/a"
					Subsequent Events	Inadequate evidence of review of subsequent financial information Inadequate evidence of specific inquiries
36	No	8	Limited	DC 401(k)	Contributions Received & Receivable	No recalculation of employer and/or employee contributions
					Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Compliance with GAAS & GAAP	Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	No/inadequate footnote disclosures

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Minor Item(s): Internal Controls	SOC1 reports did not cover entire period and no review of controls outside of the SOC1 report period No evidence of review of payroll internal controls or SOC1 report of payroll provider
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed
					Subsequent Events	No review interim financial data
37	No	7	Limited	DC 403b	Planning & Supervision	No/inadequate procedures on initial/beginning balances
					Internal Controls	No/inadequate evidence of fraud brainstorming"
					Benefit Payments	No work performed
					Participant Data & Participant Accounts	Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	No work performed
					Commitments & Contingencies	No work performed
					Subsequent Events	No work performed
38	Yes	7	Limited	DC 403b	Investments & Investment Transactions	Uncertified investments/transactions not audited No reconciliation of investment income to financial statements
					Contributions Received & Receivable	No testing of compliance with compensation provisions No reconciliation of contributions per sponsor records to custodian records
					Participant Data & Participant Accounts	Inadequate testing of eligibility/terminations/forfeitures Inadequate testing of allocations to participant accounts
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosures

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Minor Item(s): Planning & Supervision	No/insufficient review of plan documents/plan operations
					Notes Receivable	Inadequate documentation of testing of participant loans for compliance with plan document
					Subsequent Events	No documentation of results of inquiries with management
39	No	7	Limited-Scope	DC 401(k)	Planning & Supervision	No/insufficient review of plan documents/plan operations
					Internal Controls	No assessment/documentation of control risk No evidence of SOC1 report review reliance
					Investments & Investment Transactions	Audit workpapers did not contain the certification
					Participant Data & Participant Accounts	No/insufficient testing of payroll data No testing of compliance with compensation provisions No reconciliation of participant accounts to total assets
					Commitments & Contingencies	No work performed
					Administrative Expenses	No work performed
					Subsequent Events	No work performed
40	Yes	7	Limited	DC 401(k)	Planning & Supervision	No/inadequate procedures on initial/beginning balances No verification of balances transferred from/to new custodian
					Investments & Investment Transactions	No/inadequate testing of change in service provider No testing of assets transferred from plan
					Notes Receivable	No evidence of work performed
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions No testing of compliance with compensation provisions Inadequate testing of use of forfeitures

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Participant Data & Participant Accounts	No/inadequate testing of change in service provider Inadequate testing of allocations to participant accounts No reconciliation of participant accounts to total assets
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties IQPA did not adequately and accurately identify accounting and reporting with parties in interest
					Compliance with ERISA & DOL Rules	Required schedules not attached/prepared
41	No	7	Limited	DC 401(k)	Internal Controls	No evidence of SOC1 report review reliance No documentation of an assessment of user controls
					Notes Receivable	No/inadequate testing of compliance with plan document No review of supporting loan documents No listing of outstanding loans
					Benefit Payments	No work performed Total per financial statements was not reconciled to total per the trust report
					Participant Data & Participant Accounts	No reconciliation of participant accounts to total assets No evidence of testing of allocation of investment income to participant accounts
					Subsequent Events	No review of interim financial data
					Minor Item(s): Parties in Interest/Prohibited Transactions Plan Tax Status	No documentation of parties in interest/related parties No tax determination letter obtained
42	No	7	Limited	DC	Planning & Supervision	No/inadequate procedures on initial/beginning balances No audit work on opening balances of participant accounts No/insufficient review of plan documents/operation

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Minor Item(s): Internal Controls	No evidence of SOC1 report review reliance No identification of initial audit engagement risks No evidence of review of SOC1 report user controls IQPA did not address internal controls over participant accounts from plan inception thru 12/31/2010
					Investments & Investment Transactions	No documentation of any audit procedures on opening investment balances for initial plan audit
					Notes Receivable	No/inadequate testing of compliance with plan document
					Contributions Received & Receivable	No test of timely remittance of employee contributions Inadequate testing of use of forfeitures Unclear how employer & employee contributions were tested Unclear how census data was tested for proper inclusion/exclusion Unclear how forfeiture amount and disposition tested
					Benefit Payments	Inadequate evidence regarding amount or propriety of approval for payment Unclear how benefit was recalculated for accuracy, how vesting was tested or how forfeitures were tested
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inappropriate reliance on SOC1 report Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options No evidence of testing opening participant balances from plan inception to 12/31/2010
43	No	7	Limited	DC 401(k)	Planning & Supervision	No/insufficient review of plan documents/plan operations
					Internal Controls	No evidence of SOC1 report review reliance
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions
					Benefit Payments	No recalculation of benefit payments No/inadequate work regarding eligibility No/inadequate work regarding validity of claims

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of eligibility/terminations/forfeitures Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Compliance with ERISA & DOL Rules	Filing contained Schedules A for welfare benefits but there was no evidence of review to determine whether a separate filing should be made for a welfare plan
					Minor Item(s): Parties in Interest/Prohibited Transactions	Inadequate work
44	No	6	Limited	DC 401(k)	Participant Data & Participant Accounts	No/insufficient testing of payroll data No testing of compliance with compensation provisions Inadequate testing of participant investment options
					Compliance with ERISA & DOL Rules	Delinquent employee contributions were not reported/disclosed
					Minor Item(s): Internal Controls	No review of internal control of service providers Control risk assessed at moderate/low with no supporting documentation
					Contributions Received & Receivable	Documentation issues make it unclear as to whether proper compensation was used & whether employee contributions were recalculated IQPA concluded timely remittance when evidence supports they were untimely
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No testing to determine receipt of payment
					Parties in Interest/Prohibited Transactions	No disclosure of prohibited transactions in notes to the financial statements No/inadequate documentation of effect of party in interest/prohibited transactions on financial statements
45	No	6	Limited	DC	Internal Controls	No review of internal control of service providers

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No recalculation of benefit payments
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Compliance with GAAS & GAAP	Inadequate footnote disclosures
					Minor Item(s): Subsequent Events	No review of interim financial data
46	No	6	Limited	DC 401(k)	Internal Controls	No/inadequate documentation of internal control environment No/Inadequate assessment of control risk Lack of documentation of risk assessment procedures No/inadequate evidence of fraud "brainstorming"
					Notes Receivable	No/inadequate testing of compliance with plan document
					Contributions Received & Receivable	No test of timely remittance of employee contributions
					Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts
					Parties in Interest/Prohibited Transactions	No work performed
					Plan Tax Status	No tax determination letter obtained
47	Yes	5	Limited	DC 401(k)	Planning & Supervision	No/insufficient review of plan documents/plan operations No evidence off required communications (114/115) No evidence of determination of audit materiality
					Internal Controls	No documentation of evaluation of internal control Lack of documentation of risk assessment procedures IQPA did not obtain and review SOC1 report covering 6 months of the plan year

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Participant Data & Participant Accounts	No/insufficient testing of payroll data
					Parties in Interest/Prohibited Transactions	Inadequate work
					Subsequent Events	No review of interim financial data
48	No	5	Limited	DC 401(k)	Planning & Supervision	No/inadequate procedures on initial/beginning balances
					Internal Controls	No/inadequate documentation of internal control environment
					Minor Item(s): Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	Incomplete list of parties in interest
					Compliance with GAAS & GAAP	Inadequate footnote disclosures Interest income from participant loans not segregated from investment income 5% investment disclosure incorrectly includes participant loans
49	No	5	Limited	DC 401(k)	Notes Receivable	No/inadequate testing of compliance with plan document
					Parties in Interest/Prohibited Transactions	Inadequate work No documentation of parties in interest/related parties No documentation of results of inquiries with management
					Administrative Expenses	No work performed
					Compliance with GAAS & GAAP	No/lack of ASC 820 fair value measurement disclosures Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	No/inadequate footnote disclosures IQPA unable to explain $21,530 in deemed distribution loans, principal and interest

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
50	No	5	Limited	DC 401(k)	Planning & Supervision	No/insufficient review of plan documents/plan operations Inadequate supervision, governance communications, preliminary analytical review and risk assessments
					Contributions Received & Receivable	Inadequate testing of participant deferrals Inadequate documentation related to late remittances
					Minor Item(s): Internal Controls	No/inadequate documentation of internal control environment Inadequate documentation of sponsor payroll system Inappropriate communication that no significant deficiencies were identified
					Notes Receivable	Inappropriately presented as investments
					Participant Data & Participant Accounts	Lack of documentation of census and demographic information
51	No	5	Limited	DC 401(k)	Benefit Payments	No tracing of benefit payment to participant's account
					Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed
					Commitments & Contingencies	No documentation of results of inquiries with management
					Administrative Expenses	No work performed
52	No	5	Limited	DC 401(k)	Participant Data & Participant Accounts	No/inadequate testing of change in service provider Inadequate testing of eligibility/terminations/forfeitures Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Subsequent Events	No review of interim financial data
					Minor Item(s): Plan Tax Status	No evidence IRS tax compliance tests were reviewed
					Compliance with GAAS & GAAP	Inadequate footnote disclosures

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Compliance with ERISA & DOL Rules	Required schedules not attached/prepared Missing schedule of reportable transactions Inaccurate footnote wording Schedule of assets does not identify parties in interest
53	No	5	Full	DC 401(k)	Investments & Investment Transactions	No testing of investment transactions No testing of investment income
					Parties in Interest/Prohibited Transactions	No work performed Incomplete list of parties in interest
					Minor Item(s): Internal Controls	No/inadequate evidence of fraud "brainstorming"
					Participant Data & Participant Accounts	Inappropriate reliance on SOC1 report Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed
54	No	4	Limited	DC 401(k)	Investments & Investment Transactions	Unsigned certification
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Compliance with ERISA & DOL Rules	Schedule H, Line 3, audit opinion type not properly completed
					Minor Item(s): Compliance with GAAS & GAAP	Limited scope audit disclosure incorrectly includes contributions and benefit payments
55	No	4	Limited	DC 401(k)	Planning & Supervision	No/lack of lack of evidence of audit planning No/inadequate assessment of risk No/inadequate review of plan documents/operations No evidence of required communications (114/115)
					Internal Controls	No evidence of work performed No/inadequate evidence of fraud "brainstorming" No/inadequate documentation of internal control environment No assessment/documentation of control risk

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Plan Tax Status	No work performed
					Administrative Expenses	No work performed
56	No	4	Limited	DC 401(k)	Planning & Supervision	No engagement letter
					Parties in Interest/Prohibited Transactions	No work performed
					Compliance with GAAS & GAAP	Audit report did not contain the "independent" title
					Compliance with ERISA & DOL Rules	Unsigned IQPA report
57	No	4	Limited	DC	Internal Controls	No/inadequate evidence of fraud " brainstorming"
					Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options No reconciliation of participant accounts to total assets
					Compliance with GAAS & GAAP	No/lack of ASC 820 fair value measurement disclosures Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	Unsigned IQPA report Limited scope audit incorrectly applied
58	Yes	4	Limited	DC	Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No recalculation of benefit payments
					Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts
					Parties in Interest/Prohibited Transactions	Inadequate work
					Administrative Expenses	Inadequate work

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
59	No	3	Limited	DC	Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions No testing of compliance with compensation provisions
					Participant Data & Participant Accounts	No testing of compliance with compensation provisions Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options No reconciliation of participant accounts to total assets
					Minor Item(s): Plan Tax Status	No evidence IRS tax compliance tests were reviewed
60	Yes	3	Limited	DC 401(k)	Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts No reconciliation of participant accounts to total assets
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosures
					Minor Item(s): Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties
61	No	3	Limited	DC	Parties in Interest/Prohibited Transactions	No work performed
					Commitments & Contingencies	No work performed
					Subsequent Events	No work performed
62	No	3	Limited	DC	Investments & Investment Transactions	Audit workpapers did not contain the certification Certification obtained was dated 3/21/14, subsequent to audit report date of 10/5/12
					Minor Item(s): Contributions Received & Receivable Participant Data & Participant Accounts	No recalculation of employer and/or employee contributions No/insufficient testing of payroll data Inappropriate reliance on SOC1 report Inadequate testing of allocations to participant accounts

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
63	No	3	Limited	DC 401(k)	Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of eligibility/terminations/forfeitures Inadequate testing of allocations to participant accounts
					Minor Item(s): Internal Controls	No evidence of SOC1 report review reliance
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed
64	No	3	Full	DC	Contributions Received & Receivable	No test of timely remittance of employee contributions
					Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts
					Administrative Expenses	No work performed
65	No	3	Limited	DC 401(k)	Participant Data & Participant Accounts	No work performed
					Parties in Interest/Prohibited Transactions	No work performed
					Minor Item(s): Contributions Received & Receivable	Failure to document the reason for no contributions being made
66	No	3	Limited	DC 401(k)	Compliance with ERISA & DOL Rules	Unsigned IQPA report
					Minor Item(s): Participant Data & Participant Accounts	Inadequate documentation of testing individual account income postings
					Compliance with GAAS & GAAP	Supplemental schedules not referenced in paragraphs 1 and 3 of audit report
67	No	2	Limited	DC 401(k)	Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts
					Minor Item(s): Compliance with GAAS & GAAP	Inadequate footnote disclosures

1-2 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
68	Yes	2	Full	DB	Investments & Investment Transactions	IPG contract excluded from plan's financial statements No accounting analysis supporting conclusion for excluding IPG contract from financial statement reporting No copy of IPG contract in file
					Compliance with GAAS & GAAP	IPG contract of $4.5M excluded from the financial statements Lack of consideration of report modification for significant uncertainty for rehabilitation plan to avoid insolvency Inadequate footnote disclosures
69	No	2	Limited	DC	Investments & Investment Transactions	Audit workpapers did not contain the certification
					Participant Data & Participant Accounts	No/insufficient testing of payroll data
70	No	2	Limited	DC	Internal Controls	No assessment/documentation of control risk No/inadequate evidence of fraud "brainstorming" No/inadequate documentation of internal control environment Lack of documentation of risk assessment procedures
					Investments & Investment Transactions	Audit workpapers did not contain the certification
71	No	1	Limited	DC 401(k)	Investments & Investment Transactions	Unsigned certification
72	No	1	Limited	DC	Compliance with GAAS & GAAP	Inadequate footnote disclosures Incomplete schedule of assets

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
1	No	15	Full	DC 401(k)	Planning & Supervision	No/insufficient review of plan documents/plan operations No evidence of required communications (114/115) No evidence of preliminary analytics Partner sign-off date was 3 days after audit report date
					Investments & Investment Transactions	No work performed
					Contributions Received & Receivable	No test of timely remittance of employee contributions No testing of compliance with compensation provisions Inadequate testing of use of forfeitures
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No recalculation of benefit payments No/inadequate work regarding forfeitures
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of participant eligibility/terminations/forfeitures Inadequate testing of allocations to participant accounts No reconciliation of participant accounts to total assets
					Parties in Interest/Prohibited Transactions	Inadequate work
					Administrative Expenses	No work performed
					Subsequent Events	Inadequate documentation - unable to determine accounting records or data reviewed, with whom inquiries were made, and result of such inquiries
					Compliance with GAAS & GAAP	Inadequate footnote disclosures Audit report did not refer to supplemental information
					Compliance with ERISA & DOL Rules	Incomplete audit report attached to Form 5500 Schedule of assets did not indicate parties in interest
					Minor Item(s): Internal Controls	No/inadequate documentation of internal control environment Lack of documentation of risk assessment procedures No/inadequate evidence of fraud "brainstorming"

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Notes Receivable	Inadequate testing of existence No participant confirmations No evidence of examination of promissory notes No test of interest income
					Plan Tax Status	Tax compliance testing was for 2010, not 2011, and impact was not posted nor accumulated in the summary of uncorrected misstatements
					Commitments & Contingencies	Inadequate work
					Plan Representations	Inappropriate representation letter date Representations not appropriately tailored to plan
2	No	13	Limited	DC 401(k)	Planning & Supervision	No/lack of lack of evidence of audit planning No evidence of required communications (114/115)
					Internal Controls	No assessment/documentation of control risk Lack of documentation of risk assessment procedures
					Investments & Investment Transactions	Improper reference to and reliance on certifying entity
					Notes Receivable	No work performed No/inadequate testing of compliance with plan document
					Contributions Received & Receivable	No work performed
					Benefit Payments	No work performed
					Participant Data & Participant Accounts	No work performed
					Parties in Interest/Prohibited Transactions	No work performed
					Plan Tax Status	Inadequate work No evidence IRS tax compliance tests were reviewed
					Administrative Expenses	No work performed
					Subsequent Events	No work performed

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inappropriate presentation of participant loans No adjustment from fair value to contract value for fully-benefit responsive contract
					Compliance with ERISA & DOL Rules	Inappropriate reference to certifying entity Incomplete schedule of assets
3	No	13	Full	Health	Planning & Supervision	No/insufficient review of plan documents/plan operations No evidence of required communications (114/115) Insufficient analytical procedures
					Investments & Investment Transactions	Insufficient work performed
					Contributions Received & Receivable	IQPA did not identify inconsistency in COBRA contributions IQPA did not determine if reinsurance receivable was complete
					Benefit Payments	Inappropriate reliance on SOC1 report No/inadequate work regarding validity of claims IQPA did not identify inconsistency in COBRA contributions and the lack of reporting of dental and vision claims
					Subsequent Events	Inadequate work
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Report not modified for lack of ERISA schedules
					Compliance with ERISA & DOL Rules	Report is not for the plan
					Minor Item(s): Participant Data	Inadequate testing of participant eligibility/terminations/forfeitures Inadequate resolution and conclusion on errors noted
					Plan Obligations	No/inadequate testing of IBNR
					Parties in Interest/Prohibited Transactions	No disclosure of prohibited transactions in notes to financial statements Inadequate documentation regarding large claims for a related party to support conclusion
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed
					Administrative Expenses	Inadequate work

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Plan Representations	Representations not appropriately tailored to plan
4	No	13	Limited	DC 401(k)	Planning & Supervision	No/lack of lack of evidence of audit planning No/insufficient review of plan documents/plan operations No evidence of required communications (114/115) Inadequate supervision/untimely partner review
					Internal Controls	No/inadequate documentation of internal control environment No evidence of SOC1 report review reliance No/inadequate evidence of fraud" brainstorming" Lack of documentation of risk assessment procedures
					Investments & Investment Transactions	Unexplained variance in certified participant loan total
					Notes Receivable	No evidence of work performed No/inadequate testing of compliance with plan document
					Contributions Received & Receivable	No test of timely remittance of employee contributions No testing of compliance with compensation provisions Inadequate reconciliation of contributions received and receivable Inadequate resolution of variance in deferral percentages and participant elections
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No recalculation of benefit payments No/inadequate testing of hardship/in-service payments
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of participant eligibility/terminations/forfeitures Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options No reconciliation of participant accounts to total assets

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Parties in Interest/Prohibited Transactions	Inadequate work No documentation of results of inquiries with management
					Plan Tax Status	Incorrect tax determination letter Plan document is outdated Footnotes did not match plan document Footnotes did not address tax uncertainties
					Commitments & Contingencies	Inadequate work
					Subsequent Events	Inadequate work No review of interim financial data
					Compliance with GAAS & GAAP	Inadequate footnote disclosures Delinquent employee contributions not reported/disclosed
					Compliance with ERISA & DOL Rules	No/inadequate footnote disclosures Delinquent employee contributions not reported/disclosed
5	No	13	Limited	DC 401(k)	Internal Controls	No documentation of evaluation of internal control No/inadequate evidence of fraud "brainstorming" No review of internal control of service provider(s)
					Investments & Investment Transactions	Audit workpapers did not contain the certification Inadequate testing of change in service provider No comparison/reconciliation of certified income to amount reported on financial statements
					Contributions Received & Receivable	No testing of compliance with compensation provisions Inadequate testing of timely remittance of employee contributions Inadequate testing of employer contributions which appear to have not been made in accordance with the plan document
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No recalculation of benefit payments Inadequate work regarding participant receipt
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of participant eligibility/ terminations/forfeitures Inadequate testing of allocations to participant accounts No reconciliation of participant accounts to total assets

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Plan Tax Status	IRS determination letter was not reviewed or which was for the correct plan Inconsistent documentation regarding compliance tests No documentation of results of inquiries with management
					Commitments & Contingencies	No documentation of results of inquiries with management
					Subsequent Events	Inadequate work Insufficient documentation of inquiries and procedures performed
					Compliance with ERISA & DOL Rules	Delinquent employee contributions not reported/disclosed Required schedules not attached/prepared Some assets on Schedule of Assets did not indicate parties in interest
					Minor Item(s): Planning & Supervision	No/insufficient audit program Ineffective analytics did not identify potential misstatements Partner signoffs after audit report date
					Parties in Interest/Prohibited Transactions	No documentation of results of inquiries with management
					Administrative Expenses	Inadequate work
					Compliance with GAAS & GAAP	Inadequate footnote disclosures Report not modified for lack of ERISA schedules
6	Yes	12	Full	DB	Planning & Supervision	No/insufficient review of plan documents/operation No evidence of IQPA consideration of plan termination in planning audit procedures for a liquidation basis for investments and accumulated plan benefit obligations
					Internal Controls	IQPA did not identify audit risks related to a liquidation basis for non-marketable investments, accumulated plan benefit obligations, nor benefit payments subsequent to plan termination
					Investments & Investment Transactions	No verification of existence of investments, IQPA relied on SOC1 report IQPA did not address liquidation basis for non-marketable securities and insurance contracts
					Contributions Received & Receivable	No evaluation of any required employer contribution receivable that might result from any unfunded accumulated benefit obligation resulting from plan termination
					Benefit Payments	No recalculation of benefit payments

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Participant Data	IQPA did not obtain or evaluate any census data based on the premise that an actuarial report did not need to be obtained for a terminated plan
					Plan Obligations	No liquidation basis actuarial report obtained for the terminated plan
					Parties in Interest/Prohibited Transactions	No work performed
					Plan Mergers & Terminations	No liquidation basis actuarial report obtained No evaluation of potential employer contribution on liquidation basis No audit procedures performed on plan liquidation occurring during the subsequent events time period
					Subsequent Events	IQPA did not obtain evidence of complete liquidation of the plan by 7/25/12
					Plan Representations	No evaluation of numerous representations that were inconsistent with information known by the auditor
					Compliance with GAAS & GAAP	Audit workpapers did not document sufficient appropriate audit evidence to support the unqualified opinion
7	No	12	Limited	DC	Planning & Supervision	No/lack of evidence of audit planning No/insufficient audit program No/inadequate procedures on initial/beginning balances
					Internal Controls	No/inadequate documentation of internal control environment No review of internal control of service provider(s)
					Investments & Investment Transactions	Audit workpapers did not contain the certification Certification was not consistent with the plan reporting period
					Notes Receivable	No work performed
					Contributions Received & Receivable	No work performed
					Benefit Payments	No work performed
					Participant Data & Participant Accounts	No testing of compliance with compensation provisions Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options No reconciliation of participant accounts to total assets

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties Inadequate work
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed No tax determination letter obtained
					Commitments & Contingencies	Inadequate work
					Administrative Expenses	No work performed
					Subsequent Events	No work performed
8	No	11	Limited	DC 403b	Internal Controls	Lack of documentation of risk assessment procedures No evidence of SOC1 report review reliance
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of rollovers for compliance with plan document
					Benefit Payments	No testing of approvals, proper payee, proper distribution amount, proper payment to proper payee, and rollovers for compliance with plan document
					Participant Data & Participant Accounts	No testing of compliance with compensation provisions Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options No reconciliation of participant accounts to total assets
					Parties in Interest/Prohibited Transactions	No work performed No documentation of parties in interest/related parties
					Plan Tax Status	No work performed
					Commitments & Contingencies	No work performed
					Subsequent Events	No work performed
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosure for investments Improper reporting in auditor's report of benefit responsive and non-benefit-responsive contracts

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Minor Item(s): Planning & Supervision	No/lack of evidence of audit planning No/insufficient review of plan documents/operations No preliminary analytics with expectations documented
					Compliance with ERISA & DOL Rules	Unsigned IQPA report
9	No	11	Full	DC	Planning & Supervision	No/insufficient review of plan documents/operations No evidence of required communications (114/115)
					Internal Controls	No/inadequate documentation of internal control environment No/inadequate evidence of fraud "brainstorming"
					Investments & Investment Transactions	Insufficient work performed No testing of investment transactions No testing of investment income
					Notes Receivable	No/inadequate testing of compliance with plan document
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions No testing of compliance with compensation provisions No schedule of contributions received & receivable
					Participant Data & Participant Accounts	Inadequate testing of participant eligibility/terminations/forfeitures No/insufficient testing of payroll data Inadequate testing of allocations to participant accounts No reconciliation of participant accounts to total assets
					Parties in Interest/Prohibited Transactions	No work performed
					Commitments & Contingencies	No work performed
					Administrative Expenses	No work performed
					Subsequent Events	No work performed
					Plan Representations	Representations not appropriately tailored to plan Inadequate representations
10	No	11	Full	Health	Planning & Supervision	No/lack of evidence of audit planning No/insufficient review of plan documents/operations

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
						No/inadequate assessment of fraud risk No evidence of required communications (114/115) No evidence of review of workpapers
					Internal Controls	No/inadequate documentation of internal control environment No assessment/documentation of control risk Lack of documentation of risk assessment procedures No/inadequate evidence of fraud inquiries No SOC1 report review, reliance, or test of user controls
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions No testing of compliance with compensation provisions No consideration of plan funding status
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No/inadequate work regarding validity of claims No recalculation of benefit payments
					Participant Data	No testing for inclusiveness No testing of health coverage plan selected for compliance with participant election
					Plan Obligations	No/inadequate testing of IBNR No testing of insurance premiums paid
					Parties in Interest/Prohibited Transactions	No work performed No documentation of parties in interest/related parties
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed No work performed other than obtaining an IRS determination letter
					Administrative Expenses	No work performed
					Compliance with GAAS & GAAP Compliance with ERISA & DOL Rules	No/lack of ASC 820 fair value measurement disclosures Inadequate footnote disclosures Required schedules not attached/prepared

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
11	Yes	11	Limited	DC	Planning & Supervision	No evidence of required communications (114/115) No evidence of planning analytics
					Internal Controls	Lack of documentation of risk assessment procedures No SOC1 report bridge letter
					Notes Receivable	No/inadequate testing of compliance with plan document
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No testing of compliance with compensation provisions Inadequate testing of use of forfeitures
					Benefit Payments	No evidence of the performance of substantive audit procedures
					Participant Data & Participant Accounts	Inadequate work performed, most standard participant data substantive audit procedures not performed
					Parties in Interest/Prohibited Transactions	No documentation of results of inquiries with management
					Plan Tax Status	No tax determination letter obtained
					Subsequent Events	No documentation of results of inquiries with management No review of interim financial data
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	Limited scope audit incorrectly applied Net income per Form 5500 does not agree to financial statements
12	No	11	Limited	DC 401(k)	Planning & Supervision	No evidence of required communications (114/115) Inadequate supervision, partner review completed after report date
					Internal Controls	No/inadequate documentation of internal control environment Inadequate documentation of risk assessment No/inadequate evidence of fraud "brainstorming" No/inadequate evidence of fraud inquiries Fraud brainstorming and inquiries made after audit report date

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Contributions Received & Receivable	Inadequate testing of recalculation of employee deferrals Inadequate testing of use of forfeitures No testing of compliance with compensation provisions Non-receipt of employer contribution for 1 sample selection Inadequate testing of rollovers Inadequate sample size
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of participant eligibility/terminations/forfeitures Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	No documentation of results of inquiries with management Inadequate work
					Commitments & Contingencies	No work performed
					Subsequent Events	No work performed
					Plan Representations	Inappropriate representation letter date Representation letter was not on letterhead of the plan or plan sponsor and signer only identified as "office manager" who is also the signer as plan administrator on the Form 5500
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inappropriate report date Not all investments were presented in the fair value measurement disclosure Investment amount on financial statements not consistent with footnote disclosures
					Minor Item(s): Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No evidence of testing of receipt of payment
					Compliance with GAAS & GAAP	Required schedules not attached/prepared

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
13	No	11	Limited	DC 401(k)	Planning & Supervision	No/insufficient review of plan documents/operations No evidence of required communications (114/115) No analytics
					Internal Controls	No/inadequate documentation of internal control environment No assessment/documentation of control risk No/inadequate evidence of fraud "brainstorming" No/inadequate evidence of fraud inquiries
					Contributions Received & Receivable	No test of timely remittance of employee contributions Inadequate testing of use of forfeitures No contribution listing No agreement of contributions per plan sponsor to trust statements
					Benefit Payments	No work performed
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options No reconciliation of participant accounts to total assets
					Parties in Interest/Prohibited Transactions	No documentation of results of inquiries with management
					Plan Tax Status	Plan failed ADP & ACP discrimination testing which required $48,257 in corrective distributions - no evidence of work performed
					Commitments & Contingencies	No documentation of results of inquiries with management
					Administrative Expenses	No work performed
					Subsequent Events	No documentation of results of inquiries with management No review of interim financial data
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosures

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
14	No	10	Limited	DC 403b	Planning & Supervision	No/insufficient review of plan documents/operations No evidence of required communications (114/115) No preliminary analytics No evidence of planning related to testing of mid-year change in trustee/recordkeeper
					Internal Controls	No documentation of evaluation of internal control No assessment/documentation of control risk No/inadequate evidence of fraud inquiries No evidence of SOC1 report review reliance IQPA did not identify and document all significant audit areas
					Contributions Received & Receivable	No testing of rollover contributions (13% of total assets)
					Benefit Payments	No work performed Inappropriate reliance on SOC1 report
					Participant Data & Participant Accounts	No/insufficient testing of payroll data No testing of compliance with compensation provisions Inadequate testing of participant eligibility/terminations/forfeitures Inadequate testing of allocations to participant accounts No testing of participant accounts at time of change in trustee/third party recordkeeper No reconciliation of participant accounts to total assets
					Parties in Interest/Prohibited Transactions	Inadequate work No documentation of parties in interest/related parties
					Administrative Expenses	No work performed
					Subsequent Events	No work performed
					Compliance with GAAS & GAAP	Inadequate footnote disclosures No ASC 820 fair value measurement disclosure Delinquent employee contributions not reported/disclosed
					Compliance with ERISA & DOL Rules	Form 5500 financial information did not agree with auditor's report

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
15	No	10	Limited	DC 403b	Planning & Supervision	No/lack of lack of evidence of audit planning No/insufficient review of plan documents/operations No preliminary analytics with developed expectations
					Internal Controls	No assessment/documentation of control risk No identification of significant audit areas
					Notes Receivable	No/inadequate testing of compliance with plan document
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No testing of compliance with compensation provisions No testing of rollovers for compliance with plan document
					Benefit Payments	No work performed
					Participant Data & Participant Accounts	No/insufficient testing of payroll data No testing of compliance with compensation provisions Inadequate testing of change in service provider Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	No work performed No documentation of parties in interest/related parties
					Commitments & Contingencies	No work performed
					Administrative Expenses	No work performed
					Subsequent Events	No work performed
16	No	10	Limited	DC 401(k)	Planning & Supervision	No/insufficient review of plan document/plan operations No evidence of required communications (114/115) No preliminary analytical review procedures Partner review over a month after audit report date
					Contributions Received & Receivable	No test of timely remittance of employee contributions IQPA did not identify and conclude on effects of errors in contributions

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Participant Data & Participant Accounts	Inadequate testing of participant eligibility/terminations/forfeitures Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	No/inadequate evidence of consideration of effect of prohibited transactions/party in interest transactions on financial statements No documentation of results of inquiries with management
					Commitments & Contingencies	No work performed
					Subsequent Events	No work performed
					Minor Item(s): Internal Controls	Lack of documentation of risk assessment procedures Inadequate documentation of SOC1 report
					Administrative Expenses	Inadequate work
					Compliance with GAAS & GAAP	Delinquent employee contributions not reported/disclosed
					Compliance with ERISA & DOL Rules	Delinquent employee contributions not reported/disclosed
17	No	9	Limited	DC 401(k)	Planning & Supervision	No/lack of lack of evidence of audit planning No/insufficient review of plan documents/operations
					Internal Controls	No review of internal control of service providers
					Investments & Investment Transactions	Certification not consistent with plan reporting period No/inadequate testing of change in service provider
					Notes Receivable	No/inadequate testing of compliance with plan document No testing of delinquent loans No testing of transfer to another custodian
					Contributions Received & Receivable	Total contributions per custodian not tied to payroll records Inadequate testing of forfeitures
					Benefit Payments	No work performed

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Participant Data & Participant Accounts	No/inadequate testing of change in service provider Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options No reconciliation of participant accounts to total assets
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Report not modified for lack of ERISA schedules
					Compliance with ERISA & DOL Rules	Required schedules not attached/prepared
18	Yes	9	Limited	DC 401(k)	Planning & Supervision	No/insufficient review of plan documents/plan operations No materiality determination No preliminary analytics
					Internal Controls	No/inadequate documentation of internal control environment No/inadequate evidence of fraud inquiries
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions
					Participant Data & Participant Accounts	Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	No work performed
					Plan Tax Status	No work performed
					Commitments & Contingencies	No work performed
					Administrative Expenses	No work performed
					Plan Representations	Unsigned plan representation letter Inadequate representations, approximately 10 total representations
19	Yes	9	Limited	DC 401(k)	Planning & Supervision	No/lack of evidence of audit planning Improper performance of limited scope audit
					Internal Controls	No documentation of evaluation of internal control No assessment/documentation of control risk No/inadequate evidence of fraud "brainstorming" No evidence of SOC1 report review reliance

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Notes Receivable	No work performed
					Contributions Received & Receivable	No test of timely remittance of employee contributions Inadequate testing of use of forfeitures Inappropriate reliance on SOC1 report
					Benefit Payments	No work performed
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of eligibility/terminations/forfeitures Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties
					Plan Tax Status	Inadequate work No evidence IRS tax compliance tests were reviewed
					Subsequent Events	No work performed
20	No	9	Limited	DC 401(k)	Planning & Supervision	No evidence of required communications (114/115) No documentation of determination of materiality levels
					Contributions Received & Receivable	No test of timely remittance of employee contributions No verification of subsequent receipt of contributions receivable
					Benefit Payments	No tracing/comparison of benefit payment with participant's account
					Participant Data & Participant Accounts	No testing of whether newly eligible employees were included in the plan
					Plan Tax Status	No work performed
					Administrative Expenses	No work performed
					Commitments & Contingencies	No work performed
					Subsequent Events	No work performed
					Minor Item(s): Notes Receivable	No/inadequate testing of compliance with plan document

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
21	No	9	Limited	DC	Planning & Supervision	No documentation of current developments and analytics
					Internal Controls	No/inadequate documentation of internal control environment No assessment/documentation of control risk No evidence of SOC1 Report review reliance No/lack of documentation of risk assessment procedures
					Contributions Received & Receivable	No test of timely remittance of employee contributions No testing of the posting of contributions per employer records to employee records
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	No work performed
					Plan Tax Status	No work performed
					Commitments & Contingencies	No work performed
					Subsequent Events	No work performed
					Compliance with GAAS & GAAP	Inadequate footnote disclosures
22	No	9	Full	DC 401(k)	Internal Controls	No/inadequate documentation of internal control environment No assessment/documentation of control risk No documentation of an understanding & operation of the 5 elements of internal control
					Investments & Investment Transaction	No testing of investment income
					Notes Receivable	No/inadequate testing of compliance with plan document No testing of loan documents No testing of loan interest

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No recalculation of benefit payments No tracing/comparison of benefit payment with participant's account
					Parties in Interest/Prohibited Transactions	No work performed
					Plan Tax Status	No work performed
					Commitments & Contingencies	No work performed
					Subsequent Events	No work performed
					Minor Item(s): Administrative Expenses	Although classified as immaterial, no other work performed
23	No	9	Full	DC	Internal Controls	No/inadequate documentation of internal control environment No assessment/documentation of control risk
					Investments & Investment Transactions	No testing of end of year asset values No testing of investment transactions No testing of investment income No documentation of work performed related to cash accounts
					Contributions Received & Receivable	Insufficient work performed of contributing employers (multi-employer plans) No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions Inadequate testing of use of forfeitures
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No recalculation of benefit payments No/inadequate work regarding forfeitures No tracing of payments to individual participant accounts No evidence of tests of participant receipt
					Participant Data & Participant Accounts	No work performed
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties No audit program for this area of audit

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed No audit program for this area of audit
					Commitments & Contingencies	No documentation of results of inquiries with management No audit program for this area of audit
					Subsequent Events	No work performed No audit program for this area of audit
24	No	8	Limited	DC 401(k)	Planning & Supervision	No evidence of required communications (114/115) Incorrect engagement letter Partner did not participate in team "brainstorming" discussion
					Internal Controls	Lack of documentation of risk assessment procedures No evidence of SOC1 report review reliance No/inadequate evidence of fraud "brainstorming"
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No testing of compliance with compensation provisions
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No/inadequate work regarding validity of claims No/inadequate testing of hardship/in-service payments
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of eligibility/terminations/forfeitures Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties No documentation of results of inquiries with management
					Plan Representations	Inadequate representations Representations not appropriately tailored to plan
					Compliance with GAAS & GAAP	Inadequate footnote disclosures

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
25	No	7	Limited	DC 401(k)	Internal Controls	No/inadequate documentation of internal control environment No/inadequate evidence of fraud inquiries
					Contributions Received & Receivable	No testing of compliance with compensation provisions Inadequate testing of use of forfeitures Inadequate follow up and conclusion on variances IQPA did not recognize untimely contributions
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of allocations to participant accounts No reconciliation of participant accounts to total assets
					Parties in Interest/Prohibited Transactions	No/inadequate evidence of consideration of effect of prohibited transactions/parties in interest on financial statements
					Compliance with ERISA & DOL Rules	Delinquent employee contributions not reported/disclosed
					Minor Item(s): Notes Receivable	No/inadequate testing of compliance with plan document No evidence of determination of delinquent loans that should be reported as deemed distributions
					Compliance with GAAS & GAAP	Delinquent employee contributions not reported/disclosed Inadequate footnote disclosures
26	No	7	Limited	DC 401(k)	Internal Controls	No/inadequate documentation of internal control environment No/inadequate evidence of fraud inquiries
					Contributions Received & Receivable	No testing of compliance with compensation provisions Inadequate testing of use of forfeitures Inadequate follow up and conclusion on variances IQPA did not recognize untimely contributions
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of allocations to participant accounts No reconciliation of participant accounts to total assets

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Parties in Interest/Prohibited Transactions	No/inadequate evidence of consideration of effect of prohibited transactions/parties in interest on financial statements
					Compliance with ERISA & DOL Rules	Delinquent employee contributions not reported/disclosed
					Minor Item(s): Notes Receivable	No/inadequate testing of compliance with plan document No evidence of determination of delinquent loans that should be reported as deemed distributions
					Compliance with GAAS & GAAP	Delinquent employee contributions not reported/disclosed Inadequate footnote disclosures
27	Yes	6	Limited	DC 403b	Internal Controls	No review of internal control of service providers Unclear documentation of low & moderate inherent control risk was determined based on errors in prior years in contributions
					Notes Receivable	No/inadequate testing of compliance with plan document No testing for determination of delinquent loans that should be reported as deemed distributions
					Contributions Received & Receivable	No testing of rollover contributions which were over the materiality threshold
					Investments & Investment Transactions	Certified investment income does not tie to the financial statements and there was no documentation of a reconciliation of the variance
					Minor Item(s): Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties Audit program steps marked "n/a" with no explanation of why
28	No	6	Limited	DC 401(k)	Compliance with ERISA & DOL Rules	Reference made to incorrect, non-qualifying, certifying entity in audit opinion
					Minor Item(s): Contributions Received & Receivable	No audit evidence of testing of rollover contributions
					Participant Data & Participant Accounts	Inappropriate reliance on SOC1 report Inadequate testing of allocations to participant accounts

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Parties in Interest/Prohibited Transactions	No documentation of results of inquiries with management
					Commitments & Contingencies	No documentation of results of inquiries with management
					Subsequent Events	No documentation of results of inquiries with management
29	Yes	6	Limited	DC 401(k)	Internal Controls	No evidence of SOC1 report review reliance
					Participant Data & Participant Accounts	Failure to test compliance with plan compensation provisions Inappropriate reliance of SOC1 report Inadequate testing of allocations to participant accounts No reconciliation of participant accounts to total assets Inadequate testing of employee authorizations for deferral amounts & investment elections
					Parties in Interest/Prohibited Transactions	No work performed No documentation of parties in interest/related parties
					Subsequent Events	No work performed
					Minor Item(s): Contributions Received & Receivable	No testing of rollovers for compliance with plan document
					Administrative Expenses	Inadequate work
30	No	5	Limited	DC 401(k)	Benefit Payments	No work performed
					Participant Data & Participant Accounts	Inadequate testing of eligibility/terminations/forfeitures Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	No work performed
					Administrative Expenses	No work performed
					Compliance with GAAS & GAAP	No/lack of ASC 820 fair value measurement disclosures

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
31	No	5	Limited	DC	Internal Controls	No/inadequate documentation of internal control environment No bridge letter obtained for financial statement period not covered by the SOC1 report
					Minor Item(s): Parties in Interest/Prohibited Transactions	Incomplete list of parties in interest
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed
					Commitments & Contingencies	No documentation of results of inquiries with management
					Subsequent Events	No documentation of results of inquiries with management
32	No	5	Limited	DC 401(k)	Internal Controls	No/inadequate documentation of internal control environment No/inadequate evidence of fraud "brainstorming"
					Contributions Received & Receivable	No testing of rollover contributions which were nearly 4.5 times the materiality threshold
					Participant Data & Participant Accounts	No testing of compliance with compensation provisions
					Minor Item(s): Planning & Supervision	No/insufficient review of plan documents/plan operations Inadequate evidence of timely partner review of workpapers and audit issues
					Administrative Expenses	Inadequate work
33	No	5	Limited	DC	Compliance with ERISA & DOL Rules	Total investments per schedule of assets did not reconcile to total assets per financial statements
					Minor Item(s): Contributions Received & Receivable	Audit workpapers did not include a copy of the executed plan amendment in support of the suspension of the employer safe harbor matching contribution
					Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	Inadequate consideration of prohibited/party in interest transactions due to suspension of the employer safe harbor match where a copy of executed plan amendment was not obtained

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Plan Tax Status	Inadequate consideration of IRC discrimination tests due to suspension of the employer safe harbor match where a copy of the executed plan amendment was not obtained
34	No	5	Full	DB	Participant Data	Inadequate testing of eligibility/terminations/forfeitures
					Plan Obligations	No assessment of specialist's qualifications
					Administrative Expenses	No work performed
					Subsequent Events	Inadequate review through 10/1/12 of final 5500 filing in which benefits paid were materially greater that the accumulated benefit obligation reflected on the 12/31/11 statement of accumulated plan benefits
					Compliance with GAAS & GAAP	Plan failed to report on the liquidation basis of accounting and the IQPA failed to evaluate and/or report on this departure from GAAP
35	No	5	Limited	DC 401(k)	Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions
					Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties
					Administrative Expenses	No work performed
					Subsequent Events	No work performed
36	No	5	Full	Health	Internal Controls	No review of internal control of service providers
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions
					Benefit Payments	No recalculation of benefit payments
					Plan Obligations	No test of insurance premiums paid
					Administrative Expenses	Inadequate work

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
37	Yes	5	Limited	DC 401(k)	Investments & Investment Transactions	No evaluation of insurance contract; contract value to fair value; whether insurance contract is fully-benefit responsive; and failure to analyze pooled separate account for investments in common collective trust/stable value funds
					Notes Receivable	No/inadequate testing of compliance with plan document No listing of outstanding loans
					Plan Tax Status	No work performed
					Compliance with GAAS & GAAP	No/lack of ASC 820 fair value measurement disclosures Inadequate footnote disclosures
					Minor Item(s): Contributions Received & Receivable	No testing of material rollover contributions
38	No	5	Limited	DC 401(k)	Internal Controls	No/inadequate documentation of internal control environment SOC1 report does not cover last 11 months of the plan year
					Minor Item(s): Contributions Received & Receivable	No testing of compliance with compensation provisions Inadequate testing of rollover contributions Improper presentation of forfeitures on the statement of net assets
					Benefit Payments	Unclear how premature distribution was tested for compliance with ERISA, how vesting of terminated participants was tested, and why an apparent deficient pay-out computation did not result in expansion of audit testing Inadequate consideration/communication of internal control deficiencies
					Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options Inadequate documentation of testing of sponsor payroll process Inadequate testing of eligible compensation
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
39	Yes	5	Limited	DC	Internal Controls	No/inadequate documentation of internal control environment
					Participant Data & Participant Accounts	Inappropriate reliance on SOC1 report Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties
					Administrative Expenses	No work performed Area classified as immaterial but no other work or audit program
					Minor Item(s): Compliance with GAAS & GAAP	Interest income on notes receivable not segregated from investment income
40	No	5	Limited	Health	Investments & Investment Transactions	Certifying entity does not qualify for limited scope
					Plan Obligations	No work performed
					Administrative Expenses	Inadequate work
					Plan Representations	No plan representation letter
					Compliance with GAAS & GAAP	Failure to refer to supplemental info. (e.g., ERISA required schedules)
41	Yes	4	Limited	DC	Internal Controls	No evidence of SOC1 report review reliance
					Participant Data & Participant Accounts	No/insufficient testing of payroll data
					Parties in Interest/Prohibited Transactions	No work performed
					Subsequent Events	Inadequate work
42	No	4	Limited	DC 401(k)	Investments & Investment Transactions	Audit workpapers did not contain the certification No/inadequate testing of change in service provider Uncertified investments and/or transactions not audited
					Contributions Received & Receivable	No testing of contributions receivable

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Participant Data & Participant Accounts	No/inadequate testing of change in service provider Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options No reconciliation of participant accounts to total assets
					Parties in Interest/Prohibited Transactions	No work performed
43	Yes	4	Limited	DC 401(k)	Internal Controls	No assessment/documentation of control risk No documentation of inherent/control risk or combined risk for each significant audit area
					Participant Data & Participant Accounts	Inappropriate reliance on SOC1 report Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	Incomplete schedule of assets
44	No	4	Limited	DC 401(k)	Internal Controls	No/inadequate documentation of internal control environment No documentation of evaluation of internal control No assessment/documentation of control risk Lack of documentation of risk assessment procedures
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of allocations to participant accounts
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties
					Compliance with GAAS & GAAP	No/lack of ASC 820 fair value measurement disclosures
45	No	4	Limited	DC 401(k)	Planning & Supervision	No/inadequate procedures on initial/beginning balances
					Contributions Received & Receivable	No test of timely remittance of employee contributions

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No/inadequate testing of hardship/in-service payments No/inadequate work regarding validity of claims
					Compliance with GAAS & GAAP	No/lack of ASC 820 fair value measurement disclosures Limited scope audit inappropriately applied Opinion does not contain the appropriate language
46	No	4	Limited	DC 403b	Investments & Investment Transactions	Inappropriate treatment of contract to fair value adjustment
					Notes Receivable	No evidence of work performed
					Contributions Received & Receivable	No test of timely remittance of employee contributions
					Compliance with GAAS & GAAP	Inadequate or incorrect footnote disclosures
47	Yes	4	Limited	DC 401(k)	Parties in Interest/Prohibited Transactions	Inadequate work No documentation of results of inquiries with management
					Plan Tax Status	Inadequate work No documentation of results of inquiries with management No evidence of review of IRS compliance test results
					Subsequent Events	Inadequate work No documentation of results of inquiries with management No evidence of review of interim financial data and plan minutes
					Minor Item(s): Commitments & Contingencies	Inadequate work No documentation of results of inquiries with management
48	No	4	Limited	DC 401(k)	Parties in Interest/Prohibited Transactions	No work performed
					Plan Tax Status	No work performed
					Commitments & Contingencies	No work performed
					Subsequent Events	No work performed

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
49	Yes	3	Limited	DC 401(k)	Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefit No/inadequate work regarding validity of claims No recalculation of benefit payments
					Compliance with ERISA & DOL Rules	Unsigned IQPA report
					Minor Item(s): Plan Tax Status	No evidence IRS tax compliance tests were reviewed
50	No	3	Full	Health	Participant Data	No/insufficient testing of payroll data
					Parties in Interest/Prohibited Transactions	No work performed
					Compliance with GAAS & GAAP	No/lack of ASC 820 fair value measurement disclosures No FAS 165 subsequent events disclosure Inadequate footnote disclosures
51	No	3	Limited	DC 403b	Notes Receivable	No/inadequate testing of compliance with plan document No review of loan documentation No review of deemed distributions
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions Inadequate work on receivables
					Participant Data & Participant Accounts	No/insufficient testing of payroll data No testing of compliance with compensation provisions
52	No	3	Limited	DC 401(k)	Contributions Received & Receivable	No test of timely remittance of employee contributions
					Benefit Payments	No recalculation of benefit payments
					Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options No reconciliation of participant accounts to total assets
53	No	3	Limited	DC 401(k)	Investments & Investment Transactions	Certifying entity does not qualify for limited scope
					Minor Item(s): Participant Data & Participant Accounts	No/insufficient testing of payroll data

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Compliance with GAAS & GAAP	Inadequate footnote disclosures Incomplete fair value measurement footnote disclosure No plan amendment disclosure Who pays administrative expenses not disclosed
54	No	3	Limited	DC 401(k)	Internal Controls	No/Inadequate assessment of control risk Lack of documentation of risk assessment procedures
					Contributions Received & Receivable	No test of timely remittance of employee contributions
					Administrative Expenses	No work performed
55	No	3	Limited	DC 403b	Contributions Received & Receivable	No test of timely remittance of employee contributions
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements No adjustment on financial statements for fully-benefit responsive investment contract fair value to contract value
56	No	2	Limited	DC 401(k)	Internal Controls	No review of internal control of service provider(s)
					Minor Items(s): Participant Data & Participant Accounts	No/insufficient testing of payroll data
57	No	2	Full	Health	Benefit Payments	No work performed Inappropriate reliance on SOC1 report
					Minor Item(s): Contributions Received & Receivable	Unclear documentation regarding review of timely remittance of employee contributions
58	No	2	Full	DC 401(k)	Participant Data	No testing of compliance with compensation provisions Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options No reconciliation of participant accounts to total assets No alternative procedures performed on non-reply participant confirmations

3-5 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Minor Item(s): Internal Controls	No assessment/documentation of control risk Lack of documentation of risk assessment procedures
59	No	2	Limited	DC	Compliance with GAAS & GAAP	Failure to present benefit responsive insurance contract at contract value and make necessary footnote disclosures
					Minor Item(s): Participant Data & Participant Accounts	Inappropriate reliance on SOC1 report
60	No	2	Limited	DC 401(k)	Plan Tax Status	No tax determination letter obtained
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosures
61	Yes	2	Full	Health	Administrative Expenses	No work performed
					Minor Item(s): Parties in Interest/Prohibited Transactions	Incomplete list of parties in interest
62	Yes	2	Limited	DC 401(k)	Contributions Received & Receivable	No test of timely remittance of employee contributions
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed
63	Yes	1	Full	DB	Compliance with GAAS & GAAP	Opinion does not extend to all financial statements Auditor did not report on prior year financial statements presented
64	No	1	Limited	DC 401(k)	Benefit Payments	No work performed
65	No	1	Full	DB	Investments & Investment Transactions	No testing of end of year asset values No testing of investment transactions No testing of investment income

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
1	Yes	13	Full	DC 401(k)	Planning & Supervision	No/lack of lack of evidence of audit planning No/insufficient review of plan documents/operations No evidence of required communications (114/115)
					Internal Controls	No/inadequate documentation of internal control environment No assessment/documentation of control risk No documentation of evaluation of internal control No evidence of SOC1 report review reliance
					Investments & Investment Transactions	No testing of end of year asset values No testing of investment transactions No testing of investment income
					Notes Receivable	No/inadequate testing of compliance with plan document
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No testing of compliance with compensation provisions Inappropriate reliance on SOC1 report
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No/inadequate testing of hardship/in-service payments No/inadequate work regarding validity of claims
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inappropriate reliance on SOC1 report Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed
					Commitments & Contingencies	Inadequate work performed No documentation of results of inquiries with management
					Administrative Expenses	No work performed
					Subsequent Events	No work performed
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Participant loan interest and administrative fees not separately disclosed on financial statements

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Compliance with ERISA & DOL Rules	Administrative fees not separately presented from benefit payments
2	No	13	Limited	DC 403b	Planning & Supervision	No/insufficient review of plan documents/plan operations No evidence of required communications (114/115)
					Internal Controls	No/inadequate documentation of internal control environment No assessment/documentation of control risk No evidence of SOC1 report review reliance
					Notes Receivable	No work performed No/inadequate testing of compliance with plan document
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions Inadequate testing of use of forfeitures
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No testing for compliance with plan document No testing of posting of disbursement at individual account level
					Participant Data & Participant Accounts	No/insufficient testing of payroll data No testing of compliance with compensation provisions Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	No work performed No documentation of parties in interest/related parties
					Commitments & Contingencies	Inadequate work No documentation of results of inquiries with management
					Administrative Expenses	No work performed
					Subsequent Events	No work performed
					Compliance with GAAS & GAAP	No/lack of ASC 820 fair value measurement disclosures 5% investment disclosure note is for the incorrect plan years
					Compliance with ERISA & DOL Rules	Incomplete schedule of assets

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Minor Item(s): Plan Representations	Representations not appropriately tailored to plan
3	Yes	11	Limited	DC 401(k)	Internal Controls	No assessment/documentation of control risk Lack of documentation of risk assessment procedures No evidence of SOC1 report review reliance
					Notes Receivable	No work performed No audit program for this area of audit
					Contributions Received & Receivable	No testing of compliance with compensation provisions Inadequate testing of use of forfeitures No verification of employer discretionary contribution percentage
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options No reconciliation of participant accounts to total assets
					Parties in Interest/Prohibited Transactions	No documentation of results of inquiries with management
					Plan Tax Status	No work performed
					Commitments & Contingencies	Inadequate work No documentation of results of inquiries with management
					Subsequent Events	No documentation of results of inquiries with management Inadequate work
					Compliance with GAAS & GAAP	Incorrect ASC 820 fair value measurement disclosure Inadequate footnote disclosures
					Minor Item(s): Benefit Payments	No/inadequate work regarding forfeitures
					Plan Representations	Inappropriate representation letter date

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
4	No	11	Limited	DC	Planning & Supervision	No/insufficient review of plan documents/operations No evidence of required communications (114/115)
					Internal Controls	No/inadequate documentation of internal control environment No assessment/documentation of control risk No evidence of SOC1 report review reliance
					Benefit Payments	Inappropriate application of limited scope audit No testing of rollovers out of plan for compliance with plan document
					Participant Data & Participant Accounts	No testing of employee withholdings for authorization Inappropriate reliance on SOC1 report Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options No reconciliation of participant accounts to total assets
					Parties in Interest/Prohibited Transactions	No work performed No documentation of parties in interest/related parties
					Administrative Expenses	No work performed
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	Auditor's report not included with Form 5500 filing
					Minor Item(s): Notes Receivable	No/inadequate testing of compliance with plan document
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No testing of rollovers into plan for compliance with plan document
					Subsequent Events	No review interim financial data

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
5	No	11	Limited	DC 401(k)	Investments & Investment Income	Dividend income and net appreciation did not tie to financial statements No documentation supporting fair value reported on 5500 - amount marked up to fair value without corresponding adjustment to contract value
					Notes Receivable	No/inadequate testing of compliance with plan document Certification did not cover loans - no testing done on ending values or payments made during the year
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No testing of compliance with compensation provisions
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No recalculation of benefit payments No/inadequate work regarding forfeitures
					Participant Data & Participant Accounts	No/insufficient testing of payroll data No testing of compliance with compensation provisions Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties No documentation of results of inquiries with management
					Subsequent Events	No review of interim financial data No inquiries of plan administrator and/or trustee - inquiries were only made of the controller who was not a plan official
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosures
					Minor Item(s): Planning & Supervision	No evidence of required communications (114/115) Inadequate documentation showing proper supervision and timely partner review
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed No tax uncertainty footnote disclosure

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Compliance with ERISA & DOL Rules	Notes receivable from participants were not reflected as parties in interest on schedule of assets
6	Yes	10	Limited	DB	Planning & Supervision	No/insufficient review of plan documents/operations No/inadequate assessment of fraud risk No evidence of required communications (114/115)
					Internal Controls	No/inadequate documentation of internal control environment Lack of documentation of risk assessment procedures No/inadequate evidence of fraud inquiries
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No recalculation of benefit payments No testing of receipt by participants
					Participant Data	No work performed
					Plan Obligations	No/insufficient testing of census data No assessment of specialist's qualifications No review/assessment of specialist's assumptions
					Parties in Interest/Prohibited Transactions	No disclosure of prohibited transactions in notes to financial statements No documentation of results of inquiries with management
					Commitments & Contingencies	No work performed
					Administrative Expenses	No work performed
					Subsequent Events	No work performed
					Compliance with GAAS & GAAP	Financial statements were inappropriately presented on the liquidation basis - liquidation basis does not apply to frozen plans No reference to the "other comprehensive basis of accounting" used in the report Inappropriately indicated the limited scope covered benefit payments Inadequate footnote disclosures No related party note
7	Yes	10	Limited	DC 401(k)	Internal Controls	No assessment/documentation of control risk No/inadequate evidence of fraud inquiries No evidence of SOC1 report review reliance

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of allocations to participant accounts
					Parties in Interest/Prohibited Transactions	No work performed No documentation of parties in interest/related parties
					Administrative Expenses	Inadequate work
					Subsequent Events	No work performed
					Minor Item(s): Planning & Supervision	No evidence of review of workpapers
					Contributions Received & Receivable	No testing of rollover contributions for compliance with plan document
					Benefit Payments	No/inadequate work regarding forfeitures
					Plan Tax Status	No tax determination letter obtained
					Commitments & Contingencies	Inadequate work
8	No	10	Limited	DC 401(k)	Planning & Supervision	No/inadequate procedures on initial/beginning balances No/inadequate work related to predecessor auditors No evidence of required communications (114/115) Inadequate evidence of partner involvement/review No evidence that $1M insurance contract documentation was obtained and reviewed for disclosure and accounting treatment
					Investments & Investment Transactions	Certification is not for the plan Inadequate evidence of evaluation of insurance contract (GIC) for accounting treatment and presentation
					Plan Mergers & Terminations	Inadequate documentation of audit work on subsequent events/pending dissolution of the plan
					Subsequent Events	Audit documentation did not indicate subsequent event of plan asset transfer to a successor plan in 2012

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Compliance with GAAS & GAAP	Inadequate footnote disclosures Disclosure omissions: dissolution of plan, subsequent probable distributions/transfers; incomplete tax compliance testing; party in interest transactions, insurance (GIC) contract terms, and improper presentation/disclosure of notes receivable
					Minor Item(s): Notes Receivable	Presented as investments on the plan's financial statements and in the ASC 820 fair value measurement disclosures
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of allocations to participant accounts
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties No evaluation of omission of party in interest disclosure in the financial statements
					Commitments & Contingencies	Pending dissolution of plan in 2012 and transfer to another plan not identified in commitment & contingencies audit workpapers
					Plan Representations	Inconsistent representations regarding tax compliance testing and intention to dissolve plan in 2012
9	Yes	10	Limited	DC 401(k)	Planning & Supervision	No/lack of lack of evidence of audit planning No/insufficient review of plan documents/operations No/inadequate assessment of fraud risk
					Internal Controls	No assessment/documentation of control risk No/inadequate evidence of fraud "brainstorming" No review of internal control of service providers No evidence of SOC1 report review reliance
					Notes Receivable	No/inadequate testing of compliance with plan
					Contributions Received & Receivable	Failure to test rollovers to the plan

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options No reconciliation of participant accounts to total assets
					Parties in Interest/Prohibited Transactions	No documentation of results of inquiries with man agement
					Plan Tax Status	Inadequate work performed No evidence IRS tax compliance tests were reviewed
					Commitments & Contingencies	No work performed
					Administrative Expenses	Inadequate work
					Subsequent Events	No work performed
10	No	9	Limited	DC 401(k)	Planning & Supervision	Inadequate gaining of an understanding of the plan No/inadequate assessment of fraud risk No planning analytics
					Internal Controls	No/inadequate documentation of internal control environment Lack of documentation of risk assessment procedures No/inadequate evidence of fraud "brainstorming" No/inadequate evidence of fraud inquiries
					Notes Receivable	No work performed
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions No testing of compliance with compensation provisions
					Benefit Payments	No work performed
					Participant Data & Participant Accounts	No work performed
					Administrative Expenses	No work performed
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosures

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Compliance with ERISA & DOL Rules	Incomplete schedule of assets
11	Yes	9	Full	DC 401(k)	Planning & Supervision	No/insufficient review of plan documents/plan operations No/inadequate assessment of fraud risk
					Internal Controls	No work performed
					Investments & Investment Transactions	No testing of assets transferred from the plan No/inadequate testing of change in service provider No testing of investment transactions
					Notes Receivable	No schedule of participant loans No evidence of review of loan documents No evidence of testing of loan interest
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions No testing of compliance with compensation provisions
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No/inadequate work regarding validity of claims No recalculation of benefit payments No/inadequate work regarding use of forfeitures
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties No documentation of results of inquiries with management
					Compliance with GAAS & GAAP	Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	No/inadequate footnote disclosures
12	Yes	9	Limited	DC 401(k)	Planning & Supervision	No evidence of required communications(114/115)
					Internal Controls	No/inadequate documentation of internal control environment No documentation of evaluation of internal control No assessment/documentation of control risk No/inadequate evidence of fraud "brainstorming"

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Benefit Payments	Inappropriate reliance on SOC1 report No/inadequate work regarding forfeitures No testing of rollovers out of plan for compliance with plan document Inadequate testing of propriety of payee
					Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts No reconciliation of participant accounts to total assets
					Parties in Interest/Prohibited Transactions	No work performed No documentation of parties in interest/related parties
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed
					Compliance with ERISA & DOL Rules	Incomplete IQPA report attached to Form 5500
					Minor Item(s): Notes Receivable	No/inadequate testing of compliance with plan document First year audit, no testing of detail at individual participant level
					Administrative Expenses	Inadequate work
13	No	9	Limited	DC 401(k)	Planning & Supervision	No/lack of lack of evidence of audit planning No/inadequate assessment of fraud risk
					Internal Controls	No work performed
					Notes Receivable	No work performed
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions No testing of compliance with compensation provisions No disclosure of corrective distributions in the financial statements & footnotes
					Benefit Payments	No recalculation of benefit payments No/inadequate work regarding eligibility No/inadequate work regarding forfeitures
					Participant Data & Participant Accounts	No/insufficient testing of payroll data No testing of compliance with compensation provisions Inadequate testing of allocations to participant accounts No reconciliation of participant accounts to total assets

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties No documentation of results of inquiries with management No procedures performed to verify major areas with parties in interest
					Administrative Expenses	No work performed
					Subsequent Events	Inadequate work
14	Yes	8	Limited	DC 401(k)	Planning & Supervision	No/inadequate procedures on initial/beginning balances No/insufficient review of plan documents/operation
					Contributions Received & Receivable	Receivables inappropriately accrued Delinquent contributions on schedule differed to that reported on Schedule H and in the related workpapers
					Parties in Interest/Prohibited Transactions	Inadequate work
					Minor Item(s): Benefit Payments	No/inadequate work regarding forfeitures
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of eligibility/terminations/forfeitures No testing of compliance with compensation provisions Inadequate testing of allocations to participant accounts
					Subsequent Events	Inadequate work
					Plan Representations	Representations not appropriately tailored to plan
					Compliance with GAAS & GAAP	Inadequate footnote disclosures Minor presentation items on financial statements
15	Yes	8	Full	DC ESOP	Planning & Supervision	No/lack of evidence of audit planning No/insufficient review of plan documents/plan operations No/inadequate assessment of fraud risk No evidence of required communications (114/115)
					Internal Controls	No/inadequate documentation of internal control environment No assessment/documentation of control risk No/inadequate evidence of fraud inquiries No evidence of SOC1 report review reliance

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Investments & Investment Transactions	No review of investment valuation assumptions Insufficient work performed
					Participant Data & Participant Accounts	No/insufficient testing of payroll data No testing of compliance with compensation provisions Inadequate testing of allocations to participant accounts No reconciliation of participant accounts to total assets
					Administrative Expenses	No work performed
					Subsequent Events	No work performed
					Compliance with GAAS & GAAP	Inadequate footnote disclosures
					Minor Item(s): Parties in Interest/Prohibited Transactions	Inadequate work
16	Yes	8	Limited	DC 403b	Notes Receivable	No/inadequate testing of compliance with plan document
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No testing of compliance with compensation provisions No comparison of amount of employer contributions to that approved by the Board of Directors No review of criteria for contribution receivables and proper recording in accordance with GAAP
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No recalculation of benefit payments No/inadequate work regarding validity of claims
					Participant Data & Participant Accounts	No testing of compliance with compensation provisions Inadequate testing of eligibility/terminations/forfeitures Inadequate testing of allocations to participant accounts
					Compliance with GAAS & GAAP	Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	No/inadequate footnote disclosures

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Minor Item(s): Plan Tax Status	No evidence IRS tax compliance tests were reviewed
					Subsequent Events	No review of interim financial data
17	Yes	8	Limited	DC 401(k)	Planning & Supervision	No/insufficient audit program
					Contributions Received & Receivable	No testing of rollover contributions
					Benefit Payments	No work performed
					Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options No reconciliation of participant accounts to total assets
					Parties in Interest/Prohibited Transactions	No work performed
					Plan Tax Status	No work performed
					Commitments & Contingencies	No work performed
					Subsequent Events	No work performed
18	Yes	8	Limited	DC 403b	Internal Controls	No documentation of evaluation of internal control No review of internal control of service providers Inconsistent documentation of risk assessment Lack of documentation supporting lowering control risk
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No testing of compliance with compensation provisions Inadequate testing of rollover contributions IQPA did not address testing errors and the impact on the financial statements
					Benefit Payments	No recalculation of benefit payments No/inadequate work regarding validity of claims
					Minor Item(s): Notes Receivable	No/inadequate testing of compliance with plan document
					Participant Data & Participant Accounts	Inadequate testing of eligibility/terminations/forfeitures Inadequate testing of participant investment options

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed
					Compliance with GAAS & GAAP	Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	Inappropriate financial statement presentations
19	No	8	Limited	DC 401(k)	Planning & Supervision	No/insufficient audit program Inadequate planning analytical review
					Internal Controls	Inadequate assessment of control risk
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No/inadequate work regarding validity of claims No/inadequate work regarding forfeitures Inadequate review to ensure compliance with plan document
					Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Administrative Expenses	No work performed
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosures
					Minor Item(s): Notes Receivable	No/inadequate testing of compliance with plan document
					Contributions Received & Receivable	No evidence of testing rollovers Inadequate testing of forfeitures
20	Yes	8	Limited	DC 401(k)	Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions
					Benefit Payments	No recalculation of benefit payments No testing of long outstanding benefit checks
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options No reconciliation of participant accounts to total assets

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed No tax determination letter obtained
					Administrative Expenses	No work performed
					Minor Item(s): Investments & Investment Transactions	IQPA did not note fully benefit responsive contract and adjustment to contract value
					Commitments & Contingencies	No documentation of results of inquiries with management
					Subsequent Events	No documentation of results of inquiries with management
21	No	8	Limited	DC 403b	Planning & Supervision	No/insufficient review of plan documents/plan operations Missing permanent file with vital plan documents
					Notes Receivable	No/inadequate testing of compliance with plan document Inadequate review of loans issued to participants
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions No testing of compliance with compensation provisions Inadequate testing of use of forfeitures
					Benefit Payments	No recalculation of benefit payments No/inadequate work regarding validity of claims No/inadequate work regarding eligibility No schedule of benefits paid to participants provided
					Participant Data & Participant Accounts	No/insufficient testing of payroll data No testing of compliance with compensation provisions Inadequate testing of eligibility/terminations/forfeitures Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties No documentation of results of inquiries with management
					Plan Tax Status	No work performed
					Administrative Expenses	No work performed

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
22	No	8	Limited	DC	Planning & Supervision	No/lack of lack of evidence of audit planning No evidence of required communications (114/115) No evidence of supervisory review
					Internal Controls	No work performed
					Notes Receivable	No work performed
					Benefit Payments	No work performed
					Participant Data & Participant Accounts	No work performed
					Compliance with ERISA & DOL Rules	Unsigned IQPA report
					Minor Item(s): Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties
					Compliance with GAAS & GAAP	No/lack of ASC 820 fair value measurement disclosures
23	No	7	Limited	DC 401(k)	Planning & Supervision	No documentation of significant conditions and effects on operations No analytics
					Notes Receivable	No/inadequate testing of compliance with plan document No review of loan documents No review of deemed distributions
					Contributions Received & Receivable	No testing of receivables
					Benefit Payments	Inappropriate reliance on SOC1 report No/inadequate work regarding eligibility No/inadequate work regarding validity of claims No recalculation of benefit payments
					Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	Inadequate work
					Subsequent Events	Inadequate work

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
24	Yes	7	Limited	DC 401(k)	Planning & Supervision	No/lack of lack of evidence of audit planning No/insufficient audit program No/insufficient review of plan documents/operations No assessment of fraud risk
					Internal Controls	No evidence of work performed
					Notes Receivable	No/inadequate testing of compliance with plan document
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of participant investment options
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed No tax determination letter obtained
					Minor Item(s): Parties in Interest/Prohibited Transactions	Inadequate work
25	Yes	6	Limited	DB	Internal Controls	No/Inadequate assessment of control risk No/inadequate evidence of fraud "brainstorming" No/inadequate documentation of internal control environment No documentation of risk of material misstatement
					Participant Data	No testing of the basic data used by the actuary
					Plan Obligations	No/insufficient testing of census data
					Parties in Interest/Prohibited Transactions	Inadequate work
					Plan Tax Status	No work performed
					Commitments & Contingencies	No work performed
26	Yes	6	Limited	DC	Internal Controls	No/inadequate documentation of internal control environment No review of internal control of service providers
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No recalculation of benefit payments

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Participant Data & Participant Accounts	No/inadequate testing of change in service provider No/insufficient testing of payroll data No reconciliation of participant accounts to total assets
					Plan Tax Status	Compliance tests indicate data integrity issues that could affect the results of the testing, but no indication this was considered No tax determination letter obtained
					Minor Item(s): Notes Receivable	No/inadequate testing of compliance with plan document
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosures
27	Yes	6	Full	DC	Internal Controls	No review of internal control of service providers Partner not involved in fraud "brainstorming" Sole trustee and person responsible for governance not interviewed for fraud
					Investments & Investment Transactions	No testing of investment transactions Insufficient testing of investment income No evidence of testing for existence
					Subsequent Events	No documentation of results of inquiries with management No review of interim financial data
					Minor Item(s): Benefit Payments	Insufficient 103 documentation of tests of vesting, eligibility, taxes, rollover distribution
					Participant Data & Participant Accounts	No/insufficient testing of payroll data
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosures
28	No	6	Limited	DC 401(k)	Planning & Supervision	No/insufficient review of plan documents/plan operations
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions No testing of compliance with compensation provisions Inadequate testing of use of forfeitures

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits No recalculation of benefit payments No/inadequate work regarding validity of claims
					Participant Data & Participant Accounts	Inadequate testing of eligibility/terminations/forfeitures No/insufficient testing of payroll data No testing of compliance with compensation provisions Inadequate testing of allocations to participant accounts
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties No documentation of results of inquiries with management
					Administrative Expenses	No work performed
29	No	6	Limited	DC 401(k)	Internal Controls	No/inadequate documentation of internal control environment
					Notes Receivable	No evidence of work performed
					Contributions Received & Receivable	No test of timely remittance of employee contributions
					Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Compliance with ERISA & DOL Rules	Incomplete IQPA report attached to Form 5500 No/inadequate footnote disclosures
					Minor Item(s): Administrative Expenses	No work performed
30	Yes	6	Limited	Health	Investments & Investment Transactions	Audit workpapers did not contain the certification
					Benefit Payments	Inappropriate reliance on SOC1 report Complete reliance placed on SOC1 report to the exclusion of audit work
					Compliance with ERISA & DOL Rules	No certification to support the limited scope audit disclaimer opinion in the audit report
					Minor Item(s): Planning & Supervision	Engagement letter was for full scope but limited scope was issued Workpapers indicated confusion regarding scope of audit work

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Internal Controls	No evidence of SOC1 report review reliance
					Plan Obligations	No/inadequate testing of IBNR Inadequate testing of claims payable
31	Yes	6	Limited	DC 403b	Internal Controls	No/Inadequate assessment of control risk No evidence of SOC1 report review reliance
					Benefit Payments	Inappropriate application of limited scope audit Inappropriate reliance on SOC1 report No/inadequate work regarding eligibility
					Participant Data & Participant Accounts	No/insufficient testing of payroll data No testing of compliance with compensation provisions No testing for compliance with IRS deferral limits No reconciliation of participant accounts to total assets Inadequate testing of participant investment options
					Plan Tax Status	No work performed
					Administrative Expenses	No work performed
					Minor Item(s): Parties in Interest/Prohibited Transactions	Inadequate work
32	Yes	6	Limited	DC 401(k)	Planning & Supervision	No/insufficient review of plan documents/plan operations No/inadequate assessment of fraud risk No evidence of required communications (114/115)
					Internal Controls	No evidence of SOC1 report review reliance No/inadequate evidence of fraud "brainstorming"
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions No testing of compliance with compensation provisions
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties No documentation of results of inquiries with management

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Plan Tax Status	No work performed
					Administrative Expenses	No work performed
33	No	5	Limited	DC 401(k)	Internal Controls	No evidence of SOC1 report review reliance
					Notes Receivable	No evidence of work performed No/inadequate testing of compliance with plan document
					Contributions Received & Receivable	No test of timely remittance of employee contributions
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of allocations to participant accounts
					Administrative Expenses	No work performed
34	Yes	5	Limited	DC 401(k)	Planning & Supervision	No/lack of lack of evidence of audit planning No audit program or insufficient audit program No evidence of review of service provider agreements Inadequate identification of parties in interest for planning
					Internal Controls	No assessment/documentation of control risk Lack of documentation of risk assessment procedures No evidence of SOC1 report review reliance No review of internal control of service providers
					Participant Data & Participant Accounts	No testing of compliance with compensation provisions No/insufficient testing of payroll data No reconciliation of total participant accounts to total assets
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties
					Administrative Expenses	Inadequate work
35	No	5	Limited	DC 403b	Benefit Payments	Inappropriate reliance on SOC1 report
					Minor Item(s): Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties
					Subsequent Events	No review of interim financial data
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements
36	Yes	5	Limited	DC 401(k)	Planning & Supervision	No/insufficient review of plan documents/plan operations
					Internal Controls	No/inadequate documentation of internal control environment
					Minor Item(s): Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts
					Parties in Interest/Prohibited Transactions	Incomplete documentation of parties in interest/related parties
					Subsequent Events	Inadequate work
37	Yes	5	Full	DC 401(k)	Investments & Investment Transactions	No testing of investment transactions No testing of investment income
					Parties in Interest/Prohibited Transactions	No documentation of results of inquiries with management
					Commitments & Contingencies	No documentation of results of inquiries with management
					Subsequent Events	No documentation of results of inquiries with management
					Minor Item(s): Participant Data	Inadequate testing of eligibility/terminations/forfeitures
38	No	4	Limited	DC 401(k)	Planning & Supervision	No/inadequate procedures on initial/beginning balances
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosures
					Minor Item(s): Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
39	Yes	4	Limited	DC 401(k)	Planning & Supervision	Conditions that affect the plan Preliminary analytics
					Notes Receivable	No/inadequate testing of compliance with plan document Inadequate testing of reclassified distributions and loan documentation
					Contributions Received & Receivable	No test of timely remittance of employee contributions No communication of delinquent remittances to management
					Commitments & Contingencies	No work performed
40	Yes	4	Limited	DC 401(k)	Planning & Supervision	No planning analytical review No documentation of significant decrease in net assets and large amount of benefit payments
					Internal Controls	No documentation of activity level internal controls at plan sponsor level
					Minor Item(s): Benefit Payments	No/inadequate work regarding forfeitures No documentation of consideration of partial plan termination which could have resulted in 100% vesting of participants
					Participant Data & Participant Accounts	No testing of compliance with compensation provisions Relied on sponsor payroll for completeness and accuracy
41	Yes	4	Limited	DC 401(k)	Internal Controls	No documentation of evalu ation of internal control
					Investments & Investment Transactions	No/inadequate testing of change in service provider
					Participant Data & Participant Accounts	No/inadequate testing of change in service provider Inadequate testing of allocations to participant accounts
					Minor Item(s): Plan Tax Status	No tax determination letter obtained
42	Yes	4	Limited	DC 401(k)	Investments & Investment Transactions	Certifying entity does not q ualify for limited scope
					Contributions Received & Receivable	No test of timely remittance of employee contributions No testing that contributions were received by the plan
					Benefit Payments	Inappropriate reliance on SOC1 report No recalculation of benefit payments No/inadequate work regarding eligibility

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Participant Data & Participant Accounts	Inadequate testing of eligibility/terminations/forfeitures No/insufficient testing of payroll data Inappropriate reliance on SOC1 report
43	Yes	4	Limited	DC 401(k)	Investments & Investment Transactions	Certification is not for the plan Certification obtained was for the master trust Certification obtained from third party but third party is not a qualifying entity and is not an agent for the trustee/custodian
					Contributions Received & Receivable	Testing of employer matching contribution did not adequately address the apparent failure by the sponsor the match the required 3% of compensation
					Compliance with ERISA & DOL Rules	Certification by third party of the investments at the plan level is not supported by evidence of an Agency relationship between the third party and the trustee/custodian
					Minor Item(s): Benefit Payments	Testing of benefit payments was unclear as to specific procedures performed
44	Yes	4	Full	DC	Internal Controls	No/inadequate documentation of internal control environment Lack of documentation of risk assessment procedures No review of internal cont rol of service providers
					Investments & Investment Transactions	No testing of investment transactions Inadequate documentation of confirmation of certain assets
					Participant Data & Participant Accounts	No/insufficient testing of payroll data No testing of compliance with compensation provisions Inadequate testing of participant investment options
					Minor Item(s): Contributions Received & Receivable	Inadequate documentation regarding potential errors in profit sharing contribution
45	Yes	3	Limited	DC 401(k)	Compliance with GAAS & GAAP	Inadequate footnote disclosures Reportable transaction schedule presented but should not have one
					Minor Item(s): Compliance with ERISA & DOL Rules	Reportable transaction schedule presented but should not have one
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
46	Yes	3	Full	DC 401(k)	Contributions Received & Receivable	No test of timely remittance of employee contributions Inadequate testing of use of forfeitures
					Compliance with GAAS & GAAP	Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	Delinquent employee contributions not reported/disclosed
47	No	3	Limited	DC	Planning & Supervision	Insufficient audit programs Inadequate planning analytics No evidence of required communications (114/115)
					Minor Item(s): Benefit Payments	Inadequate evidence of accuracy and propriety of withdrawals/in-service partial withdrawals
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate documentation of testing of income allocations No testing of participant investment elections (SOC1 reliance)
48	Yes	3	Limited	DC 401(k)	Compliance with ERISA & DOL Rules	Unsigned IQPA report
					Minor Item(s): Internal Controls	No/inadequate evidence of fraud brainstorming""
					Subsequent Events	No review of interim financial data
49	Yes	2	Limited	DC 401(k)	Internal Controls	No/inadequate documentation of internal control environment
					Contributions Received & Receivable	No test of timely remittance of employee contributions
50	Yes	2	Limited	DC 401(k)	Investments & Investment Transactions	Certifying entity does not qualify for limited scope Unsigned certification
					Participant Data & Participant Accounts	No/inadequate testing of change in service provider No reconciliation of participant accounts to total assets
51	No	2	Limited	DC 401(k)	Contributions Received & Receivable	No recalculation of employer and/or employee contributions No test of timely remittance of employee contributions
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inappropriate reliance on SOC1 report Inadequate testing of participant investment options Inadequate testing of allocations to participant accounts

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
52	Yes	2	Limited	DC 401(k)	Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts
					Administrative Expenses	Inadequate work
53	Yes	2	Limited	DC 401(k)	Compliance with GAAS & GAAP	Inadequate footnote disclosures Inappropriate presentation of financial information on financial statements
					Minor Item(s): Internal Controls	No documentation of COSO (Committee of Sponsoring Organizations) controls at the plan sponsor
54	Yes	2	Full	DB	Internal Controls	No review of internal control of service provider(s)
					Benefit Payments	No/inadequate work regarding eligibility of individuals receiving benefits
55	Yes	2	Limited	DC	Compliance with GAAS & GAAP	Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	Unsigned audit report
56	No	2	Limited	DC 401(k)	Participant Data & Participant Accounts	No/insufficient testing of payroll data Inappropriate reliance on SOC1 report Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Minor Item(s): Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties
57	No	2	Limited	DC 401(k)	Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options
					Parties in Interest/Prohibited Transactions	No work performed
58	Yes	1	Limited	DC 401(k)	Planning & Supervision	No/inadequate procedures on initial/beginning balances

6-24 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
59	Yes	1	Limited	DC 401(k)	Internal Controls	No/inadequate documentation of internal control environment
60	Yes	1	Limited	DC	Contributions Received & Receivable	No documentation of recalculation of employer match
61	Yes	1	Limited	DC 401(k)	Benefit Payments	No recalculation of benefit payments No/inadequate work regarding eligibility of individuals receiving benefits
62	Yes	1	F ull	DC 401(k)	Participant Data & Participant Accounts	No reconciliation of participant accounts to total assets Inadequate testing of allocations to participant accounts
63	Yes	1	Full	Health	Benefit Payments	No recalculation of benefit payments
64	Yes	1	Limited	DC 401(k	Participant Data & Participant Accounts	No reconciliation of participant accounts to total assets Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options

25-99 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
1	Yes	10	Limited	DC	Internal Controls	No evidence of understanding of the plan's internal control environment at the cycle, account and transaction level No documentation of evaluation of internal control
					Investments & Investment Transactions	Investments per the trust report did not agree to the financial statements No/lack of understanding of plan's common/collective trust and stable value fund investments
					Contributions Received & Receivable	No test of timely remittance of employee contributions Inadequate testing of use of forfeitures
					Benefit Payments	No/inadequate work regarding forfeitures
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of allocations to participant accounts
					Parties in Interest/Prohibited Transactions	No documentation of results of inquiries with management
					Commitments & Contingencies	No documentation of results of inquiries with management
					Compliance with GAAS & GAAP	Inadequate footnote disclosures Incorrect FAS 157 fair value measurement disclosure
					Minor Item(s): Notes Receivable	Lack of documentation and understanding of loans rollover into the plan
					Plan Tax Status	No tax determination letter obtained
2	No	10	Limited	DC 401(k)	Planning & Supervision	Incorrect industry guide used resulting in no identification of parties in interest No preliminary analytics performed No expectations developed
					Internal Controls	Lack of documentation of risk assessment procedures No SOC1 report bridge letter No testing of complementary user controls No identification of significant audit areas Control risk assessments did not conform with actual level of work performed
					Parties in Interest/Prohibited Transactions	No work performed No documentation of parties in interest/related parties
					Commitments & Contingencies	No work performed

25-99 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Administrative Expenses	No work performed
					Subsequent Events	No work performed
					Compliance with ERISA & DOL Rules	No/inadequate footnote disclosures
					Minor Item(s): Participant Data & Participant Accounts	No testing of compliance with compensation provisions
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed
					Compliance with GAAS & GAAP	Improper reporting of notes receivable from participants
3	No	9	Limited	DC 401(k)	Planning & Supervision	No/insufficient audit program No/lack of evidence of audit planning No evidence of required communications (114/115) No/insufficient review of plan documents/operation
					Notes Receivable	No work performed No audit program for this area of audit
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No schedule of contributions provided No test of timely remittance of employee contributions No testing of compliance with compensation provisions
					Benefit Payments	No/inadequate work regarding validity of claims No schedule of benefits paid provided No recalculation of benefit payments No/inadequate work regarding eligibility
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of eligibility/terminations/forfeiture Inadequate testing of participant investment options Inadequate documentation provided
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties No documentation of results of inquiries with management
					Plan Tax Status	No work performed
					Administrative Expenses	No work performed
					Plan Representations	Representations not appropriately tailored to plan Inadequate representations

25-99 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
4	Yes	8	Full	DC	Internal Controls	No/inadequate documentation of internal control environment
					Investments & Investment Transactions	No testing of investment transactions Inadequate testing of cost basis of non-participant directed investments
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions No testing of compliance with compensation provisions
					Benefit Payments	No recalculation of benefit payments
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of eligibility/terminations/forfeitures
					Parties in Interest/Prohibited Transactions	No disclosure of prohibited transactions in notes to financial statements Inadequate work regarding transactions with plan sponsor - money going from plan to the sponsor
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	Required schedules not attached/prepared
5	Yes	8	Full	DC ESOP	Internal Controls	No/inadequate documentation of internal control environment No/inadequate evidence of fraud inquiries No review of internal control of service providers
					Investments & Investment Transactions	No testing of assumptions or financial data used in the valuation specialist's report No testing of investment transactions Insufficient testing of dividend income
					Participant Data & Participant Accounts	No/inadequate testing of change in service provider No/insufficient testing of payroll data Inadequate testing of allocations to participant accounts
					Parties in Interest/Prohibited Transactions	Inadequate work
					Subsequent Events	Inadequate documentation of inquiries No review of subsequent plan amendments No indication whether receivables were subsequently received
					Compliance with GAAS & GAAP	No modification in full scope unqualified report for material omission from the Schedule of Reportable Transactions

25-99 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Compliance with ERISA & DOL Rules	Schedule of Reportable Transactions did not include common stock shares purchased from the officers of the sponsoring company
					Minor Item(s): Plan Obligations	Inadequate testing of the release of shares from unallocated to allocated No assessment/review of specialist's assumptions
6	Yes	7	Limited	DC 401(k)	Planning & Supervision	No/insufficient audit program No/insufficient review of plan documents/operation No evidence of required communications (114/115)
					Internal Controls	No/inadequate documentation of internal control environment No documentation of evaluation of internal control No evidence of SOC1 Report review reliance
					Participant Data & Participant Accounts	No work performed
					Parties in Interest/Prohibited Transactions	No work performed
					Commitments & Contingencies	No work performed
					Administrative Expenses	No work performed
					Subsequent Events	No work performed
7	Yes	7	Limited	DB	Internal Controls	No assessment/documentation of control risk No evidence of SOC1 report review reliance
					Benefit Payments	No recalculation of benefit payments
					Participant Data	Inadequate testing of eligibility/terminations/forfeitures No testing of compliance with compensation provisions Inadequate testing of participant investment options
					Plan Obligations	No/insufficient testing of census data
					Plan Tax Status	No work performed
					Administrative Expenses	No work performed

25-99 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Minor Item(s): Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties No documentation of results of inquiries with management
8	Yes	7	Limited	DC 401(k)	Planning & Supervision	No/insufficient review of plan documents/plan operations No evidence of required communications (114/115) No calculation of audit materiality No evidence of preliminary analytics No documentation of prior year known issues
					Investments & Investment Transactions	Certification did not include asset listing and transactions certified
					Notes Receivable	Inadequate documentation as to source of listings for completeness and accuracy Inadequate consideration of error in loan reporting on the financial statements
					Contributions Received & Receivable	Inadequate reconciliation of receivable - audit workpapers were on the cash basis but the financial statements were on the accrual basis Inadequate consideration of the impact of non-correction of prior year errors on the current year work & financial statements
					Minor Item(s): Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of participant investment options
					Compliance with GAAS & GAAP	IQPA report not modified for lack of ERISA required schedules Inadequate footnote disclosures
					Compliance with ERISA & DOL Rules	Required schedules not attached/prepared
9	No	5	Full	DB	Investments & Investment Transactions	Inappropriate reliance on SOC1 report No testing of investment transactions No testing of investment income
					Participant Data	No evidence of testing of participant data provided to the plan's actuary
					Plan Obligations	No/insufficient testing of census data No evidence of testing of plan's funding status

25-99 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties No documentation of results of inquiries with management
					Compliance with ERISA & DOL Rules	Incomplete IQPA report attached to Form 5500
10	Yes	5	Limited	DC 401(k)	Internal Controls	Failure to document COSO (Committee of Sponsoring Organizations) controls
					Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties No documentation of results of inquiries with management
					Compliance with GAAS & GAAP	Inadequate footnote disclosures IQPA report did not refer to supplemental information
					Minor Item(s): Commitments & Contingencies Subsequent Events	Inadequate work No documentation of results of inquiries with management
11	Yes	5	Limited	DC 401(k)	Planning & Supervision	No evidence of required communications (114/115) No evidence of materiality Insufficient analytics Unsigned plan adoption agreement and participant agreements
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of participant deferral percentage No evidence of recalculation of deferral percentage
					Compliance with GAAS & GAAP	Inappropriate presentation of financial information on financial statements
					Compliance with ERISA & DOL Rules	Schedule H, Line 3, audit opinion type not properly completed
					Minor Item(s): Benefit Payments	Inadequate testing of rollover distributions No listing of benefit payments
12	Yes	5	Limited	DC 401(k)	Contributions Received & Receivable	No recalculation of employer and/or employee contributions
					Minor Item(s): Internal Controls	Lack of documentation of risk assessment procedures No/inadequate evidence of fraud "brainstorming" No review of internal control of service providers No understanding & review of internal control over payroll service provider

25-99 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Participant Data & Participant Accounts	No/insufficient testing of payroll data No documentation supporting change in scope of testing of 5 participants to 1 for income allocation and investment election testing
					Compliance with GAAS & GAAP	IQPA report not modified for lack of ERISA required schedules Improper reference to certifying entity GIC valuation methodology incorrect Schedule of assets indicates wrong class of fund for an investment Missing information on schedule of assets related to participant loans Missing schedule of reportable transactions
					Compliance with ERISA & DOL Rules	Required schedules not attached/prepared
13	No	5	Limited	DC 401(k)	Planning & Supervision	No/insufficient review of plan documents/plan operations
					Minor Item(s): Parties in Interest/Prohibited Transactions	No documentation of parties in interest/related parties
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed
					Subsequent Events	No review of interim financial data
					Compliance with GAAS & GAAP	Opinion and footnotes refer to incorrect trustee/custodian related to the limited scope audit
14	Yes	5	Limited	DC 401(k)	Participant Data	Inadequate evidence obtained of transfer of $2.3M to an affiliated entity benefit plan No testing of the payroll process
					Minor Item(s): Planning & Supervision	Inadequate documentation of preliminary expectations Inadequate identification and documentation of $2.3M unusual and infrequent transaction
					Internal Controls	No/inadequate documentation of internal control environment No evidence of SOC1 report review reliance of sponsor payroll provider Inadequate documentation of walk-throughs
					Contributions Received & Receivable	Inappropriate reliance on SOC1 report Did not test integrity of payroll system

25-99 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Compliance with ERISA & DOL Rules	Audit report did not extend to schedule of delinquent contributions
15	Yes	4	Limited	DC 401(k)	Internal Controls	No/inadequate documentation of internal control environment No assessment/documentation of control risk No/inadequate evidence of fraud "brainstorming" No evidence of SOC1 report review reliance
					Participant Data & Participant Accounts	No testing of compliance with compensation provisions No recalculation of employee contributions Inadequate testing of participant investment options No reconciliation of participant accounts to total assets
					Parties in Interest/Prohibited Transactions	No work performed No documentation of parties in interest/related parties
					Minor Item(s): Planning & Supervision	No planning to address risks in change of trustee & recordkeepers at mid-year No evidence of workpaper review
16	Yes	4	Limited	DC 401(k)	Internal Controls	No documentation of evaluation of internal control No identification and review of user controls of third party service providers
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of eligibility/terminations/ forfeitures Inadequate testing of allocations to participant accounts Inadequate testing of participant investment options Detail tests of data samples incomplete
					Minor Item(s): Planning & Supervision	Inadequate preliminary review Inadequate risk assessment process
					Contributions Received & Receivable	No/inadequate documentation of testing of employer contributions and employee deferrals to an accurate posting to individual participant accounts
17	Yes	4	Limited	DC 401(k)	Planning & Supervision	No planning analytics with developed expectations No materiality workpaper No evidence of required communications (114/115)

25-99 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Internal Controls	No assessment/documentation of control risk
					Participant Data & Participant Accounts	No/insufficient testing of payroll data
					Minor Item(s): Plan Tax Status	Inadequate work
18	Yes	4	Limited	DC 401(k)	Internal Controls	Lack of documentation of risk assessment procedures
					Parties in Interest/Prohibited Transactions	No work performed
					Plan Representations	No plan representation letter
					Minor Item(s): Subsequent Events	No review of interim financial data No audit program for this area of audit for this area of audit
19	Yes	4	Limited	DC 401(k)	Internal Controls	No review of internal control of service providers No/inadequate evidence of fraud "brainstorming"
					Contributions Received & Receivable	No recalculation of employer and/or employee contributions
					Participant Data & Participant Accounts	No/insufficient testing of payroll data No testing of participant opening balances audited by another auditor
					Minor Item(s): Parties in Interest/Prohibited Transactions	No documentation of parties in interest
20	No	4	Full	DC	Internal Controls	No evidence of SOC1 report review reliance
					Participant Data & Participant Accounts	Inadequate testing of allocations to participant accounts
					Parties in Interest/Prohibited Transactions	Inadequate work
					Minor Item(s): Compliance with GAAS & GAAP	Inadequate footnote disclosures
21	Yes	3	Limited	DB cash balance	Plan Obligations	No/insufficient testing of census data
					Minor Item(s): Participant Data & Participant Accounts	No/insufficient testing of payroll data

25-99 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
					Plan Tax Status	No evidence IRS tax compliance tests were reviewed
22	Yes	3	Limited	DC 401(A)	Investments & Investment Transactions	Certifying entity does not qualify for limited scope
					Minor Item(s): Participant Data	No/insufficient testing of payroll data
					Compliance with GAAS & GAAP	Opinion is incorrectly dated to prior year
23	Yes	3	Limited	DC 401(k)	Internal Controls	Inappropriate reliance on SSAE 16 to assess risk in significant audit areas
					Participant Data & Participant Accounts	No/insufficient testing of payroll data
					Parties in Interest/Prohibited Transactions	Inadequate work
24	Yes	3	Full	Health	Investments & Investment Transactions	Inappropriate reliance on SOC1 report No testing of end of year asset values No testing of investment transactions No testing of investment income
					Minor Item(s): Internal Controls	No evidence of SOC1 report review reliance
					Parties in Interest/Prohibited Transactions	No work performed
25	Yes	2	Limited	DC	Investments & Investment Transactions	Certification does not mention plan name nor period covered
					Participant Data & Participant Accounts	No/insufficient testing of payroll data Inadequate testing of allocations to participant accounts
26	Yes	1	Limited	DC 401(k)	Planning & Supervision	No/inadequate procedures on initial/beginning balances
27	Yes	1	Full	DC 401(k)	Investments & Investment Transactions	No verification of existence of plan assets with the custodian Complete reliance on account statement

100-749 Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
1	Yes	8	Limited	Health	Planning & Supervision	No/insufficient review of plan documents/plan operations
					Benefit Payments	No recalculation of benefit payments No/inadequate work regarding validity of claims
					Plan Obligations	No assessment of whether actuary used plan's provisions and considered the plan's amendment effective 1/1/2011
					Minor Item(s): Contributions Received & Receivable	No test of timely remittance of employee contributions
					Parties in Interest/Prohibited Transactions	Incomplete documentation of inquiries with management (with whom, when) No documentation of parties in interest/related parties
					Plan Tax Status	No tax determination letter obtained
					Commitments & Contingencies	No documentation of results of inquiries with management
					Subsequent Events	No documentation of results of inquiries with management
2	Yes	4	Limited	DB	Benefit Payments	No recalculation of benefit payments No agreement of benefit payment recalculations for compliance with formula in the plan document
					Participant Data	No/insufficient testing of payroll data No testing of compliance with compensation provisions Inadequate testing of eligibility/terminations/ forfeitures
					Plan Obligations	No/insufficient testing of census data
					Administrative Expenses	No work performed
3	Yes	1	Limited	DC 401(k)	Plan Mergers & Terminating Plans	No testing of plan assets transferred at 12/31/11 to another plan at the detailed participant level until 2013

750 + Plan Stratum						
Review #	EBPAQC Member	# of Findings	Audit Scope	Plan Type	Audit Area(s)	Detail of Findings
1	Yes	5	Limited	DB	Internal Controls	No/inadequate documentation of internal control environment Possible fraud discussed in board minutes but engagement team did not inquire of legal counsel or include it is a fraud risk factor
					Contributions Received & Receivable	IQPA did not identify or inquire about potential missing contributions occurring in time period leading up to plan administrator's termination and his possible conversion, fraud and theft No agreement of contributions to actuarial report
					Participant Data	No/insufficient testing of payroll data
					Plan Obligations	No/insufficient testing of census data
					Minor Item(s): Commitments & Contingencies	No legal representation letter obtained
2	Yes	2	Full	DC	Planning & Supervision	No/inadequate procedures on initial/beginning balances No/insufficient review of plan documents/operations
					Minor Item(s): Participant Data & Participant Accounts	Inadequate testing of eligibility/terminations/ forfeitures
3	Yes	1	Limited	DC 401(k)	Parties in Interest/Prohibited Transactions	Inadequate work, overall conclusion of no non-exempt transactions was not supported by evidence of procedures performed Relevant portion of audit program was not completed No documentation of parties in interest/related parties

Appendix IV - Listing of Deficient Audits and Peer Review Information

1-2 Plan Stratum

Review Number	# of Audit Areas with Findings	Type of Audit Engagement	Plan Type	Member of the EBPQAC	Year Became EBPAQC member	State Society Member	Peer Review Performed	Peer Review Year	Peer Review Opinion	State IQPA Located In	Number of Times Plan Audited
1	15	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass	GA	2 to 3 times
2	15	Limited-Scope Audit	DC	No		No Response	Not Licensed			OH	No Response
3	15	Full-Scope Audit	DC	No		No	No			CA	1 time
4	15	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass	GA	2 to 3 times
5	15	Full-Scope Audit	DC	No		No Response	Not Licensed			NY	No Response
6	14	Limited-Scope Audit	DC 403b	Yes	2013	No	Yes	2012	Pass	TX	First time audited
7	14	Limited-Scope Audit	DC	No		No Response	Not Licensed			PA	No Response
8	14	Full-Scope Audit	DC	No		No Response	Yes	2013	Fail	NY	No Response
9	14	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass	CA	4 or more times
10	13	Full-Scope Audit	DC 403b	No		Yes	Yes	2012	Pass	OK	1 time
11	13	Full-Scope Audit	DC	No		No Response	No			AR	No Response
12	13	Full-Scope Audit	HW	No		Yes	Yes	2012	Pass with deficiencies	IA	4 or more times
13	13	Other	DC	No		No Response	No			NY	No Response
14	12	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass	MA	4 or more times
15	12	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass with deficiencies	TX	4 or more times
16	12	Limited-Scope Audit	DC	No		No	No			NY	4 or more times
17	12	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass	NY	4 or more times
18	12	Full-Scope Audit	DC	No		Yes	Yes	2012	Pass	IL	2 to 3 times
19	12	Limited-Scope Audit	DC	No		No Response	No			GA	No Response
20	11	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass	CT	4 or more times
21	11	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass	NY	First time audited
22	11	Limited-Scope Audit	DC	No		No	No			NY	4 or more times
23	10	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass	HI	4 or more times
24	10	Full-Scope Audit	DC	No		Yes	Yes	2013	Pass with deficiencies	OH	4 or more times

1-2 Plan Stratum

Review Number	# of Audit Areas with Findings	Type of Audit Engagement	Plan Type	Member of the EBPQAC	Year Became EBPAQC member	State Society Member	Peer Review Performed	Peer Review Year	Peer Review Opinion	State IQPA Located In	Number of Times Plan Audited
25	10	Full-Scope Audit	DC	No		Yes	Yes	2011	Pass	NC	2 to 3 times
26	10	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass	VT	4 or more times
27	10	Full-Scope Audit	HW	No		No Response	Yes	2011	Pass	CA	No Response
28	10	Full-Scope Audit	DC	No		No Response	Yes	2010	Pass	IL	No Response
29	10	Limited-Scope Audit	DC	No		Yes	No			PA	4 or more times
30	9	Limited-Scope Audit	DC	No		Yes	No - firm dissolved			CA	1 time
31	9	Full-Scope Audit	DC	No		Yes	Yes	2011	Pass with deficiencies	CT	First time audited
32	9	Full-Scope Audit	DC	No		Yes	Yes	2013	Pass	NY	2 to 3 times
33	9	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass	NJ	4 or more times
34	9	Limited-Scope Audit	DC	No		Yes	Yes	2010	Pass	NC	4 or more times
35	8	Full-Scope Audit	DC	No		Yes	Yes	2013	Pass	NY	4 or more times
36	8	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass	MO	4 or more times
37	7	Limited-Scope Audit	DC 403b	No		No Response	Yes	2012	Pass	MA	No Response
38	7	Limited-Scope Audit	DC 403b	Yes	2011	Yes	Yes	2012	Pass	AL	2 to 3 times
39	7	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass with deficiencies	CA	4 or more times
40	7	Limited-Scope Audit	DC	Yes	2011	Yes	Yes	20111	Pass	CA	First time audited
41	7	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass	SC	4 or more times
42	7	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass with deficiencies	AZ	First time audited
43	7	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass	AL	4 or more times
44	6	Limited-Scope Audit	DC	No		Yes	Yes	2010	Pass	VA	4 or more times
45	6	Limited-Scope Audit	DC	No		Yes	No			NJ	2 to 3 times
46	6	Limited-Scope Audit	DC	No		No	Yes	2011	Pass	CA	1 time
47	5	Limited-Scope Audit	DC	Yes	2002	Yes	Yes	2011	Pass	WA	4 or more times
48	5	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass	MD	First time audited
49	5	Limited-Scope Audit	DC	No		No	Yes	2011	Pass	MI	1 time
50	5	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass	WA	4 or more times
51	5	Limited-Scope Audit	DC	No		No	No			CA	4 or more times

1-2 Plan Stratum

Review Number	# of Audit Areas with Findings	Type of Audit Engagement	Plan Type	Member of the EBPQAC	Year Became EBPAQC member	State Society Member	Peer Review Performed	Peer Review Year	Peer Review Opinion	State IQPA Located In	Number of Times Plan Audited
52	5	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass	CO	4 or more times
53	5	Full-Scope Audit	DC	No		Yes	Yes	2013	Pass	IL	4 or more times
54	4	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass with deficiencies	KS	4 or more times
55	4	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass	GA	
56	4	Limited-Scope Audit	DC	No		No	Yes	2011	Pass	TX	4 or more times
57	4	Limited-Scope Audit	DC	No		No Response	Yes	2011	Pass	CA	No Response
58	4	Limited-Scope Audit	DC	Yes	No Response	No Response	Yes	2013	Pass	ID	No Response
59	3	Limited-Scope Audit	DC	No		No	Yes	2011	Pass with deficiencies	NY	4 or more times
60	3	Limited-Scope Audit	DC	Yes	2009	Yes	Yes	2011	Pass	VA	4 or more times
61	3	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass with deficiencies	TX	2 to 3 times
62	3	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass	RI	4 or more times
63	3	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass	CO	2 to 3 times
64	3	Full-Scope Audit	DC	No		Yes	Yes	2013	Pass	CO	4 or more times
65	3	Limited-Scope Audit	DC	No		No Response	Yes	2010	Pass	CA	No Response
66	3	Limited-Scope Audit	DC	No		Yes	Yes	2009	Pass	NY	1 time
67	2	Limited-Scope Audit	DC	No		No	Yes	2010	Pass	IN	4 or more times
68	2	Full-Scope Audit	DB	Yes	2010	Yes	Yes	2012	Pass	OR	2 to 3 times
69	2	Limited-Scope Audit	DC	No		Yes	Yes	2010	Pass	CA	4 or more times
70	2	Limited-Scope Audit	DC	No		Yes	Yes	2013	Pass	MI	1 time
71	1	Limited-Scope Audit	DC	No		Yes	Yes	2013	Pass	NY	4 or more times
72	1	Limited-Scope Audit	DC	No		Yes	Yes	2013	Pass	TX	4 or more times

3-5 Plan Stratum

Review Number	# of Audit Areas with Findings	Type of Audit Engagement	Plan Type	Member of the EBPQAC	Year Became EBPAQC member	State Society Member	Peer Review Performed	Peer Review Year	Peer Review Opinion	State IQPA Located In	Number of Times Plan Audited
1	15	Full-Scope Audit	DC	No		Yes	Yes	2012	Pass	TX	4 or more times
2	13	Limited-Scope Audit	DC	No		Yes	Yes	2010	Pass with deficiencies	IL	4 or more times
3	13	Full-Scope Audit	HW	No		Yes	Yes	2011	Pass	AR	2 to 3 times
4	13	Limited-Scope Audit	DC	No		No Response	Yes	2011	Pass with deficiency	CA	No Response
5	13	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass	AL	2 to 3 times
6	12	Full-Scope Audit	DB	Yes	2013	No	Yes	2011	Pass	TX	4 or more times
7	12	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass	FL	First time audited
8	11	Limited-Scope Audit	DC 403b	No		No	Yes	2012	Pass	NC	2 to 3 times
9	11	Full-Scope Audit	DC	No		Yes	Yes	2012	Pass	TX	4 or more times
10	11	Full-Scope Audit	HW	No		Yes	Yes	2012	Pass		4 or more times
11	11	Limited-Scope Audit	DC	Yes	No Response	Yes	Yes	2013	Pass	PA	4 or more times
12	11	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass	MA	4 or more times
13	11	Limited-Scope Audit	DC	No		Yes	Yes	2013	Pass	GA	4 or more times
14	10	Limited-Scope Audit	DC 403b	No		Yes	Yes	2012	Pass	AR	2 to 3 times
15	10	Limited-Scope Audit	DC 403b	No		Yes	Yes	2012	Pass	TX	1 time
16	10	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass	MI	4 or more times
17	9	Limited-Scope Audit	DC	No		Yes	Yes	2013	Pass	TX	4 or more times
18	9	Limited-Scope Audit	DC	Yes	No Response	No Response	Yes	2011	Pass	TX	No Response
19	9	Limited-Scope Audit	DC	Yes	No Response	No Response	Yes	2011	Pass	GA	No Response
20	9	Limited-Scope Audit	DC	No		No Response	Yes	2010	Pass	NY	No Response
21	9	Limited-Scope Audit	DC	No		No Response	Yes	2011	Pass	MA	No Response
22	9	Full-Scope Audit	DC	No		No Response	Yes	2010	Pass	FL	No Response
23	9	Full-Scope Audit	DC	No		Yes	Yes	2013	Pass	WA	4 or more times
24	8	Limited-Scope Audit	DC	No		Yes	Yes	2013	Pass	PA	4 or more times
25	7	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass with deficiencies	FL	4 or more times
26	7	Limited-Scope Audit	DC	No		No	Yes	2011	Pass with deficiencies	FL	4 or more times
27	6	Limited-Scope Audit	DC 403b	Yes	2007	Yes	Yes	2012	Pass with deficiencies	AZ	2 to 3 times

3-5 Plan Stratum

Review Number	# of Audit Areas with Findings	Type of Audit Engagement	Plan Type	Member of the EBPQAC	Year Became EBPAQC member	State Society Member	Peer Review Performed	Peer Review Year	Peer Review Opinion	State IQPA Located In	Number of Times Plan Audited
28	6	Limited-Scope Audit	DC	No		No	Yes	2012	Pass	UT	1 time
29	6	Limited-Scope Audit	DC	Yes	2012	Yes	Yes	2013	Pass	TX	4 or more times
30	5	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass	NY	4 or more times
31	5	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass	AR	First time audited
32	5	Limited-Scope Audit	DC	No		Yes	Yes	2013	Pass	NC	4 or more times
33	5	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass	UT	4 or more times
34	5	Full-Scope Audit	DB	No		No	Yes	2010	Pass	MD	4 or more times
35	5	Limited-Scope Audit	DC	No		Yes	Yes	2010	Pass	NE	4 or more times
36	5	Full-Scope Audit	HW	No		Yes	Yes	2013	Pass	AR	4 or more times
37	5	Limited-Scope Audit	DC	Yes	2013	Yes	Yes	2013	Pass	TX	4 or more times
38	5	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass	AR	2 to 3 times
39	5	Limited-Scope Audit	DC	Yes	No Response	No Response	Yes	2012	Pass	PA	No Response
40	5	Limited-Scope Audit	HW	No		Yes	No			NH	4 or more times
41	4	Limited-Scope Audit	DC	Yes	No Response	No Response	Yes	2011	Pass	OH	No Response
42	4	Limited-Scope Audit	DC	No		No Response	Yes	2013	Pass with deficiencies	KY	No Response
43	4	Limited-Scope Audit	DC	Yes	2010	Yes	Yes	2012	Pass	CA	2 to 3 times
44	4	Limited-Scope Audit	DC	No		No	Yes	2006	Pass, but review not w/n 3 yr. period	CA	4 or more times
45	4	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass	OH	First time audited
46	4	Limited-Scope Audit	DC 403b	No		Yes	Yes	2013	Pass	NC	1 time
47	4	Limited-Scope Audit	DC	Yes	2011	Yes	Yes	2012	Pass	NJ	1 time
48	4	Limited-Scope Audit	DC	No		No Response	Yes	2010	Pass	NY	No Response
49	3	Limited-Scope Audit	DC	Yes	No Response	Yes	Yes	2012	Pass	AZ	2 to 3 times
50	3	Full-Scope Audit	HW	No		Yes	Yes	2011	Pass	MA	4 or more times
51	3	Limited-Scope Audit	DC 403b	No		No Response	Yes	2014	Pass	MA	No Response
52	3	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass	OH	4 or more times
53	3	Limited-Scope Audit	DC	No		Yes	Yes	2010	Pass	VA	2 to 3 times
54	3	Limited-Scope Audit	DC	No		No	Yes	2011	Pass	CA	4 or more times

3-5 Plan Stratum

Review Number	# of Audit Areas with Findings	Type of Audit Engagement	Plan Type	Member of the EBPQAC	Year Became EBPAQC member	State Society Member	Peer Review Performed	Peer Review Year	Peer Review Opinion	State IQPA Located In	Number of Times Plan Audited
55	3	Limited-Scope Audit	DC 403b	No		No	Yes	2012	Pass with deficiencies	NY	2 to 3 times
56	2	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass	ID	First time audited
57	2	Full-Scope Audit	HW	No		No	Yes	2011	Pass	TN	4 or more times
58	2	Full-Scope Audit	DC	No		Yes	Yes	2010	Pass	KY	4 or more times
59	2	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass	NJ	4 or more times
60	2	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass	IN	4 or more times
61	2	Full-Scope Audit	HW	Yes	No Response	No Response	Yes	2012	Pass	KS	No Response
62	2	Limited-Scope Audit	DC	Yes	2008	Yes	Yes	2012	Pass	NC	4 or more times
63	1	Full-Scope Audit	DB	Yes	2013	Yes	Yes	2012	Pass	NY	4 or more times
64	1	Limited-Scope Audit	DC	No		No Response	Yes	2013		NY	No Response
65	1	Full-Scope Audit	DB	No		No Response	Yes	2012		IL	No Response

6-24 Plan Stratum

Review Number	# of Audit Areas with Findings	Type of Audit Engagement	Plan Type	Member of the EBPQAC	Year Became EBPAQC member	State Society Member	Peer Review Performed	Peer Review Year	Peer Review Opinion	State IQPA Located In	Number of Times Plan Audited
1	13	Full-Scope Audit	DC	Yes	2014	No	Yes	2012	Pass	WA	First time audited
2	13	Limited-Scope Audit	DC 403b	No		No Response	Yes	2012	Pass	FL	No Response
3	11	Limited-Scope Audit	DC	Yes	2008	Yes	Yes	2012	Pass	NJ	1 time
4	11	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass	KY	4 or more times
5	11	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass	MI	4 or more times
6	10	Limited-Scope Audit	DB	Yes	2014	No	Yes	2012	Pass	WA	4 or more times
7	10	Limited-Scope Audit	DC	Yes	2010	Yes	Yes	2011	Pass	TX	4 or more times
8	10	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass	MI	First time audited
9	10	Limited-Scope Audit	DC	Yes	2014	No	Yes	2012	Pass	WA	4 or more times
10	9	Limited-Scope Audit	DC	No		No Response	Yes	2012	Pass	FL	No Response
11	9	Full-Scope Audit	DC	Yes	2009	Yes	Yes	2010	Pass	PA	2 to 3 times
12	9	Limited-Scope Audit	DC	Yes	2008	Yes	Yes	2012	Pass	AK	First time audited
13	9	Limited-Scope Audit	dc	No		No Response	Yes	2012	Pass	FL	No Response
14	8	Limited-Scope Audit	DC	Yes	2010	Yes	Yes	2011	Pass	TX	First time audited
15	8	Full-Scope Audit	DC	Yes	2008	Yes	Yes	2012	Pass	CT	4 or more times
16	8	Limited-Scope Audit	DC 403b	Yes	2007	Yes	Yes	2010	Pass	MN	2 to 3 times
17	8	Limited-Scope Audit	DC	Yes	2008	Yes	Yes	2012	Pass	NJ	4 or more times
18	8	Limited-Scope Audit	DC 403b	Yes	2007	Yes	Yes	2010	Pass	MN	1 time
19	8	Limited-Scope Audit	DC	No		Yes	Yes	2013	Pass	OH	4 or more times
20	8	Limited-Scope Audit	DC	Yes	2008	Yes	Yes	2012	Pass	NJ	4 or more times
21	8	Limited-Scope Audit	DC 403b	No		Yes	Yes	2012	Pass	KY	2 to 3 times
22	8	Limited-Scope Audit	DC	No		No Response	Yes	2012	Pass	FL	No Response
23	7	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass	KY	2 to 3 times

6-24 Plan Stratum

Review Number	# of Audit Areas with Findings	Type of Audit Engagement	Plan Type	Member of the EBPQAC	Year Became EBPAQC member	State Society Member	Peer Review Performed	Peer Review Year	Peer Review Opinion	State IQPA Located In	Number of Times Plan Audited
24	7	Limited-Scope Audit	DC	Yes	2014	No	Yes	2012	Pass	WA	4 or more times
25	6	Limited-Scope Audit	DB	Yes	2014	No	Yes	2012	Pass	WA	4 or more times
26	6	Limited-Scope Audit	DC	Yes	2008	Yes	Yes	2013	Pass	IA	1 time
27	6	Full-Scope Audit	DC	Yes	2006	Yes	Yes	2010	Pass with deficiencies	CA	4 or more times
28	6	Limited-Scope Audit	DC	Yes	2006	Yes	Yes	2010	Pass with deficiencies	CA	4 or more times
29	6	Limited-Scope Audit	DC	No		No Response	Yes	2012	Pass	FL	No Response
30	6	Limited-Scope Audit	HW	Yes	2008	Yes	Yes	2012	Pass	NJ	4 or more times
31	6	Limited-Scope Audit	DC 403b	Yes	2007	Yes	Yes	2013	Pass	MN	2 to 3 times
32	6	Limited-Scope Audit	DC	Yes	2007	Yes	Yes	2011	Pass	CA	2 to 3 times
33	5	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass	MI	4 or more times
34	5	Limited-Scope Audit	DC	Yes	2009	No	Yes	2010	Pass	PA	4 or more times
35	5	Limited-Scope Audit	DC 403b	No		Yes	Yes	2011	Pass	KY	2 to 3 times
36	5	Limited-Scope Audit	DC	Yes	2007	Yes	Yes	2011	Pass	CA	2 to 3 times
37	5	Full-Scope Audit	DC	Yes	2008	Yes	Yes	2013	Pass	IA	4 or more times
38	4	Limited-Scope Audit	DC	No		Yes	Yes	2013	Pass	OH	First time audited
39	4	Limited-Scope Audit	DC	Yes	2010	Yes	Yes	2011	Pass	TX	1 time
40	4	Limited-Scope Audit	DC	Yes	2008	Yes	Yes	2012	Pass	CT	2 to 3 times
41	4	Limited-Scope Audit	DC	Yes	2007	Yes	Yes	2011	Pass	CA	First time audited
42	4	Limited-Scope Audit	DC	Yes	2008	Yes	Yes	2013	Pass	IA	4 or more times
43	4	Limited-Scope Audit	DC	Yes	2008	Yes	Yes	2013	Pass	IA	4 or more times
44	4	Full-Scope Audit	DC	Yes	2008	Yes	Yes	2012	Pass	CT	4 or more times
45	3	Limited-Scope Audit	DC	Yes	2008	Yes	Yes	2012	Pass	AK	First time audited
46	3	Full-Scope Audit	DC	Yes	2009	Yes	Yes	2011	Pass	MS	2 to 3 times
47	3	Limited-Scope Audit	DC	No		Yes	Yes	2013	Pass	OH	4 or more times
48	3	Limited-Scope Audit	DC	Yes	2004	Yes	Yes	2013	Pass	FL	4 or more times
49	2	Limited-Scope Audit	DC	Yes	2009	No	Yes	2010	Pass	PA	4 or more times
50	2	Limited-Scope Audit	DC	Yes	2009	No	Yes	2010	Pass	PA	4 or more times
51	2	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass	MI	1 time

6-24 Plan Stratum

Review Number	# of Audit Areas with Findings	Type of Audit Engagement	Plan Type	Member of the EBPQAC	Year Became EBPAQC member	State Society Member	Peer Review Performed	Peer Review Year	Peer Review Opinion	State IQPA Located In	Number of Times Plan Audited
52	2	Limited-Scope Audit	DC	Yes	2009	Yes	Yes	2011	Pass	MS	4 or more times
53	2	Limited-Scope Audit	DC	Yes	2007	Yes	Yes	2011	Pass	CA	4 or more times
54	2	Full-Scope Audit	DB	Yes	2007	Yes	Yes	2013	Pass	MN	2 to 3 times
55	2	Limited-Scope Audit	DC	Yes	2004	Yes	Yes	2013	Pass	FL	4 or more times
56	2	Limited-Scope Audit	DC	No		Yes	Yes	2012	Pass	MI	4 or more times
57	2	Limited-Scope Audit	DC	No		Yes	Yes	2013	Pass	OH	4 or more times
58	1	Limited-Scope Audit	DC	Yes	2010	Yes	Yes	2011	Pass	TX	First time audited
59	1	Limited-Scope Audit	DC	Yes	2008	Yes	Yes	2013	Pass	IA	4 or more times
60	1	Limited-Scope Audit	DC	Yes	2006	Yes	Yes	2010	Pass with deficiencies	CA	2 to 3 times
61	1	Limited-Scope Audit	DC	Yes	2006	Yes	Yes	2010	Pass with deficiencies	CA	First time audited
62	1	Full-Scope Audit	DC	Yes	No Response	Yes	Yes	2011	Pass	TX	2 to 3 times
63	1	Full-Scope Audit	HW	Yes	2008	Yes	Yes	202	Pass	CT	4 or more times
64	1	Limited-Scope Audit	DC	Yes	2007	Yes	Yes	2011	Pass	CA	4 or more times

25-99 Plan Stratum

Review Number	# of Audit Areas with Findings	Type of Audit Engagement	Plan Type	Member of the EBPQAC	Year Became EBPAQC member	State Society Member	Peer Review Performed	Peer Review Year	Peer Review Opinion	State IQPA Located In	Number of Times Plan Audited
1	10	Limited-Scope Audit	DC	Yes	2007	Yes	Yes	2012	Pass	NY	4 or more times
2	10	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass	MD	4 or more times
3	9	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass	MD	4 or more times
4	8	Full-Scope Audit	DC	Yes	2006	Yes	Yes	2012	Pass	IL	4 or more times
5	8	Full-Scope Audit	DC	Yes	2004	Yes	Yes	2011	Pass	VA	4 or more times
6	7	Limited-Scope Audit	DC	Yes	2006	Yes	Yes	2012	Pass	AZ	First time audited
7	7	Limited-Scope Audit	DB	Yes	No Response	Yes	Yes	2012	Pass	IL	1 time
8	7	Limited-Scope Audit	DC	Yes	2007	Yes	Yes	2011	Pass	VA	4 or more times
9	5	Full-Scope Audit	DB	No		Yes	Yes	2011	Pass	MD	1 time
10	5	Limited-Scope Audit	DC	Yes	2006	Yes	Yes	2012	Pass	AZ	4 or more times
11	5	Limited-Scope Audit	DC	Yes	2007	Yes	Yes	2011	Pass	VA	4 or more times
12	5	Limited-Scope Audit	DC	Yes	2008	Yes	Yes	2011	Pass	CA	2 to 3 times
13	5	Limited-Scope Audit	DC	No		Yes	Yes	2011	Pass	MD	4 or more times
14	5	Limited-Scope Audit	DC	Yes	2008	Yes	Yes	2011	Pass	CA	4 or more times
15	4	Limited-Scope Audit	DC	Yes	2006	Yes	Yes	2012	Pass	AZ	1 time
16	4	Limited-Scope Audit	DC	Yes	2007	Yes	Yes	2012	Pass	NY	4 or more times
17	4	Limited-Scope Audit	DC	Yes	2007	Yes	Yes	2011	Pass	VA	2 to 3 times
18	4	Limited-Scope Audit	DC	Yes	2006	Yes	Yes	2012	Pass	AZ	2 to 3 times
19	4	Limited-Scope Audit	DC	Yes	2008	Yes	Yes	2011	Pass	CA	1 time
20	4	Full-Scope Audit	DC	No		Yes	Yes	2011	Pass	MD	1 time
21	3	Limited-Scope Audit	DB	Yes	2004	Yes	Yes	2011	Pass	VA	4 or more times

25-99 Plan Stratum

Review Number	# of Audit Areas with Findings	Type of Audit Engagement	Plan Type	Member of the EBPQAC	Year Became EBPAQC member	State Society Member	Peer Review Performed	Peer Review Year	Peer Review Opinion	State IQPA Located In	Number of Times Plan Audited
22	3	Limited-Scope Audit	DC	Yes	2007	Yes	Yes	2011	Pass	VA	First time audited
23	3	Limited-Scope Audit	DC	Yes	2006	Yes	Yes	2011	Pass	CA	4 or more times
24	3	Full-Scope Audit	HW	Yes	2004	Yes	Yes	2012	Pass with deficiencies	FL	4 or more times
25	2	Limited-Scope Audit	DC	Yes	2007	Yes	Yes	2012	Pass	NY	First time audited
26	1	Limited-Scope Audit	DC	Yes	2005	Yes	Yes	2010	Pass	PA	First time audited
27	1	Full-Scope Audit	DC	Yes	2004	Yes	Yes	2011	Pass	MO	4 or more times

100-749 Plan Stratum

Review Number	# of Audit Areas with Findings	Type of Audit Engagement	Plan Type	Member of the EBPQAC	Year Became EBPAQC member	State Society Member	Peer Review Performed	Peer Review Year	Peer Review Opinion	State IQPA Located In	Number of Times Plan Audited
1	8	Limited-Scope Audit	HW	Yes	2004	Yes	Yes	2012	Pass	MN	4 or more times
2	4	Limited-Scope Audit	DB	Yes	2004	Yes	Yes	2010	Pass	PA	4 or more times
3	1	Limited-Scope Audit	DC	Yes	No Response	Yes	Yes	2011	Pass	KS	4 or more times

750 + Plan Stratum

Review Number	# of Audit Areas with Findings	Type of Audit Engagement	Plan Type	Member of the EBPQAC	Year Became EBPAQC member	State Society Member	Peer Review Performed	Peer Review Year	Peer Review Opinion	State IQPA Located In	Number of Times Plan Audited
1	5	Limited-Scope Audit	DB	Yes	2004	Yes	Yes	2011	Pass	IN	4 or more times
2	2	Full-Scope Audit	DC	Yes	2004	No	Yes	2011	Pass with deficiencies	PA	First time audited
3	1	Limited-Scope Audit	DC	Yes	2004	No	Yes	2011	Pass with deficiency	MN	4 or more times

U.S. Department of Labor

Employee Benefits Security Administration
Washington, D.C. 20210

RECEIVED
15 SEP -2 PM 2:11
CALIFORNIA BOARD OF ACCOUNTANCY

August 28, 2015

Ms. Patti Bowers
Executive Officer
California Board of Accountancy
2000 Evergreen Street
Suite 250
Sacramento, CA 95815-3832

Dear Ms. Bowers:

I am writing to you today about an issue that is of utmost concern to all of us – the quality of audits performed by CPAs, and more specifically the audits of employee benefit plans.

The U.S. Department of Labor's (the Department) Office of the Chief Accountant recently completed an assessment of the quality of audit work performed by CPAs with respect to employee benefit plans covered under the Employee Retirement Income Security Act of 1974 (ERISA). The results of our study were alarming. Nearly 40% of plan audits failed to comply with generally accepted auditing standards (GAAS), affecting the protection of $653 billion in benefits promised to 22.5 million plan participants and beneficiaries.

Notable among our findings:

- Firms with the smallest benefit plan audit practices had a 76% deficiency rate in complying with GAAS
- Audit areas that are unique to employee benefit plans such as contributions, benefit payments, participant data and party-in-interest/prohibited transactions, were the most frequent areas containing audit deficiencies.
- The accounting profession's peer review and practice monitoring efforts have had limited success in identifying substandard benefit plan audit work.

Over 6,500 CPAs audit over 74,000 employee benefit plans. These practitioners are licensed throughout the country and, despite requirements to demonstrate due care in the work they perform, requirements to have their practices overseen by peer review programs,

and mandates to continue their professional education, many of these firms perform substandard work. These shortcomings jeopardize the retirement security of your citizens as well as their ability to receive health care benefits.

At the Department, we are continuing our vigorous review of employee benefit plan audits taking advantage of enhanced targeting that identifies CPA firms that need the most attention. However, we need the support of state boards of accountancy to take appropriate action to discipline those CPAs whose work tarnish the profession and violate the public trust. In California, there are 965 CPA firms, auditing 7,453 employee benefit plans, covering 9,648,455 participants and $581B in plan assets.

It is imperative that state boards of public accountancy make it clear that only those CPAs who possess the unique technical expertise to audit employee benefit plans be permitted to perform services which are to guard such significant assets. CPAs must know that substandard audit work may subject their clients to civil penalties and put their own licenses at risk.

For the last several years, we have been working with state CPA societies in an effort to make specific training on auditing employee benefit plans available to their members, and with NASBA on various initiatives to improve audit quality. Similarly, we look forward to working with you and with other state boards of accountancy in our continuing efforts to reduce the number of audits that fail to comply with professional standards.

Please visit our website, www.dol.gov/ebsa, to read the report entitled, "Assessing the Quality of Employee Benefit Plan Audits." We are also working to make publicly available a list of all CPAs that perform employee benefit plan audits, which will allow you to know who is performing employee benefit plan audits in your state.

We share the goal of ensuring that audits are done in accordance with professional standards. Please feel free to contact me at 202-693-8361 if you would like to discuss this further.

Sincerely,

IAN DINGWALL
Chief Accountant

NASBA'S REPORT ON DOL REFERRAL TO BOARDS OF ACCOUNTANCY

HISTORICAL:

NASBA's research into the audit deficiency referrals resulted in the following findings:

- 507 routine referrals between 2005 – 2015
    - 481 to AICPA
    - 89 to BOAs
- Audit Quality referrals
    - 132 to AICPA
    - 13 to BOAs
- Over 65% of those handled by the AICPA were concluded with the issuance of confidential required corrective action (RCA) letters.
- Boards had no record of receiving 19% of the referred matters.

CURRENT PROCESS:

- Going forward, all DOL referrals are to be made jointly to the Boards and the AICPA, and NASBA has contacted the Boards to identify the appropriate person at each Board to receive those referrals. The DOL has also centralized the referral process, having one person assigned to distribute the referrals, all referrals being sent by email with a password required to open the file which sends confirmation to the DOL that the file has been received and accessed.
- The DOL has prepared a Consent Form that can allow the Boards to obtain a copy of the DOL investigative file, saving the Board the time and expense of duplicative investigation and allowing the Board the benefit of the DOL/ERISA expertise.

- The DOL has confirmed that DOL representatives may serve as expert witnesses pursuant to authority and procedures outlined in the regulations governing federal employees serving as expert witnesses. (This may be done on a case by case basis.)
- Last quarter (July – September 2015) the DOL sent 19 referrals to 13 Boards. NASBA has contacted Boards to confirm their receipt of the referrals, and is following up with the Boards on use of the new DOL Consent Form.

PEER REVIEW:

- NASBA shares the Auditor Population Statistics information with the Executive Directors to allow them to compare the data against their records for peer review compliance.
- NASBA is encouraging Boards to capture the EIN numbers for firms through application and renewal, in order to facilitate digital comparison of the data in the future.

CALIFORNIA BOARD OF ACCOUNTANCY

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CBA Item III.
January 21-22, 2016

Presentation from Senator John Moorlach, 37th California Senate District Regarding His Role, the Certified Public Accountant Profession, and Legislation

Presented by: Katrina Salazar, CPA, President

Consumer Protection Objectives
The purpose of this agenda item is to introduce the Honorable Senator John Moorlach who will address the California Board of Accountancy (CBA) at its January 2016 meeting. This agenda item increases the dialogue with the Legislature which may assist the CBA in advancing consumer protection legislation, consistent with its mission.

Action(s) Needed
No specific action is required on this agenda item.

Background
Senator Moorlach was elected in March 2015 and represents the 37th Senate District.

Comments
There are no comments on this agenda item.

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
Staff does not have a recommendation on this agenda item.

Attachment
Senator John Moorlach's Biography

CALIFORNIA BOARD OF ACCOUNTANCY

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Attachment

Senator John Moorlach Biography

As a Certified Public Accountant and Certified Financial Planner, John Moorlach began his career in public service 20 years ago when he warned that then Orange County Treasurer-Tax Collector Robert Citron's risky investment strategies would lead to bankruptcy. Moorlach's warnings proved true when Orange County filed for bankruptcy protection in December of 1994, becoming the largest municipal bankruptcy in U.S. history.

In the aftermath, the Board of Supervisors appointed John Moorlach to serve out the term of County Treasurer-Tax Collector, where he took immediate steps to reorganize county finances, cut losses, lessen risk, and create efficiencies within government.

Senator Moorlach became well known nationally for his bold and effective steps in recovering the county's financial outlook, as well as for his drive for greater transparency in government financial operations.

John Moorlach was twice re-elected to County Treasurer-Tax Collector. In 2006, voters elected John to serve in his first of two terms on the Board of Supervisors, where he continued his focus on reforming the county's budget practices and sounding the alarm on the county's growing unfunded liabilities.

As Supervisor, John Moorlach served on Orange County's most prominent boards, commissions, and committees, including:

- Orange County Transportation Authority

- Orange County Vector Control District
- Orange County Local Agency Formation Commission
- Orange County Criminal Justice Coordinating Council
- Orange County Juvenile Justice Coordinating Council
- Orange County Ending Homelessness Commission (Chairman)
- Newport Bay Watershed Executive Committee (Chairman)
- Children and Families Commission of Orange County (alternate)
- National Association of Counties
- Orange County Council of Governments (alternate)
- Southern California Association of Governments (alternate)
- California State Association of Counties Board of Directors, including its Executive Committee and was the Chair of the Urban Counties Caucus (representing the most populated counties in California)

Prior to serving as Orange County Treasurer-Tax Collector, John Moorlach was a Certified Public Accountant, Certified Financial Planner, and Vice President of Balser, Horowitz, Frank & Wakeling, an Accountancy Corporation, and was the administrative partner of its Costa Mesa office. He served on numerous nonprofit and industry related boards during his eighteen years in public practice and was a frequent writer and speaker on financial topics.

Senator Moorlach is a California history enthusiast and served as Vice President of the Gold Discovery to Statehood California (1848-1850) Sesquicentennial Foundation Board. He has photographed nearly all of the state's historical landmarks, a program under the auspices of the State Historical Resources Commission. Consequently, he has visited every county in the state, some on numerous occasions, and has enjoyed multiple drives on Highway One, from San Diego County to Crescent City and beyond.

A 1977 graduate from California State University in Long Beach, Senator Moorlach was recognized in 2014 as the CSU Long Beach College of Business Administration Alumnus of the Year.

Senator Moorlach passed the C.P.A. exam in 1978 and completed his studies for the Certified Financial Planner designation in 1987. He earned a Certificate in Public Finance from the University of Delaware, Division of Continuing Education in 1995, the Certificate of Achievement in Public Plan Policy (CAPPP) in Employee Pensions in 1999 and the Trustees Masters Program in 2003 through the International Foundation of Employee Benefit Plans, and the New Supervisors Training Institute in 2007 from California State University in Sacramento in cooperation with their Center for California Studies.

<u>Focus</u>: The Senator's main focus is on transparency in government financial operations.

Legislative committees: Senator Moorlach serves as Vice-Chair of the Senate Judiciary Committee. His standing committees are the Committee on Budget and Fiscal Review and the Senate Governance and Finance Committee.

Legislation: Only one bill because of late election. Senate Bill 9 (of the first extraordinary session) – Responsible Contracting for Caltrans was introduced on July 16, 2015. This bill prohibits the use of one-time, nonrecurring funds to support permanent ongoing state positions within the Department of Transportation (Caltrans). This bill also requires Caltrans to increase contracting for architectural and engineering services decreasing the use of permanent civil service positions for this workload.

Department of Consumer Affairs

California Board of Accountancy

RESOLUTION

***WHEREAS**, Sarah Anderson was appointed by Governor Schwarzenegger and she has faithfully served as a Board member of the California Board of Accountancy from May 4, 2007 through November 23, 2015; and*

***WHEREAS**, she served as President in 2011, Vice-President in 2010, as Chair and member of the Committee on Professional Conduct, Legislative Committee, Ethics Education and Licensing Frequency Taskforce, and member of the Taskforce to Examine Experience for CPA Licensure, and as liaison to the Qualifications Committee; and*

***WHEREAS**, throughout her term of service, at all times Sarah Anderson gave fully of herself and her ideas and acted forthrightly and conscientiously, always with the public interest and welfare in mind; and*

***WHEREAS**, Sarah Anderson previously served as Assurance Partner for Ernst & Young, and as Managing Partner of the Orange County and Riverside Offices; and*

***WHEREAS**, she has held leadership roles in civic organizations including, Immediate Past Chair of the Board of the Pacific Symphony, a member of the University of California, Irvine CEO Roundtable, a founding member of the Women's Philanthropy Fund of Orange County's United Way, and Treasurer of the Pacific Club.*

***NOW, THEREFORE, BE IT RESOLVED**, that the members of the California Board of Accountancy express heartfelt appreciation to Sarah Anderson for the outstanding contribution she made during her term of service on the California Board of Accountancy and to the consumers of California.*

Katrina L. Salazar, CPA, President

Michael M. Savoy, CPA, Secretary/Treasurer

Dated: January 22, 2016

Department of Consumer Affairs

California Board of Accountancy

RESOLUTION

***WHEREAS**, Louise Kirkbride was appointed by Governor Schwarzenegger and she has faithfully served as a Board member of the California Board of Accountancy from March 18, 2008 through November 20, 2015; and*

***WHEREAS**, she served as Chair and member of the Legislative Committee, as member of the Committee on Professional Conduct, and Enforcement Program Oversight Committee, and as liaison to the Enforcement Advisory Committee and Qualifications Committee; and*

***WHEREAS**, throughout her term of service, at all times Louise Kirkbride gave fully of herself and her ideas and acted forthrightly and conscientiously, always with the public interest and welfare in mind; and*

***WHEREAS**, Louise Kirkbride previously served as marketing manager for Tektronix – CAE Systems, and founded Broad Daylight and Answer Systems; and*

***WHEREAS**, she has held leadership roles in civic organizations including, member of the board of trustees at the California Institute of Technology and a former member on the Contractor's State License Board.*

***NOW, THEREFORE, BE IT RESOLVED**, that the members of the California Board of Accountancy express heartfelt appreciation to Louise Kirkbride for the outstanding contribution she made during her term of service on the California Board of Accountancy and to the consumers of California.*

Katrina L. Salazar, CPA, President

Michael M. Savoy, CPA, Secretary/Treasurer

Dated: January 22, 2016

Department of Consumer Affairs

California Board of Accountancy

RESOLUTION

***WHEREAS**, Bruce C. Allen is retiring after 45 years of exemplary leadership as Division Director of Government Relations of the California Society of Certified Public Accountants, and in recognition thereof, he is deserving of special public commendation; and*

***WHEREAS**, throughout his career, he tirelessly advocated on behalf of the CPA Profession, and the consumers they represent, on a number of significant regulatory and legislative issues with the highest level of ethics, integrity and commitment; and*

***WHEREAS**, at all times Bruce C. Allen gave fully of himself and his ideas and acted forthrightly and conscientiously by providing valuable input to California Board of Accountancy deliberations; and*

***WHEREAS**, he has discharged these important responsibilities in a manner reflecting great credit upon himself and the accounting profession; and*

***WHEREAS**, the California Board of Accountancy wishes to express to him their high esteem and regard;*

***NOW, THEREFORE, BE IT RESOLVED**, that the members of the California Board of Accountancy express heartfelt appreciation to Bruce C. Allen for the outstanding contribution he made during his career with the California Society of Certified Public Accountants.*

Katrina L. Salazar, CPA, President

Michael M. Savoy, CPA, Secretary/Treasurer

Dated: January 22, 2016

Department of Consumer Affairs

California Board of Accountancy

RESOLUTION

***WHEREAS**, Mervyn McCulloch has faithfully served as a member of the California Board of Accountancy Enforcement Advisory Committee from July 21, 2011 to December 11, 2015; and*

***WHEREAS**, throughout his term of service, at all times Mervyn McCulloch gave fully of himself and his ideas and acted forthrightly and conscientiously, always with the public interest and welfare in mind; and*

***WHEREAS**, he has discharged these important responsibilities in a manner reflecting great credit upon himself and the accounting profession; and*

***WHEREAS**, his colleagues wish to express to him their high esteem and regard;*

***NOW, THEREFORE, BE IT RESOLVED**, that the members of the California Board of Accountancy express heartfelt appreciation to Mervyn McCulloch for the outstanding contribution he made during his term of service on the Enforcement Advisory Committee and to the consumers of California.*

Katrina L. Salazar, CPA, President

Michael M. Savoy, CPA, Secretary-Treasurer

Dated: January 22, 2016

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CBA Item V.G.
January 21-22, 2016

Exposure Draft Regarding Proposed Revisions to the American Institute of Certified Public Accountants / National Association of State Boards of Accountancy (NASBA) Uniform Accountancy Act and NASBA Uniform Accountancy Act Rules (Retired Status)

Presented by: Gina Sanchez, Chief, Licensing Division

Consumer Protection Objectives

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with the joint American Institute of Certified Public Accountants (AICPA) and NASBA Exposure Draft regarding proposed revisions to the Uniform Accountancy Act and the NASBA Uniform Accountancy Act Rules (Exposure Draft) Section 6(d) and Rule 6-7 (**Attachment 1**). The proposed revisions were created to increase uniformity amongst how states handle retirees and protect the consumer by instituting a requirement for retired status licensees to maintain competency while in a retired status.

Action(s) Needed

The CBA will be asked to review and discuss the attached Exposure Draft and determine if a comment letter should be submitted on behalf of the CBA prior to the conclusion of the public comment period on February 2, 2016.

Background

The Uniform Accountancy Act (UAA) and the NASBA Uniform Accountancy Act Rules (Model Rules) is an “evergreen” model licensing law developed to provide a uniform approach to regulation of the accounting profession. The UAA provides a comprehensive system for enhancing public protection, facilitating consumer choice, and supporting the efficient operation of the capital markets. Although many CBA laws and rules mirror the UAA, the CBA maintains independence in the establishment of minimum licensure requirements.

The UAA does not presently contain Model Rules for retired status licensure. As such, state boards have reached out to NASBA requesting guidance on how to recognize both inactive and retired certified public accountants (CPA). The majority of states have adopted their own retired status in their statutes and/or rules; however, according to the Exposure Draft, the variations in state policies have led to inconsistencies in expectations and treatment of this status of CPAs. The AICPA and NASBA Board of Directors approved for exposure revisions to the UAA and Model Rules that would allow

a CPA in an inactive status to call themselves retired if they are over the age of 55 in the hopes it will increase uniformity amongst how states handle retirees without threatening interstate mobility.

In July 2014, CBA Regulations sections 15 and 15.1 (**Attachment 2**) were implemented to allow licensees the opportunity to have his or her license placed in a retired status pursuant to Business and Professions Code (BPC) section 5070.1 (**Attachment 3**). As of November 30, 2015, the CBA has approved 834 licensees for retired status.

Comments

Several state boards of accountancy have already instituted a retired status option for licensees wishing to maintain their CPA license but no longer wish to practice public accountancy. The intent of the Exposure Draft is to bring standardization to all states. The information listed below outlines the proposed revisions and provides a comparison of the proposed revisions to the CBA's present requirements.

Summary of Proposed Revisions

The Exposure Draft is proposing the following requirements for retired status:

- A licensee must hold a license in an inactive status in good standing
- A licensee must be at least age 55
- A licensee who holds an inactive license and is age 55 may then refer to themselves as "Retired-CPA"
- A Retired-CPA may provide the following services:
    - Offer volunteer tax preparation services, if competent
    - Participate in government-sponsored business mentoring programs, if competent
    - Serve on the board of a non-profit organization, if competent

The services referenced above would be uncompensated and are services that can presently be offered by non-CPAs. Examples of these volunteer programs include the Internal Revenue Services' Volunteer Income Tax Assistance Program and the Small Business Administration's SCORE business mentoring program. Under no circumstances could the Retired-CPA provide services that require signature and use of the CPA title.

Furthermore, Retired-CPAs would be required to affirm to state boards of accountancy that they: (1) understand the scope of limitations on what services they offer, (2) agree not to use their retired status in any way which could be misleading, and (3) maintain professional competency, without a specific continuing education (CE)[1] requirement, when offering any of the permitted volunteer services.

[1] The CBA refers to education received from providers as continuing education (CE); NASBA refers to this as continuing professional education (CPE).

When maintaining competency for these services, the proposed revisions do not indicate a method in which competency would be measured. Licensees providing such volunteer, uncompensated services still have the responsibility to maintain professional competence relative to the volunteer services they provide, even though exempt from the specific CE requirements of Rule 6-4(a).

"Rule 6-4(a) – An applicant seeking renewal of a certificate or registration shall show that the applicant has completed no less than 120 hours of continuing professional education, including a minimum of four hours in ethics, complying with these Rules during the three-year period preceding renewal. A program in ethics includes topics such as ethical reasoning, state-specific statutes and rules, and standards of professional conduct, including those of other applicable regulatory bodies. A minimum of 20 CPE hours shall be completed each year. An applicant seeking renewal of a certificate or registration shall demonstrate participation in a program of learning meeting the standards set forth in the Statement on Standards for Continuing Professional Education (CPE) programs jointly approved by NASBA and AICPA."

<u>Comparison of the Proposed Revisions to the CBA's Requirements</u>
Below outlines the present CBA requirements and how they compare to the proposed revisions of the Exposure Draft.

UAA requirement:
A licensee must hold a license in an inactive status in good standing.

CBA comparison:
BPC section 5070.1 provides the holder of a license in a current, expired, or canceled license status to apply for retired status provided he/she meets the qualification requirements. The license may not be suspended, revoked, or otherwise punitively restricted by the CBA or subject to disciplinary action.

UAA requirement:
A licensee must be at least age 55.

CBA comparison:
CBA Regulations section 15.1 outlines the minimum qualifications to apply for retired status. A licensee must have held a license as a CPA or PA in the United States or its territories for a minimum of 20 total years, with a minimum of five years in an active status with the CBA. There is no age qualification requirement for retired status.

UAA requirement:
A licensee who holds an inactive license and is age 55 may then refer to themselves as "Retired-CPA".

CBA comparison:
Pursuant to BPC section 5058.3 (**Attachment 4**), the holder of a retired license, when lawfully using the title "certified public accountant," the CPA designation, or any other reference that would suggest the person is licensed by the board on materials such as correspondence, Internet Web sites, business cards, nameplates, or name plaques, shall place the term "retired" immediately after that title, designation, or reference.

UAA requirement:
A Retired-CPA may provide services, if competent, such as volunteer tax preparation services, participate in government-sponsored business mentoring programs and serve on the board of a non-profit organization.

CBA comparison:
The CBA does not require retired status licensees to maintain, report, or affirm professional competency; nor do they identify what services retired CPAs can perform. The *Application to have a License Placed in Retired Status* (**Attachment 5**) requires licensees to declare and sign under penalty of perjury that they do not intend to practice public accountancy with a license in a retired status. BPC section 5070.1 states that no licensee shall engage in any activity for which a permit is required.

In addition, the CBA does not require a fee to apply for a retired status license and it must be renewed every two years at the time of the license expiration date. There is no associated fee or CE requirement to renew in a retired status.

Further, the Exposure Draft does not address if there is a limitation as to how many times a licensee may restore his/her retired status license to active status. CBA Regulations sections 15.3 and 15.4 (**Attachment 6**) requires completion of a minimum of 80 hours of CE, of which 20 hours must have been completed within the one-year period immediately prior to restoring to active status and allows a retired status licensee to restore his/her license to active status no more than two times.

Should CBA members decide to submit a comment on the Exposure Draft, staff have prepared a draft comment letter for review and approval (**Attachment 7**). Upon release of the final version of the Exposure Draft, CBA members will be afforded the opportunity to review and consider if any changes may be appropriate to incorporate into the CBA Regulations.

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation

Staff recommends approval of the attached comment letter. If the CBA decides any changes are necessary to the comment letter, staff recommends authority be delegated to the CBA President to approve the final letter for submission by the end of the comment period which is February 2, 2016.

Attachments

1. Exposure Draft: Proposed Revisions to AICPA/NASBA Uniform Accountancy Act and NASBA Uniform Accountancy Act Rules, Section 6(d) and Rule 6-7, November 2015
2. CBA Regulations sections 15 and 15.1
3. BPC section 5070.1
4. BPC section 5058.3
5. Application to have a License Placed in Retired Status
6. CBA Regulations sections 15.3 and 15.4
7. Proposed CBA Comment Letter to AICPA/NASBA

EXPOSURE DRAFT

PROPOSED REVISIONS TO

AICPA/NASBA UNIFORM ACCOUNTANCY ACT and NASBA UNIFORM ACCOUNTANCY ACT RULES

SECTION 6(d) and Rule 6-7

November 2015

2014 – 2015 AICPA UAA Committee

Gary McIntosh, CPA – Chair
Gregory Burke, CPA
Leroy Dennis, CPA
Steven Geisenberger, CPA
Nancy Juron, CPA
Debbie Lambert, CPA
Robert Mancini
Thomas Neill, CPA
Stephanie Peters
Tammy Velasquez

2014 – 2015 NASBA UAA Committee

J. Coalter Baker, CPA - Chair
Barton W. Baldwin, CPA
David L. Dennis, CPA
Lori J. Druse, CPA
Andrew L. DuBoff, CPA
Karen Garrett, CPA
Kenneth R. Odom, CPA
John E. Patterson, Esq.
Donovan W. Rulien, CPA
Dan Sweetwood

Please submit comments by February 2, 2016 to:

Mat Young, Vice President – State Regulatory & Legislative Affairs –
RetiredExposureDraft@aicpa.org
and
Louise Dratler Haberman, Vice President, Information & Research –
lhaberman@nasba.org

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OVERVIEW

In September and October, the AICPA Board of Directors and the NASBA Board of Directors each approved for exposure the accompanying changes to the Uniform Accountancy Act and the Model Rules that would provide for the creation of a Retired-CPA status. Comments on this proposal are requested by February 2, 2016.

BACKGROUND

The AICPA and NASBA have worked together since 1984 to produce the Uniform Accountancy Act (UAA) and UAA Model Rules to serve as reference documents for all U.S. states and jurisdictions as they update their own statutes. They are evergreen documents that are regularly reviewed and updated by the joint AICPA/NASBA Committee, subject to the final approval of the two organizations' board of directors.

For several years, there has been a discussion as to whether or not there should be a Retired-CPA status in the UAA. Currently, there is an Inactive-CPA status, which simply indicates that a CPA has chosen not to maintain the requisite amount of continuing professional education and can no longer hold out as a CPA while his or her CPE is not current. State Boards have come to NASBA to request guidance on how to recognize both inactive and retired CPAs. With no uniform approach, a majority of states have adopted their own retired status in their statutes and/or rules. These variations in state policies have led to inconsistencies in expectations and treatment of this class of CPAs.

Coupled with these national differences in policy, demographic changes – in particular the wave of Baby Boomers retiring or preparing to retire – are further driving the debate about the need for a Retired-CPA status. Indeed, the AICPA estimates that approximately 75% of its members will be eligible to retire by 2020. Many of these retirees are well-respected business leaders in their communities who would like to find ways to continue to be of service, without necessarily remaining an active CPA in practice.

The UAA Committee has debated and reviewed this matter and is recommending the creation of a uniform Retired-CPA status. Furthermore, it would like to allow those Retired-CPAs to offer a limited array of volunteer, uncompensated services to the public.

THE PROPOSAL

The UAA Committee is recommending that Inactive CPAs, at least age 55, be allowed to:

- Refer to themselves as "Retired-CPA" with appropriate registration with their State Board
- Offer volunteer tax preparation services if competent
- Participate in government-sponsored business mentoring programs if competent
- Serve on the board of a non-profit organization if competent.

All of these activities would be uncompensated and are activities that can currently be offered by non-CPAs. Examples of these volunteer programs include the IRS's Volunteer Income Tax Assistance (VITA) program and the Small Business Administration's SCORE business mentoring program. Under no circumstances could the Retired-CPA provide services that require signature and use of the CPA title.

Furthermore, Retired-CPAs would be required to affirm to State Boards of Accountancy that they: (1) understand the scope of limitations on what services they offer, (2) agree not to use their retired status in any way which could be misleading, and (3) maintain professional competency, without a specific CPE requirement, when offering any of the permitted volunteer services.

TEXT OF PROPOSED STATUTE REVISIONS

Note: The material set out below is the proposed statutory text and commentary of the relevant UAA provisions. The proposed language to be added is underlined.

Section 6(d):

(d) For renewal of a certificate under this Section each licensee shall participate in a program of learning designed to maintain professional competency. Such program of learning must comply with rules adopted by the Board. The Board may by rule create an exception to this requirement for certificate holders who do not perform or offer to perform for the public one or more kinds of services involving the use of accounting or auditing skills, including issuance of reports on financial statements or of one or more kinds of management advisory, financial advisory or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters. Licensees granted such an exception by the Board must place the word "inactive" adjacent to their CPA title or PA title on any business card, letterhead or any other document or device, with the exception of their CPA certificate or PA registration, on which their CPA or PA title appears. In addition, inactive CPAs, at least 55 years of age, may, in lieu of "inactive", place the word "retired" adjacent to their CPA title or PA title on any business card, letterhead or any other document or device, with the exception of their CPA certificate or PA registration, on which their CPA or PA title appears. Nothing in this section shall preclude an inactive CPA, at least 55 years of age, from providing the following volunteer, uncompensated services; tax preparation services, participating in a government-sponsored business mentoring program, or serving on the board of directors for a non-profit organization. Licensees may only convert to inactive status if they hold a license in good standing .

COMMENT: A licensee is deemed competent to serve the public when he or she initially meets the requirements for licensure. However, a dynamic professional environment requires a licensee to continuously maintain and enhance his or her knowledge, skills and abilities. The board of accountancy may specify any reasonable approach to meeting this requirement using as a guideline the Statement on Standards for Continuing Professional Education (CPE) Programs jointly approved by the National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA). **Furthermore, this section acknowledges that CPAs may, for a number of different reasons, place their license in inactive status and not continue with CPE requirements. In order to protect the public,**

these CPAs should not use their "inactive CPA" status to continue to perform or offer to perform professional services. However, for CPAs who go inactive because they are at the end of their careers, this provision offers an exception to ensure that they can continue to offer a limited number of volunteer, uncompensated services to the public (such as participation in the Internal Revenue Service's Volunteer Income Tax Assistance (VITA) program and the Small Business Administration's SCORE program). These services are narrow in scope, may be offered by non-CPAs, and the provision acknowledges that these CPAs still have much to contribute to their communities during retirement. In order to protect the public the board of accountancy may consider requiring these CPAs to affirm their understanding of the limited types of activities in which they may engage while in inactive CPA status and their understanding that they have a professional duty to ensure that they hold the professional competencies necessary to offer these limited services.

TEXT OF PROPOSED RULES REVISIONS BY ARTICLE

Note: The material set out below is the proposed rules text and commentary of the relevant UAA provisions. The proposed language to be added is underlined**,** and proposed deleted language is stricken-through.

Rule 6-7 – Exceptions.

(a) The Board may make an exception to the requirement set out in Rule 6-4(a) for a licensee who is inactive or who does not perform or offer to perform for the public one of more kinds of services involving the use of accounting or auditing skills, including the issuance of reports on financial statements or other compilation communication, or of one or more kinds of management advisory, financial advisory or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters.

(b) The Board may in particular cases make exceptions to the requirements set out in Rule 6-4(a) for reasons of individual hardship including health, military service, foreign residence, or other good cause. **At the time the exception is granted and for as long as the license remains in "inactive" or "retired" status, the license, and any other license issued by another state, must be in good standing and not be revoked, suspended, refused renewal, subject to revoked or limited privileges under Section 23, or under any other sanction. Nothing herein shall be construed to limit the Board's disciplinary authority with regards to a license in "inactive" or "retired" status.**

(c) Licensees granted such an exception by the Board must place the word "inactive" adjacent to their CPA title or PA title on any business card, letterhead or any other document or device, with the exception of their CPA certificate or PA registration, on which their CPA or PA title appears. **Licensees granted the exception who are at least fifty-five (55) years of age may replace "inactive" with "retired." Any of these terms must not be applied in such a manner that could likely confuse the public as to the current status of the licensee.**

(d) Licensees granted the use of "inactive" or "retired" must affirm in writing their understanding of the limitations placed on them by being given an exception from CPE.

(e) Licensees granted the use of "inactive" or "retired" may provide volunteer, uncompensated services to their community, to the extent provided in statute, unless such involvement could likely mislead the public as to the ongoing competence or status of such licensee. Licensees providing such volunteer, uncompensated services still have the responsibility to maintain professional competence relative to the volunteer services they provide even though excepted from the specific CPE requirements of Rule 6-4(a).

(f) Licensees granted the use of "inactive" or "retired" may not sign documents using CPA with any of these terms attached when rendering one of the services allowed under UAA§A6(d) [volunteer, uncompensated services to the public or serving on the board of directors for a non-profit organization]. As UAA§6(d) provides, an inactive or retired licensee cannot offer or render professional services that require their signature and use of the CPA title either with or without "inactive" or "retired" attached.

(g) Licensees granted an exception by the Board must comply with a re-entry competency requirement defined by the Board as set out in Rule 6-4(c) before they may discontinue use of the word "inactive" in association with their CPA or PA title.

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Attachment 2

CBA Regulations
Sections 15 and 15.1

Section 15 – Retired Status
(a) Beginning July 1, 2104, upon application to the Board and compliance with this Article and Section 5070.1 of the Business and Professions Code, a licensee may have his or her license placed in a retired status. This Article shall not prohibit a holder of a license in a retired status from receiving a share of the net profits from a public accounting firm or other compensation from a public accounting firm, provided that the licensee does not otherwise engage in the practice of public accountancy.
(b) Failure to maintain compliance with this article and Sections 5058.3 or 5070.1 of the Business and Professions Code is unprofessional conduct and grounds for revocation or discipline of the retired license.

Section 15.1 – Application for Retired Status
(a) To be eligible for a license in a retired status, a licensee of the Board shall submit a completed application to the Board on Form 11R-48 (11/11) which is hereby incorporated by reference.
(b) A licensee applying to have his or her license placed in a retired status shall have held a license as a certified public accountant or public accountant in the United States or its territories for a minimum of twenty total years; and during those twenty years, from the Board for a minimum of five years in an active status. Failure to meet the requirements of this Article and Section 5070.1 of the Business and Professions Code is grounds for denial of the application.
(c) In order to place a license in a retired status, an applicant shall pay the application fee required by Section 70(i)(1).

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Attachment 3

Business and Professions Code Section 5070.1 – Retired Status

(a) The board may establish, by regulation, a system for the placement of a license into a retired status, upon application, for certified public accountants and public accountants who are not actively engaged in the practice of public accountancy or any activity which requires them to be licensed by the board.
(b) No licensee with a license in a retired status shall engage in any activity for which a permit is required.
(c) The board shall deny an applicant's application to place a license in a retired status if the permit is subject to an outstanding order of the board, is suspended, revoked, or otherwise punitively restricted by the board, or is subject to disciplinary action under this chapter.
(d) (1) The holder of a license that was canceled pursuant to Section 5070.7 may apply for the placement of that license in a retired status pursuant to subdivision (a).
(2) Upon approval of an application made pursuant to paragraph (1), the board shall reissue that license in a retired status.
(3) The holder of a canceled license that was placed in retired status between January 1, 1994, and January 1, 1999, inclusive, shall not be required to meet the qualifications established pursuant to subdivision (e), but shall be subject to all other requirements of this section.
(e) The board shall establish minimum qualifications to place a license in retired status.
(f) The board may exempt the holder of a license in a retired status from the renewal requirements described in Section 5070.5.
(g) The board shall establish minimum qualifications for the restoration of a license in a retired status to an active status. These minimum qualifications shall include, but are not limited to, continuing education and payment of a fee as provided in subdivision (h) of Section 5134.

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Attachment 4

Business and Professions Code Section 5058.3

The holder of a retired license issued by the board pursuant to Section 5070.1, when lawfully using the title “certified public accountant,” the CPA designation, or any other reference that would suggest that the person is licensed by the board on materials such as correspondence, Internet Web sites, business cards, nameplates, or name plaques, shall place the term “retired” immediately after that title, designation, or reference.

(Added by Stats. 2011, Ch. 395, Sec. 1. Effective January 1, 2012.)

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Attachment 5

Application to have a License Placed in Retired Status

Application Fee $75

NAME	LICENSE NUMBER	EMAIL ADDRESS (OPTIONAL)
ADDRESS OF RECORD		HOME/CELL PHONE NUMBER
CITY, STATE, ZIP		BUSINESS PHONE NUMBER

1. Do you declare that you do not intend to practice public accountancy with a license in a retired status? ☐ YES ☐ NO
2. Do you declare that you are not aware of any pending or current enforcement action against your license? ☐ YES ☐ NO
3. Have you held a license as a certified public accountant or public accountant in the United States or its territories for a minimum of twenty total years? If yes, please complete the table below. ☐ YES ☐ NO

State or Territory in which license was held	License Number	Number of years license held

4. Have you held a California certified public accountant or public accountant license in an active status for a minimum of five years? ☐ YES ☐ NO

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

Signature: _____ Date:_____

PERSONAL INFORMATION COLLECTION NOTICE: The information provided in this form will be used by the California Board of Accountancy, to determine qualifications for a Retired Certified Public Accountant/Public Accountant License. Sections 5070 through 5079 of the Business and Professions Code authorize the collection of this information. Failure to provide any of the required information is grounds for rejection of the form as being incomplete. Information provided may be transferred to the Department of Justice, a District Attorney, a City Attorney, or to another government agency as may be necessary to permit the CBA, or the transferee agency, to perform its statutory or constitutional duties, or otherwise transferred or disclosed as provided in Civil Code Section 1798.24. Each individual has the right to review his or her file, except as otherwise provided by the Information Practices Act. The Executive Officer of the CBA is responsible for maintaining the information in this form, and may be contacted at 2000 Evergreen Street, Suite 250, Sacramento, CA 95815, telephone number (916) 263-3680 regarding questions about this notice or access to records.

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Attachment 6

CBA Regulations
Sections 15.3 and 15.4

15.3. – Restoration of a License from a Retired Status to Active Status
(a) At the time of renewal, the holder of a license in a retired status may restore his or her license to an active status by paying the fee described in Section 70(i)(2) and complying with the continuing education requirements as described in Section 87. A minimum of 20 hours of continuing education shall be completed in the one-year period immediately preceding the time of renewal, 12 hours of which must be in subject areas described in Section 88(a)(1).

(b) The holder of a license in a retired status may restore the license to an active status prior to the next renewal by paying the fee described in Section 70(i)(2) and by meeting the continuing education requirements as described in Section 87.1.

15.4 – Limitation on Retired Status
A licensee may be granted a license in a retired status under this Article on no more than two separate occasions.

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DATE **Attachment 7**

Mat Young, Vice President, State Regulatory and Legislative Affairs
American Institute of Certified Public Accountants

Louise Dratler Haberman, Vice President, Information & Research
National Association of State Boards of Accountancy

RE: AICPA/NASBA Uniform Accountancy Act and NASBA Uniform Accountancy Act Rules Section 6(d) and Rule 6-7, November 2015 Exposure Draft

Dear Mr. Young and Ms. Haberman:

On behalf of the California Board of Accountancy (CBA), I am pleased to submit our response on the proposed revisions to the National Association of State Boards of Accountancy and the American Institute of Certified Public Accountants regarding the AICPA/NASBA Uniform Accountancy Act and NASBA Uniform Accountancy Act Rules Section 6(d) and Rule 6-7 (Exposure Draft).

The CBA supports full exploration of a retired status license to increase uniformity amongst state boards of accountancy while acknowledging the licensee's years of service in the accounting profession. Further, consumers remain well informed when selecting professional accounting services which is consistent with the CBA's mission to protect consumers by ensuring only qualified licensees practice public accountancy.

In July 2014, the CBA implemented a retired status option for California licensees. Upon release of the final revisions to the Exposure Draft, the CBA will review and consider if any changes may be appropriate for incorporation into the CBA Regulations. If any regulatory changes are required, the approximate time frame for implementation is 12 to 18 months.

The CBA appreciates the opportunity to respond to this exposure draft and your continued hard work in creating new opportunities for its licensees while continually striving to ensure protection of the consumer.

Sincerely,

Katrina L. Salazar, CPA
President

c: Members, California Board of Accountancy
Patti Bowers, Executive Officer

State of California
Department of Consumer Affairs

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

Memorandum

To : CBA Members

Date : January 5, 2016
Telephone : (916) 561-1718
Facsimile : (916) 263-3675
E-mail : patti.bowers@cba.ca.gov

From : Patti Bowers
Executive Officer

CBA Agenda Item V.H.
Janaury 21-22, 2016

Subject: Discussion Regarding the Study of California's Attest Experience Requirement

This memorandum is to notify California Board of Accountancy (CBA) members of the status of the delivery of the report regarding the study of California's attest experience requirement.

The attest study report was anticipated to be presented before the CBA in early 2016. Staff have been working diligently with the contractor CPS HR Consulting (CPS) regarding the delivery of the report to the CBA at its January 2016 meeting.

Unfortunately, due to CPS Office closure during the holidays coupled with other unforeseen circumstances related to the project manager, the report has been delayed and will not be available in time for the mail out of meeting materials. If the report is received in its final version with sufficient time for CBA member review in advance of the January 2016 meeting, it will be provided via a separate mail out.

If the report is not available in time for the January 2016 CBA meeting, it will be deferred for discussion at the CBA meeting in March 2016.

Should CBA members have any questions regarding the attest study report, please feel free to contact me.

Thank you.

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CBA Item V.I.
January 21-22, 2016

Discussion Regarding the Impact of the Proposed Changes to the American Institute of Certified Public Accountants Exposure Draft on Standards for Performing and Reporting on Peer Reviews, Improving Transparency and Effectiveness of Peer Review, November 10, 2015

Presented by: Dominic Franzella, Chief, Enforcement Division

Consumer Protection Objectives

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) an opportunity to review, receive input from the Peer Review Oversight Committee (PROC), and determine what, if any, impact the proposed changes to the American Institute of Certified Public Accountants (AICPA) Exposure Draft for Standards for Performing and Reporting on Peer Reviews (*Standards*), Improving Transparency and Effectiveness of Peer Review (Exposure Draft) (**Attachment 1**) may have on the CBA Regulations.

The CBA's Peer Review Program is an important consumer protection program and ensuring the effectiveness of peer review assists the CBA in protecting consumers.

Action(s) Needed

The CBA is requested to review the proposed revisions to the current *Standards* and determine if it wishes to offer comments to the AICPA Exposure Draft by January 31, 2016, the end of the comment period.

Background

Mandatory peer review in California took effect on January 1, 2010. Peer review is an important part of the CBA's commitment to consumer protection by enhancing the quality of accounting services in California. California Business and Professions Code (BPC) section 5076 requires an accounting firm to have a peer review of its accounting and auditing practice every three years. A peer review is a study of a firm's accounting and auditing work, by an unaffiliated CPA following professional standards. Peer review promotes quality, knowledge, and trust by giving consumers an extra measure of assurance knowing the CPA firm they hire has successfully completed a peer review and meets the profession's standards.

BPC section 5076 (**Attachment 2**) requires the CBA to establish regulations specifying the requirements for CBA recognition of a peer review program and standards for

administering peer review. CBA Regulations section 48 (**Attachment 3**) establishes the minimum requirements for a peer review program, and includes:

- Peer review types
- Peer review report issuance
- Peer review qualifications
- Planning and performing peer reviews
- Peer review program plan of Administration and Accepting Peer Review Reports

CBA Regulations section 48.1 (**Attachment 4**) deems the AICPA Peer Review Program to have met the requirements of CBA Regulations section 48.

The Exposure Draft is being issued by the AICPA Peer Review Board (PRB) to further the AICPA's Enhancing Audit Quality initiative. The changes proposed are intended to enhance the peer review process by incorporating best practices of effective peer reviewers into the peer review standards, interpretations, and related guidance. They are also intended to reinforce the need for adequate planning and preparation for a peer review by both firms and peer reviewers to allow sufficient time for proper identification of systemic causes and appropriate remediation, when necessary.

These changes are expected to be proposed at the May 2016 PRB meeting, along with other complimentary and conforming guidance changes related to enhancing peer review of the firm's system of quality control.

Comments

The proposed changes to the AICPA *Standards* issued by the PRB are as follows:

- Supplement the existing guidance for peer reviewer, reviewed firm, technical reviewer and Report Acceptance Body (RAB) responsibilities for nonconforming engagements
- Enhance the peer review of the firm's system of quality control to better assist the team captain and firm in indentifying systemic causes and appropriate remediation of nonconforming engagements and systemic weaknesses
- Clarify the timing of when results of the peer review should be communicated to the firm to allow time for the firm to identify appropriate remediation
- Clarify the guidance for drafting descriptions of findings, deficiencies, and significant deficiencies
- Clarify the peer review report model and provide greater transparency on the results of the review
- Clarify the required firm representations for System and Engagement Reviews

- Clarify information the AICPA and administering entities may provide about a review to third parties

At its December 9, 2015 meeting, the Peer Review Oversight Committee (PROC) discussed the AICPA Exposure Draft. Below are comments captured at the December 2015, PROC meeting on the Exposure Draft:

- Places increased responsibility on firms being peer reviewed
- Offers information, including referencing future complementary and clarifying changes to come
- Shifts peer review to a more remedial environment
- Supportive of the clarifying changes

In addition to having the PROC perform a review, staff reviewed the Exposure Draft to determine if any of the proposed changes would have an impact on the CBA Regulations for peer review, most notably CBA Regulations section 48. After performing its review, staff found no immediate impact on the CBA Regulations. Jim Brackens, CPA, CGMA, Vice President, Ethics and Practice Quality, AICPA, and Robert Lee, CPA, Chairman of the PROC, will be in attendance at the January CBA meeting to provide comments regarding the Exposure Draft.

Staff have drafted a proposed comment letter (**Attachment 5**) for CBA consideration if it decides to provide comment by January 31, 2016. Staff recommend that the CBA delegate to President Salazar the authority to approve the letter should the CBA request changes.

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations

Recommendation
Staff do not have a recommendation on this agenda item.

Attachments
1. AICPA Exposure Draft on Standards for Performing and Reporting on Peer Reviews, Improving Transparency and Effectiveness of Peer Review, November 10, 2015
2. Business and Professions Code section 5076
3. CBA Regulations section 48

4. CBA Regulations section 48.1
5. Proposed Comment Letter – CBA response to AICPA Exposure Draft on Standards for Performing and Reporting on Peer Reviews, Improving Transparency and Effectiveness of Peer Review, November 10, 2015

Attachment 1

EXPOSURE DRAFT

PROPOSED CHANGES TO THE AICPA STANDARDS FOR PERFORMING AND REPORTING ON PEER REVIEWS

Improving Transparency and Effectiveness of Peer Review

November 10, 2015

Comments are requested by January 31, 2016

Prepared by the AICPA Peer Review Board for comment from persons interested in the AICPA Peer Review Program

Comments should be received by January 31, 2016, and addressed to
Rachelle Drummond, Senior Technical Manager
AICPA Peer Review Program
American Institute of Certified Public Accountants
220 Leigh Farm Road, Durham, NC 27707-8110
or PR_expdraft@aicpa.org

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AICPA Peer Review Board

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2015 – 2016

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James Clausell*
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William Lajoie
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Debra Seefeld
Todd Shapiro
Thomas W. Whittle III

**Member—Peer Review Board Standards Task Force*

Non-Peer Review Board Standards Task Force Members
2015 – 2016

Jerry Cross
Heather Reimann

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Public Practice and Global Alliances

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Rachelle Drummond
Senior Technical Manager
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AICPA® Peer Review Program

American Institute of CPAs
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Letter From the Chair of the Peer Review Board

November 10, 2015

The AICPA Peer Review Board (board) approved issuance of this exposure draft, which contains proposals for review and comment by the AICPA's membership and other interested parties regarding revisions to the AICPA *Standards for Performing and Reporting on Peer Reviews (Standards).*

Written comments or suggestions on any aspect of this exposure draft will be appreciated and must meet the following criteria:

- Must be received by January 31, 2016
- Should be sent to Rachelle Drummond or PR_expdraft@aicpa.org
- Should refer to the specific paragraphs and include supporting reasons for each comment or suggestion
- Should be limited to those items presented in the exposure draft
- Will become part of the public record of the AICPA Peer Review Program and will be available on the AICPA website after January 31, 2016 for a period of one year

The exposure draft includes the following:

- An explanatory memorandum of the proposed revisions to the current *Standards*
- Explanations, background and other pertinent information
- Marked excerpts from the current *Standards* to allow the reader to see all changes:
  - Items that are being deleted from the *Standards* are struck through
  - New items are underlined
  - Items relocated are double struck through in the original location and double underlined in the new location)

A copy of this exposure draft and the current *Standards* (effective for peer reviews commencing on or after January 1, 2009) are also available on the AICPA Peer Review website at www.aicpa.org/InterestAreas/PeerReview/Pages/PeerReviewHome.aspx.

Sincerely,

Anita M. Ford
Chair
AICPA Peer Review Board

Explanatory Memorandum

Introduction

This memorandum provides background on the proposed changes to the AICPA *Standards for Performing and Reporting on Peer Reviews* (*Standards*) issued by the AICPA Peer Review Board (Board). The proposed changes are as follows:

- Supplement the existing guidance for peer reviewer, reviewed firm, technical reviewer and Report Acceptance Body (RAB) responsibilities for nonconforming engagements.
- Enhance the peer review of the firm's system of quality control to better assist the team captain and firm in identifying systemic causes and appropriate remediation of nonconforming engagements and systemic weaknesses
- Clarify the timing of when results of the peer review should be communicated to the firm to allow time for the firm to identify appropriate remediation
- Clarify the guidance for drafting descriptions of findings, deficiencies, and significant deficiencies
- Clarify the peer review report model and provide greater transparency on the results of the review
- Clarify the required firm representations for System and Engagement Reviews
- Clarify information the AICPA and administering entities may provide about a review to third parties

This memorandum solicits input on the proposal from all interested parties.

Background

In 2012, the AICPA began a comprehensive and visionary exploration of the next generation of its practice monitoring efforts. The AICPA Peer Review Program (Program) monitors the quality of reviewed firms' accounting and auditing engagements and evaluates the systems under which those engagements are performed. Participation in the peer review program is mandatory for AICPA membership. In addition, peer review is now required for licensure in nearly all states.

Much has changed over the 35 years that the AICPA's Peer Review Program has been in existence, including the complexity of business, the volume and intricacy of Standards and the expectations of financial reporting stakeholders. At the same time, recent technological innovations afford the profession the opportunity to make dramatic upgrades to peer review that will enable adaptation to an ever-changing environment.

The Board approved a plan in early 2014 to implement substantive changes to the current peer review process. The changes are part of the AICPA's Enhancing Audit Quality (EAQ) initiative. EAQ is a holistic effort to consider auditing of private entities through multiple touch points, especially where quality issues have emerged. The goal is to align the objectives of all audit-related AICPA efforts to improve audit performance.

Peer review is an integral element of the AICPA's EAQ initiative. This exposure draft is being issued by the Peer Review Board to further the EAQ efforts to move the audit quality needle in a positive way. The Peer Review Board has and will continue to enact near and long-term changes to the Program and its Standards as part of this initiative, including additional exposure drafts, as necessary.

The proposals included in this exposure draft are intended to enhance the peer review process by incorporating best practices of effective peer reviewers into the Peer Review Standards, Interpretations, and related guidance. They are also intended to reinforce the need for adequate planning and preparation for a peer review by both firms and peer reviewers to allow sufficient time for proper identification of systemic causes and appropriate remediation, when necessary. Refer to Exhibit 1 for a visual representation of the peer review process including the proposals in this exposure draft.

Explanation of Proposed Changes

Nonconforming Engagements (System and Engagement Reviews)

Summary of Existing Guidance

As currently stated in Section 3100 of the Peer Review Program Manual, Supplemental Guidance, and Interpretation No. 67-1, the firm should make appropriate considerations to address engagements that are identified during the peer review that are not performed or reported on in conformity with applicable professional standards in all material respects (nonconforming). The primary responsibility is on the firm to follow professional standards to address these types of engagements. Auditing and accounting standards provide guidance for firms when this information comes to the attention of the firm subsequent to the report release date, such as information identified as a result of a peer review. The relevant professional standards include AU-C section 560, *Subsequent Events and Subsequently Discovered Facts*, (AICPA, *Professional Standards*), SSARS No. 19, *Framework for Performing and Reporting on Compilation and Review Engagements* (AICPA, *Professional Standards*, AR secs. 60, 80, and 90), or SSARS No. 21, *Statements on Standards for Accounting and Review Services: Clarification and Recodification* (AICPA, *Professional Standards*, AR-C secs. 60, 70, 80, and 90) as applicable, or, if the firm's work does not support the report issued, as addressed in AU-C section 585, *Consideration of Omitted Procedures After the Report Release Date* (AICPA, *Professional Standards*). Interpretation No. 67-1 indicates that the reviewer should remind the firm of its responsibilities to follow the relevant professional standards to address these situations.

The firm should make and document comprehensive assessments about whether it is necessary to perform omitted procedures, or whether a material reporting error necessitates reissuance of an accounting or auditing report, revision to the financial statements, or remediation of the subsequent engagement. The firm should thoroughly consider the continued reliance by third-party users on reports issued and procedures performed. Particularly, the firm should consider the expectations of regulatory bodies that the firm will perform the omitted procedures or correct reports in a timely manner.

The firm is expected to follow applicable professional standards regarding documentation of the omitted procedures, if performed, document performance or reissuance considerations, and provide a response to the peer reviewer. The firm's initial assessment should be timely and generally take place during the peer review to enable the peer reviewer to reach a proper conclusion about the engagement and evaluate the firm's response to the situation. If the firm does not have time to determine the appropriate remediation prior to the exit conference, the firm may indicate interim steps taken while it explores the best approach. The firm's response should be documented on the Matter for Further Consideration (MFC) form that appropriately describes the most significant matters indicating the engagement is nonconforming.

The peer reviewer should evaluate the firm's actions planned or taken or its reasons for concluding that no action is required for each nonconforming engagement. The peer reviewer should thoroughly document these situations in the Summary Review Memorandum for System Reviews and Review Captain's Summary for Engagement Reviews, including whether they believe the firm's considerations support its decision and whether a monitoring action is suggested to follow up on the remediation of the specific engagement. These peer review documents should be submitted for consideration during the peer review acceptance process. A firm's appropriately documented considerations in response to such an engagement and documentation of the reviewer's assessment of the firm's response are conditions of acceptance by the peer review committee. If the firm and peer reviewer considerations are not properly performed or documented, the RAB may defer acceptance of the peer review subject to appropriate considerations or peer review documentation.

Peer reviewers and administering entities should not require or instruct firms to perform omitted procedures, reissue accounting or auditing reports, or to have previously issued financial statements revised and reissued because those are decisions for the firm and its client to make. It is not expected that omitted procedures will be performed, that notifications will be made to those relying on the reports, or that financial statements will be revised or reissued prior to the peer reviewer's conclusion on the engagement or conclusion on the peer review. However, the firm's response should include its intention to perform these steps, if known. The RAB may require follow up action to evaluate the firm's follow through on the intended or alternative steps taken.

In a System Review, if the team captain or RAB concludes that the firm's response and consideration of the applicable standards is not appropriate to address the nonconforming engagement, the team captain should evaluate whether there are other weaknesses in the firm's system. For example, an inappropriate response may be indicative of a potential failure to comply with the leadership or tone at the top element in the firm's system of quality control. A failure to properly consider how to address nonconforming engagements may indicate an internal firm culture that fails to promote that quality is essential in performing engagements.

In System and Engagement Reviews, if the peer reviewer concludes that the firm's considerations and response are appropriately documented related to such an engagement and the firm indicates in its response that it intends to complete omitted procedures, reissue the auditor's or accountant's report, or have previously issued financial statements revised and reissued, the RAB will consider whether the firm's response is genuine, comprehensive, and feasible. The RAB may consider requesting the firm to submit evidence to an outside party acceptable to the RAB of performing and documenting the previously omitted procedures, reissuance of the report, or revision to the financial statements, if appropriate.

The firm's actions, taken or planned, may affect other monitoring actions that the RAB may impose. Additional guidance for determining when and what type of corrective action(s) or implementation plan(s) a RAB may require is provided in chapters 4 and 5 of the *Report Acceptance Body Handbook*.

The existing guidance discussed previously will be reinforced through training courses. The proposals in this exposure draft are intended to supplement the existing guidance for peer reviewer, firm, technical reviewer, and RAB responsibilities for nonconforming engagements.

Key Changes Proposed

- Clarify guidance regarding peer reviewer and firm responsibilities when there are nonconforming engagements. This includes the following:
  - Clarify that the firm should provide details of remediation of nonconforming engagements on the MFC form, Finding for Further Consideration (FFC) form, or in its letter of response, as applicable
  - For System Reviews, clarify that the team captain should consider expanding scope to determine pervasiveness of the nonconforming engagements to properly assess the systemic cause and impact on the peer review.
- Explain evaluation of nonconforming engagements by the peer reviewer to determine a peer review rating (see proposed changes to Appendix A discussed in the text that follows).
- Add a representation to the firm representation letter that addresses remediation of nonconforming engagements (see proposed changes to Appendix B discussed in the text that follows).

Key Future Complimentary and Conforming Guidance to be Proposed

- Strengthen expectation of details about nonconforming engagements to be provided in the Summary Review Memorandum for consideration by the RAB.

This change is expected to be proposed at the May 2016 Board meeting, along with other complimentary and conforming guidance changes related to nonconforming engagements.

Revisions to Standards and Interpretations

Standards .09	Incorporate firm responsibility to remediate nonconforming engagements into the introduction and scope of the Peer Review Program
Standards .66 Interpretations 66-1	For reference only
Standards .67	Minor clarifying or conforming changes
Interpretations 67-1 67-2	Clarify guidance regarding peer reviewer and firm responsibilities when there are nonconforming engagements

Enhanced Peer Review of the Firm's System of Quality Control (System Reviews)

Summary of Existing Guidance

The focus of a System Review is on the design and compliance with the firm's system of quality control. This requires the team captain to obtain a sufficient understanding of the firm's system of quality control for all of the elements discussed in the Statements on Quality Control Standards No. 8 (SQCS No. 8). This understanding is obtained by performing a variety of procedures to determine if the system is designed appropriately and that the firm's degree of compliance is acceptable. The focus is not simply determining how many engagements are nonconforming. Team captains must understand the firm's system of quality control to perform a proper risk assessment and to make appropriate engagement, office, and partner selections. A proper understanding of the firm's system of quality control is also necessary to determine the systemic cause of matters identified.

For example, if several firm personnel tell the team captain they were unaware of a new audit or accounting standard, that probably explains much about the design (or lack thereof) of the firm's system of quality control, or the firm's compliance with an appropriately designed system, and should provide a clue as to what else the team captain may discover. Likewise, if through interviewing the leadership of the firm and its staff, the team captain determines that the leadership in the firm has done nothing to promote an internal culture recognizing that quality is essential in performing engagements, and there are no established policies to support that culture, then the firm's system of quality control is not designed appropriately in accordance with professional standards.

These are just two examples in which firms have weaknesses in their systems of quality control. More often, a firm has an appropriately designed system of quality control but fails to comply with that system and, as a result of its noncompliance, one or more engagements are nonconforming. The team captain, in collaboration with the firm, should determine the weakness in the firm's system of quality control that allowed a matter, such as a nonconforming engagement, to occur or go undetected and then will determine if the matter is pervasive or isolated. RABs are responsible for ensuring that the team captain has performed the peer review in accordance with the Standards, and this includes ensuring, when possible, that team captains, in collaboration with the firm, have identified the "why" (systemic cause) before a System Review is accepted.

Conceptually, the Peer Review Standards have always focused on the system of quality control. Proper application of the Standards assists team captains in evaluating matters and, as a result, the type of report to issue. This is a difficult process that always requires professional judgment, but there is an expectation that team captains will determine why a firm is not complying with professional standards in all material respects, in each circumstance in which it is reasonably possible to do so. By following the Peer Review Standards, the team captain is led through the thought process of how the identified systemic causes affect the nature of the peer review report. This synthesis process is also critical to facilitate a fair and more consistent evaluation of peer review results.

The proposals in this exposure draft are intended to enhance the peer review of the firm's system of quality control to better assist the team captain and firm in identifying systemic causes and appropriate remediation of nonconforming engagements and systemic weaknesses.

Key Changes Proposed

- Define systemic cause as a weakness in the firm's system of quality control that allowed a matter to occur or remain undetected.
- Apply consistent usage of the term "systemic cause" throughout the Peer Review Program Manual. The current Standards and Interpretations refer to "cause", "underlying cause", "systemic cause", and "underlying systemic cause" interchangeably.
- Clarify that identification of the systemic cause of matters, findings, deficiencies and significant deficiencies is determined by the team captain, in collaboration with the firm.
- Clarify that when the team captain may not have identified nonconforming engagements, there could still be deficiencies in the firm's system of quality control. Current guidance states that in the absence of findings in the engagements reviewed, quality control issues ordinarily would result in FFCs, rather than deficiencies
- Create guidance that allows a team captain to inquire about and review evidence prior to the peer review year to support assessment of the design and compliance with system controls. For example, it may be necessary to look at client acceptance from two years ago if that was the last time a new engagement was accepted.

When applicable, these changes were applied to reviews of quality control materials (QCM).

Key Future Complimentary and Conforming Guidance to Be Proposed

- Remove Sections 4300 and 4400, Quality Control Policies and Procedures Questionnaires for Sole Practitioners with No Personnel and Firms With Two or More Personnel, respectively, from the Peer Review Program Manual due to some firms' inappropriate reliance upon these forms and failure to timely update. The Auditing Standards Board is developing a free, interactive tool that is designed to assist firms in developing a system of quality control. The tool is intended to replace the current Practice Aids for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice. These sections will remain in the Peer Review Program Manual until the new tool is released.
- Enhance Sections 4500 and 4600 Guidelines for Review of Quality Control Policies and Procedures for Sole Practitioners with No Personnel and Firms With Two or More Personnel, respectively, with guidance for assisting team captains and firms in identifying risks that a firm's system of quality control would not provide the firm with reasonable assurance of conformity with professional standards. The checklist assists in identifying quality control risks through
    - an expanded analysis of the design of the firm's system of quality control to assess whether certain best practice policies and procedures have been adopted by the firm; and
    - an enhanced risk based assessment of the firm's compliance with its quality control policies and procedures through new sample tests and procedures.

These changes are expected to be proposed at the May 2016 Board meeting, along with other complimentary and conforming guidance changes related to enhancing peer review of the firm's system of quality control.

Revisions to Standards and Interpretations

Standards .39 .169 Interpretations 39-1	Clarify team captain or QCM reviewer's responsibility for evaluating the firm's responses in the prior peer review
Standards .44 .68 .69 .70 .72 .81 .84 .85 .86 .87 .88 .89 .90 .109	Minor clarifying or conforming changes

.179 .183 .185 Interpretations 84-1	
Standards .53 .71 .78 .80 .82	For reference only
Standards .54 Interpretations 54d-2	Clarify review of evidential materials in the periods after the previous review is appropriate.
Standards .75 .76 .77	Define systemic cause and clarifying consideration of the systemic cause when determining appropriate aggregation of matters
Standards .79 Interpretations 79-1	Clarify that when the team captain may not have identified nonconforming engagements, there could still be deficiencies in the firm's system of quality control.
Standards .83 Interpretations 83-1 83-2 83-3	Clarify that identification of the systemic cause of matters, findings, deficiencies, and significant deficiencies is determined by the team captain, in collaboration with the firm.

FFC and Report Guidance Descriptions, Firm Responses, and Related Reviewer Considerations (System and Engagement Reviews)

The proposals in this exposure draft are intended to

- clarify the timing of when results of the peer review should be communicated to the firm to allow time for firms to identify appropriate remediation
- clarify the guidance for drafting descriptions of findings, deficiencies, and significant deficiencies
- clarify the peer review report model and provide greater transparency on the results of the review.

As previously stated, the proposals included in this exposure draft are intended to enhance the peer review process by incorporating best practices of effective peer reviewers into the Peer Review Standards, Interpretations, and related guidance. They are also intended to reinforce the need for adequate planning and preparation for a peer review by both firms and peer reviewers to allow sufficient time for proper identification of systemic causes and appropriate remediation,

when necessary. Refer to Exhibit 1 for a visual representation of the peer review process including the proposals in this exposure draft.

The proposals include an emphasis on a collaborative effort of the team captain and the firm for the identification of systemic causes and the appropriate remediation of findings, deficiencies, and significant deficiencies in the firm's system of quality control and nonconforming engagements, if any. Based on the sophistication of the firm's system of quality control, identification may be more heavily weighted on the team captain's shoulders than the firm's shoulders but should be a collaborative process. Particularly for System Reviews as the team captain is opining on the system, he or she should also agree with and include systemic causes, when known.

Likewise, the team captain is not opining on the proper remediation by the firm as remediation will likely occur after the peer review due date and, therefore, the firm should shoulder the responsibility for communicating its remediation plans. However, both the systemic cause and remediation steps planned or taken should be considered by the RAB when determining whether to accept the peer review report and if implementation plans or corrective actions are necessary.

Additionally, one of the steps in achieving the EAQ goal is to make peer review results more informative. Input was obtained from peer review stakeholders on the transparency of the peer review report. The board continues to explore ways to make peer review results more informative, and is currently proposing the following changes based on input received in an effort to clarify the peer review report and make the results of the peer review easier to understand.

Key Changes Proposed

- For System Reviews:
    - Clarify that team captains should include a link to the requirements of SQCS No. 8 in the descriptions of findings, deficiencies, and significant deficiencies.
    - Add a requirement that when a deficiency or significant deficiency in the quality control system resulted in a nonconforming engagement in a must select industry or practice area, the resulting nonconformance and the industry/practice area is included in the description. Note that this requirement is in addition to the current guidance that requires descriptions to identify the industry when the deficiency or significant deficiency is industry specific.
    - Remove the team captain's responsibility to provide an explanation of how the firm remediated nonconforming engagements described in the report ("closing the loop").
    - Remove the team captain's responsibility to provide a recommendation to remediate the systemic cause and place that responsibility on the firm in collaboration with the team captain.
    - Clarify the information a firm should include in its response to an FFC form or in a letter of response to the report. The response should address the following:
        - Nonconforming engagements, including
            - the firm's actions taken or planned to remediate the engagements identified on the FFC form or in the report as nonconforming.
            - the firm's actions taken or planned to remediate findings, deficiencies, and significant deficiencies in the firm's system of quality control
        - Systemic issues unrelated to nonconforming engagements, including

            - the firm's actions taken or planned to remediate findings and deficiencies in the firm's system of quality control
        - Timing of the remediation
- For Engagement Reviews:
    - Remove the review captain's responsibility to provide a recommendation to remediate the finding, deficiency, or significant deficiency.
    - Clarify the information a firm should include in its response to a FFC form or in a letter of response to the report. The response should address the following:
        - The firm's actions taken or planned to remediate the findings, deficiencies, or significant deficiencies
        - Timing of the remediation
        - Additional procedures to ensure the finding, deficiency, or significant deficiency is not repeated in the future
- For System and Engagement Reviews:
    - Create guidance for a closing meeting as the suggested timing for discussion of peer review preliminary results. The firm will then have time to assess appropriate remediation, if applicable, prior to the exit conference. The exit conference should still be the discussion of the final peer review results and the date of the peer review report.
    - Clarify guidance that the peer reviewer should assess the firm's response to findings, deficiencies, and significant deficiencies to determine the impact on the peer review, if any.
    - Clarify the peer review report by
        - restructuring the placement of information under appropriate headings, similar to the clarified audit report
        - clarifying the purpose of the report with a descriptive report title
        - clarifying the required selections paragraph of the report by appropriately indicating when singular selections were made
    - Apply the proposed revised guidance to the list of items that should be included in a peer review report
    - Apply the proposed revised guidance to the report and letter of response illustrations

When applicable, these changes were applied to reviews of QCM.

Revisions to Standards and Interpretations

Standards .16 .93 .94 .95 .101 .116 .120 .127 .190	For reference only
Standards .17 .91 .92	For System Reviews, create guidance for a closing meeting, clarifying what should be discussed at the closing meeting versus the exit conference, and addressing the timing of when those meetings should occur.

.115 .120 Interpretations 17-1 91-1	For Engagement Reviews, introduce the closing meeting and exit conference with similar guidance to a System Review, including dating of the report on the exit conference date.
Standards .38 .74 .117 .139 .142 .178	Minor clarifying or conforming changes
Standards .73 .113	Clarify that the guidance for drafting descriptions of findings, deficiencies, and significant deficiencies
Standards .96 .122 .194 Interpretations 96n-1 96p-1	Apply the proposed revised guidance to the list of items that should be included in a peer review report
Standards .97 .123 .195	Clarify that prior to responding to a matter, finding, deficiency or significant deficiency, the firm should resolve any disagreement in accordance with paragraphs .93 and .116 of the Standards.
Standards .98 .124 .196	Clarify where a firm's response should be documented and when it should be provided to the peer reviewer.
Standards .99 .125 .197 Interpretations 99-1 99-2	Clarify that it is the firm's responsibility to identify the appropriate remediation of any findings, deficiencies and significant deficiencies and to appropriately respond and provide guidance for what should be included in the firm's response.
Standards .100 .126 .198 Interpretations 100-1	Clarify guidance that the peer reviewer should assess the firm's response to findings, deficiencies, and significant deficiencies to determine the impact on the peer review, if any.
Standards .209 .210	Apply the proposed revised guidance to the report and letter of response illustrations

.211 .212 .213 .214 .215 .216 .217 .218 .219 .220 .221 .222 .223 .224 .225 .226	
Interpretations 94-1	Clarify that the firm's letter of response should be included with the reviewer's working papers

Appendix A – Summary of the Nature, Objectives, Scope, Limitations of, and Procedures Performed in System and Engagement Reviews and Quality Control Materials Reviews

Appendix A of the Standards is also located at www.aicpa.org/prsummary and the URL is referenced in the peer review report. The proposals in this exposure draft are intended to provide readers of the peer review report with a complete, succinct, summary of the nature, objectives, scope, limitations of, and procedures performed in System, Engagement, and QCM Reviews, as referred to in the peer review report.

Key Changes

- Conform language in the summary to the Standards about the scope of engagements included in the AICPA Peer Review Program
- Summarize how engagements identified as nonconforming, if any, are evaluated by a peer reviewer to determine a peer review rating.
- Summarize firm responsibilities with respect to nonconforming engagements and systemic weaknesses.

Revisions to Standards

Standards .207	Revised to address the key changes discussed previously

Appendix B – Considerations and Illustrations of Firm Representations

Over the last couple of years, several required representations have been added to the firm representation letter illustrations. The Peer Review Board has received feedback that it is unclear if tailoring of the representations specific to each firm or by type of peer review is appropriate. The proposals in this exposure draft are intended to clarify the required firm representations for System and Engagement Reviews.

Key Changes

- Restructure the guidance so that it is clear what applies to System Reviews, Engagement Reviews, or both
- For Engagement Reviews, add a requirement to state that the firm does not perform engagements under the Statements on Auditing Standards (SASs) or *Government Auditing Standards*, examinations under the Statements on Standards for Attestation Engagements (SSAEs), or engagements under the Public Company Accounting Oversight Board (PCAOB) Standards that are not subject to permanent inspection by the PCAOB
- Align the required representations in the guidance to those shown in the illustration
- Add a representation for firm remediation of nonconforming engagements
- Provide separate illustrations for System Reviews and Engagement Reviews

Revisions to Standards and Interpretations

Standards .208 Interpretations 208-1-1	Revise to address the key changes discussed previously

Transparency of Review Status

This proposal includes clarification of what information can be provided to third parties regarding a firm's peer review that has not been completed. The AICPA and administering entities regularly receive requests by regulators and others for letters indicating the progress at different stages of firms' peer reviews. Ordinarily, these requests are to assist regulators in determining a firm's compliance with its licensure requirements when it appears a firm's peer review is late. The board wants to assist firms in meeting their licensure requirements and provide appropriate transparency to third parties to accomplish this. A firm may be late in completing its peer review due to unforeseen circumstances, oversight, its own actions, the peer reviewer's actions, a combination of each, or for other multiple reasons being considered by the administering entity or the AICPA. In some cases, a firm may be close to completing its peer review and in some cases the firm may be going through the fair procedures process to determine if it is cooperating with the AICPA and administering entity.

The proposals in this exposure draft are not intended to incorporate additional information into or to revise the information provided through Facilitated State Board Access (FSBA) reporting.

Key Changes

- Create an interpretation that addresses reasons why a peer review committee may not approve a peer review report within 120 days, including the following:
    - Determination during technical review or presentation that an oversight should be performed
    - Significant revisions are required to the submitted peer review documentation
    - Necessary inquiries that are a result of technical review or presentation
    - Enhanced oversight procedures.

- Create an interpretation that addresses information the administering entity can publicize about the progress of a peer review and clarifying the type of information that the AICPA and administering entities are able to provide.
- The revisions to paragraph .133 and .146 and Interpretations 133a-1 and 146-3 are proposed to be effective upon approval by the board.

Revisions to Standards and Interpretations

Standards .133 Interpretations 133a-1	Address reasons why a peer review committee may not approve a peer review report within 120 days
Standards .146 Interpretations 146-3	Address what information the administering entity can publicize about the progress of a peer review

Additional Complimentary and Conforming Guidance to Be Proposed

Additional complimentary and conforming guidance to the Interpretations and the rest of the Peer Review Program Manual are expected to be proposed at the May 2016 Board meeting.

Comment Period

The comment period for this exposure draft ends on January 31, 2016.

Written comments on the exposure draft will become part of the public record of the AICPA and will be available on the AICPA's website after January 31, 2016, for a period of one year.

Guide for Respondents

The board welcomes feedback from all interested parties on this proposal. Comments are most helpful when they refer to specific paragraphs or interpretations, include the reasons for the comments, and, where appropriate, make specific suggestions for any proposed changes to wording. The proposed revisions to the Standards and Interpretations are listed by topic in the preceding Explanation of Proposed Changes and in numerical order in Exhibit 2.

Comments and responses should be sent to Rachelle Drummond, Senior Technical Manager, AICPA Peer Review Program, AICPA, 220 Leigh Farm Road, Durham, NC 27707-8110 or PR_expdraft@aicpa.org, and should be received by January 31, 2016.

Effective Date

If approved by the Board, final revisions to the *Standards* and Interpretations will be effective for reviews commencing on or after January 1, 2017 except for those related to transparency of review status. *Standards* paragraphs .133 and .146 and Interpretations 133a-1 and 146-3 will be effective upon approval by the Board.

Proposed Revisions

To aid understanding, Standards and Interpretations are presented in this section if they contain a proposed revision or assist the reader in understanding the revisions proposed. Conforming changes will be required to other interpretations not included in this Exposure Draft and to the remainder of the Peer Review Program Manual.

Peer Review Standards

Overview

Introduction and Scope

.09 The program is based on the principle that a systematic monitoring and educational process is the most effective way to attain high quality performance throughout the profession. Thus, it depends on mutual trust and cooperation. On System Reviews, the reviewed firm is expected to take appropriate actions in response to findings, deficiencies, and significant deficiencies identified with their system of quality control or their compliance with the system, or both. On Engagement Reviews, the reviewed firm is expected to take appropriate actions in response to findings, deficiencies, and significant deficiencies identified in engagements. On both System and Engagement Reviews, the firm is also expected to follow professional standards in response to engagements identified as not performed or reported in conformity with applicable professional standards in all material respects ("nonconforming"). These actions will be positive and remedial. Disciplinary actions (including those that can result in the termination of a firm's enrollment in the program and the subsequent loss of membership in the AICPA and some state CPA societies by its partners[1] and employees) will be taken only for a failure to cooperate, failure to correct inadequacies, or when a firm is found to be so seriously deficient in its performance that education and remedial, corrective actions are not adequate.

General Considerations

Timing of Peer Reviews

.16 The due date for a peer review is the date by which the peer review report, and if applicable, letter of response, and the peer reviewer's materials are to be submitted to the administering entity.

.17 Peer reviews must cover a current period of one year to be mutually agreed upon by the reviewed firm and the reviewing firm. Ordinarily, the peer review should be conducted within three to five months following the end of the year to be reviewed (see interpretations).

[1] A partner is a proprietor, shareholder, equity or non-equity partner, or any individual who assumes the risks and benefits of firm ownership or who is otherwise held out by the firm to be the equivalent of any of the aforementioned. Depending on how a CPA firm is legally organized, its partner(s) could have other names, such as shareholder, member, or proprietor.

Performing System Reviews

Basic Requirements

.38 A System Review should include, but not be limited to, the following procedures:

a. Planning the review, as follows:

i. Obtain the results of the prior peer review (see paragraph .39).

ii. Inquire of the firm about the areas to be addressed in the written representations (see paragraph .40).

iii. Obtain a sufficient understanding of the nature and extent of the firm's accounting and auditing practice to plan the review (see paragraphs .41–.45).

iv. Obtain a sufficient understanding of the design of the firm's system of quality control, including an understanding of the monitoring procedures performed since the prior review, to plan the review (see paragraphs .41–.45).

v. Assess peer review risk (see paragraphs .46–.52).

vi. Use the knowledge obtained from the foregoing to select the offices and the engagements to be reviewed and to determine the nature and extent of the tests to be applied in the functional areas (see paragraphs .53–.63).

b. Performing the review, as follows:

i. Review the firm's design and compliance with its system of quality control. The review should cover all organizational or functional levels within the firm (see paragraphs .53–.54).

ii. Review significant risk areas on selected engagements, including the relevant accounting, audit, and attestation documentation and reporting (see paragraphs .64–.65).

iii. Conclude on the review of engagements (see paragraphs .66–.67).

iv. Reassess the adequacy of the scope of the review based on the results obtained to determine whether additional procedures are necessary (see paragraph .68).

v. Determine the relative importance of matters (see paragraphs .69–.72).

vi. Prepare the Matter for Further Consideration (MFC) forms, Disposition of MFC (DMFC) forms, and any related Finding for Further Consideration (FFC) forms (see paragraphs .73–.74).

vii. Aggregate and systemically evaluate the matters (see paragraphs .75–.86).

viii. Form conclusions on the type of report to issue (see paragraphs .87–.90).

ix. Obtain the written representations from the reviewed firm (see paragraph .05(f) and appendix B).

x. ~~Conduct an exit conference~~ If at the conclusion of fieldwork, the firm needs more time to consider its response to matters identified during the peer review, conduct a closing meeting in advance of the exit conference. The purpose of the closing meeting is to discuss with senior members of the reviewed firm ~~to discuss~~ the review team's comments; matters, findings,

deficiencies, and significant deficiencies identified; ~~and~~ the expected type of report to be issued, and firm's responsibilities related to such matters.

xi. After the firm has responded to matters identified in the peer review, conduct an exit conference with senior members of the firm to discuss a summary of the peer review results, the firm responses, and the type of report to be issued. ~~After the firm has responded to matters identified in the peer review, n with senior members of the firma summary of the peer review results, ,Dependent upon the circumstances of each review, the closing meeting and exit conference may be combined.; recommendations; MFCs and related FFCs; and the type of report to be issued and the deficiencies or significant deficiencies to be included in such report and to resolve any disagreements~~ (see paragraphs .91–.92).

xii. Prepare a written report on the results of the review (see paragraphs .94–.96).

xiii. ~~Review and provide comments to the reviewed firm on its~~Evaluate the firm's actions taken or planned in response to FFCs and the report ~~response to the report~~, if applicable (see paragraphs .97–.101).

xiv. The team captain submits the report, the firm's letter of response, if applicable, and applicable working papers to the administering entity (see paragraph 100).

Planning Considerations

.39 To assist the review team in the planning of the review, the team captain should obtain the prior peer review report, the letter of response, if applicable, and the letter of acceptance, all from the reviewed firm. The team captain should also obtain the prior FFC forms, if applicable (from the administering entity if the team captain's firm did not perform the prior peer review). The team captain should consider whether the issues discussed in those documents require additional emphasis in the current review and, in the course of the review, should evaluate the actions of the firm in response to the prior report and FFC forms, if applicable (see interpretations).

Understanding the Firm's Accounting and Auditing Practice and System of Quality Control

.44 The understanding of the firm's accounting and auditing practice and system of quality control is ordinarily obtained through such procedures as inquiries of appropriate management and other personnel, reviewing the firm's internal policies and procedures, and reviewing the firm's ~~responses to questionnaires developed by the board~~quality control document.

Planning and Performing Compliance Tests

.53 After performing the aforementioned planning procedures, the team captain should then develop a general plan for the nature and extent of conducting compliance tests of

engagements (to directly test the "engagement performance" element in SQCS No. 8) and the other elements described in SQCS No. 8 (collectively referred to as the *functional areas*). The compliance tests should be tailored to the practice of the reviewed firm and, taken as a whole, should be sufficiently comprehensive to provide a reasonable basis for concluding whether the reviewed firm's system of quality control was complied with to provide the firm with reasonable (not absolute) assurance of performing and reporting in conformity with applicable professional standards in the conduct of its accounting and auditing practice in all material respects.

.54 Such tests should be performed at the practice office(s) visited and should relate to individual engagements and the functional areas. The tests should include the following:

a. Review significant risk areas (see paragraph .65) on selected engagements, including accounting and auditing documentation, and reports, to evaluate whether the engagements were performed and reported on in conformity with applicable professional standards and in compliance with relevant firm quality control policies and procedures.

b. Interview firm personnel at various levels and, if applicable, other persons responsible for a function or activity to assess their understanding of, and compliance with, the firm's quality control policies and procedures.

c. Review evidential material to determine whether the firm has complied with its policies and procedures for monitoring its system of quality control.

d. Review other evidential material, including evidence since the previous peer review, as appropriate. Examples include selected administrative or personnel files, correspondence files documenting consultations on technical or ethical questions, files evidencing compliance with human resource requirements, and the firm's technical reference sources (see interpretations).

.66 For each engagement reviewed, the review team should conclude on its review by documenting whether anything came to its attention that caused it to believe that the engagement was not performed or reported on in conformity with applicable professional standards in all material respects (see interpretations).

.67 The team captain should promptly inform the firm when an engagement is not performed or reported on in conformity with applicable professional standards and remind the firm of its obligation under professional standards to take appropriate actions (see interpretations).

Expansion of Scope

.68 If, during the peer review, the review team concludes that there was a failure to reach an appropriate conclusion on the application of professional standards in all material respects on one or more of the reviewed engagements or aspects of functional areas, the review team should consider whether the application of additional peer review procedures is necessary. This consideration should be documented in the peer review working papers. The objective of the application of additional procedures would be to determine whether the failure is indicative of a pattern of such failures, whether it is a finding, deficiency, or significant deficiency in the design of the reviewed firm's system of quality control or in

its compliance with the system, or whether it is both. In some circumstances, the reviewer may conclude that, because of compensating controls or for other reasons, further procedures are unnecessary. If, however, additional procedures are deemed necessary, they may include an expansion of scope to review all or relevant portions of one or more additional engagements or aspects of functional areas. Additional engagements may be in the same industry, supervised by the same individual in the reviewed firm, or otherwise have characteristics associated with the failure to perform or report in conformity with professional standards.

Identifying Matters, Findings, Deficiencies, and Significant Deficiencies

.69 In understanding the firm's system of quality control, the team captain may note that the system is not designed appropriately. Similarly, the performance of compliance tests may uncover that the system is not being complied with appropriately or may identify a design weakness that was not identified during the planning of the peer review. With any of these items, the team captain has available a set of definitions to assist in classifying the condition noted.

.70 Determining the relative importance of matters noted during the peer review, individually or combined with others, requires professional judgment. Careful consideration is required in forming conclusions. The descriptions that follow, used in conjunction with practice aids (MFC, DMFC, and FFC forms) to document these items when applicable, are intended to assist in aggregating and evaluating the peer review results, concluding on them, and determining the nature of the peer review report to issue:

a. A peer reviewer notes a *matter* as a result of his or her evaluation of the design of the reviewed firm's system of quality control or tests of compliance with it. Tests of compliance include inspection, inquiry, and observation performed by reviewing engagements and testing other aspects of the reviewed firm's system of quality control. Matters are typically one or more "No" answers to questions in peer review questionnaire(s) that a reviewer concludes warrants further consideration in the evaluation of a firm's system of quality control. A matter is documented on a Matter for Further Consideration (MFC) form.

b. A *finding* is one or more related matters that result from a condition in the reviewed firm's system of quality control or compliance with it such that there is more than a remote possibility that the reviewed firm would not perform or report in conformity with applicable professional standards. A peer reviewer will conclude whether one or more findings are a deficiency or significant deficiency. If the peer reviewer concludes that no finding, individually or combined with others, rises to the level of deficiency or significant deficiency, a report rating of *pass* is appropriate. A finding not rising to the level of a deficiency or significant deficiency is documented on a Finding for Further Consideration (FFC) form.

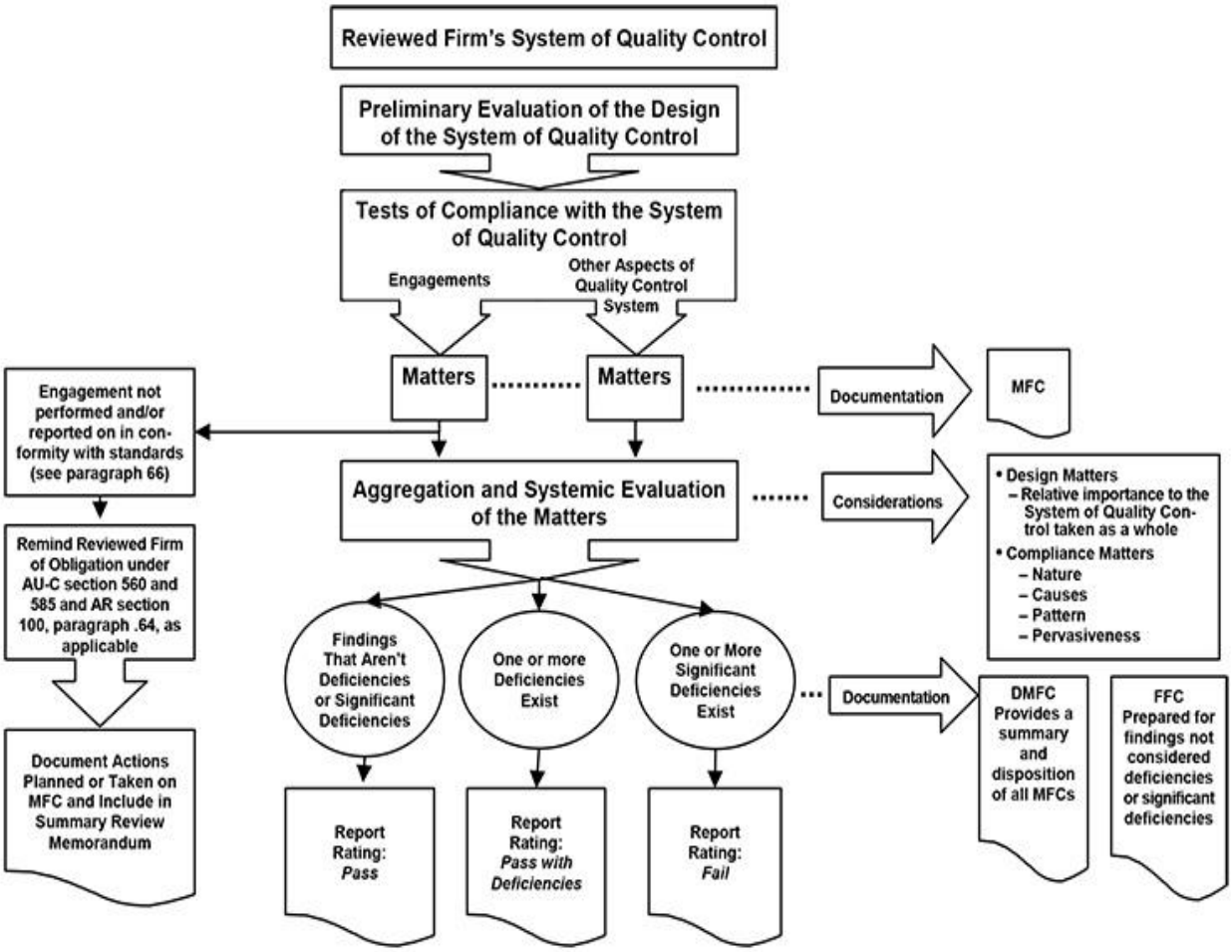
c. A *deficiency* is one or more findings that the peer reviewer has concluded, due to the nature, systemic causes (see paragraph .75), pattern, or pervasiveness, including the relative importance of the finding to the reviewed firm's system of quality control taken as a whole, could create a situation in which the firm would not have reasonable assurance of performing or reporting in conformity with applicable

professional standards in one or more important respects. It is not a significant deficiency if the peer reviewer has concluded that except for the deficiency or deficiencies, the reviewed firm has reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Such deficiencies are communicated in a report with a peer review rating of *pass with deficiencies*.

d. A *significant deficiency* is one or more deficiencies that the peer reviewer has concluded results from a condition in the reviewed firm's system of quality control or compliance with it such that the reviewed firm's system of quality control taken as a whole does not provide the reviewed firm with reasonable assurance of performing or reporting in conformity with applicable professional standards in all material respects. Such deficiencies are communicated in a report with a peer rating of *fail*.

.71 A broad understanding of the peer review process, from the preliminary evaluation of the design of the system of quality control, to the tests of compliance, to the decision making process of determining whether an item noted during a System Review is a matter, finding, deficiency, or significant deficiency, is shown in exhibit A. The exhibit also illustrates the aggregation of these items, where those items are documented in the practice aids and how they might affect the type of report issued.

Exhibit A



.72 As described by exhibit A in paragraph .71, depending on the resolution of a matter and the process of aggregating and evaluating peer review results, a matter may develop into a finding. Findings will also be evaluated and, after considering the nature, systemic causes (see paragraph .75), pattern, pervasiveness, and relative importance to the system of quality control as a whole, may not get elevated to a deficiency. A matter may develop into a finding and get elevated to a deficiency. That deficiency may or may not be further elevated to a significant deficiency.

.73 A matter is documented on a MFC form. If the matter, after further evaluation, gets elevated to a finding but not a deficiency or significant deficiency, it is documented on a FFC form. The FFC form is a standalone document that includes the ~~reviewer's recommendation~~ description of the finding, the systemic cause, if known (see paragraph .75), and the reviewed firm's response regarding actions planned or taken and the timing of those actions by the firm. The description of the finding should include the applicable requirement of Statements on Quality Control Standards, the scenario that led to the finding, and should reference nonconforming engagements as a result of the finding, if applicable. MFC and FFC forms are subject to review and oversight by the administering entity, who will evaluate the reviewed firm's FFC form responses for appropriateness and responsiveness

(see paragraphs .141–.145) and determine whether any further action is necessary. If the matter documented on the MFC form is instead elevated to a deficiency or significant deficiency, then it is communicated in the report itself~~, along with the reviewer's recommendation~~. The firm submits a letter of response regarding actions planned or taken and the timing of those actions by the firm, which is also evaluated for appropriateness and responsiveness (see paragraphs .139–.140).

.74 In order to document the disposition of all the MFCs, the team captain completes a DMFC form. The DMFC form is part of the working papers and provides a trail of the disposition of the MFCs for the peer reviewer, administering entity, and individuals conducting technical reviews or oversight. All of the MFCs are identified on the DMFC form with an indication after each as to whether it was cleared, discussed with the firm during the closing meeting or exit conference, included on a specific FFC form (individually or combined with other MFCs), or included as a deficiency in a report with a peer review rating of *pass with deficiencies* or as a significant deficiency in a report with a peer review rating of *fail*.

Aggregating and Systemically Evaluating Matters

.75 The team captain, in collaboration with the firm, should determine the systemic cause of matters identified. A systemic cause is a weakness in the firm's system of quality control that allowed a matter to occur or remain undetected. Proper determination of the systemic cause is essential to assist the firm with identifying the appropriate remediation of the firm's system of quality control. To conclude on the results of a peer review, the review team must aggregate the matters noted during the peer review and determine whether the matters were the result of the design of the reviewed firm's system of quality control or the failure of its personnel to comply with the firm's quality control policies and procedures. The review team should consider the~~ir~~ relative importance of the matters to the firm's system of quality control as a whole, including ~~and their~~the nature, systemic causes, pattern, and pervasiveness, to determine the impact to the peer review report. In rare circumstances where it is not practicable to identify the systemic cause, the team captain should document the reason(s) as part of his or her summary review memorandum.

.76 Proper application of the standards assists team captains in evaluating the systemic cause of matters and, as a result, the type of report to issue. Use of professional judgment is essential in determining whether the aggregation of the matters noted during the review are findings and whether one or more findings is a deficiency or significant deficiency for purposes of reporting on the results of the peer review.

Design Matters

.77 A design matter exists when the reviewed firm's system of quality control is missing a quality control policy or procedure or the reviewed firm's existing quality control policies and procedures, even if fully complied with, would not result in engagements performed or reported on in accordance with professional standards in some respect. To be effective, a system of quality control must be designed properly, and all of the quality control policies and procedures necessary to provide the reviewed firm with reasonable assurance of

performing and reporting in conformity with applicable professional standards in all material respects should be in place. Therefore, the review team will need to determine whether the quality control policies and procedures would be effective if they were complied with. To make this determination, the review team should consider the implications of the evidence obtained during its evaluation of the system of quality control and its tests of compliance, including its reviews of engagements. For example, a pattern of engagement failures to perform or report in conformity with applicable professional standards in all material respects (that is, failures requiring the application of AU-C section 560, *Subsequent Events and Subsequently Discovered Facts*, or AU-C section 585, *Consideration of Omitted Procedures After the Report Release Date* [AICPA, *Professional Standards*]), likely is indicative of a ~~finding~~ matter pertaining to the design of the reviewed firm's quality control policies and procedures. Depending upon the resolution of the matter and the process of aggregating and evaluating peer review results, the matter may develop into a finding, deficiency, or significant deficiency.

.78 As noted in SQCS No. 8, "The nature of the policies and procedures developed by individual firms to comply with this Statement will depend on various factors such as the size and operating characteristics of the firm." Likewise, the relative importance of design matters noted in the reviewed firm's quality control policies and procedures, individually and in the aggregate, need to be evaluated in the context of the firm's size, organizational structure, and the nature of its practice. For example, a matter noted during the review of a quality control policy or procedures may be particularly or wholly offset by another policy or procedure. In this circumstance, the review team should consider the interrelationships among the elements of quality and weigh the matters noted against compensating policies and procedures to determine whether a finding exists and its relative importance.

.79 There may be circumstances in which the reviewer ~~finds~~ identifies few findings in the work performed by the firm and yet may conclude that the design of the firm's system of quality control needs to be improved. For example, a firm that is growing rapidly and adding personnel and clients may not be giving appropriate attention to the policies and procedures necessary in areas such as human resources (hiring, assigning personnel to engagements, and advancement) and acceptance and continuance of clients and engagements. A reviewer might conclude that these conditions could create a situation in which the firm would not have reasonable assurance of performing or reporting in conformity with applicable professional standards in one or more important respects and may result in a deficiency in a report with a peer review rating of pass with deficiencies (interpretations). ~~However, in the absence of findings in the engagements reviewed, the reviewer would ordinarily conclude that the matter should be addressed in a FFC as a finding rather than result in a report with a peer review rating of *pass with deficiencies* or *fail*.~~

Compliance Matters

.80 A compliance matter exists when a properly designed quality control policy or procedure does not operate as designed because of the failure of the personnel of the reviewed firm to comply with it. Because a variance in individual performance and professional interpretation will affect the degree of compliance, adherence to all policies and procedures

in every case generally is not possible. However, the degree of compliance by the personnel of the reviewed firm with its prescribed quality control policies and procedures should be adequate to provide the reviewed firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

.81 In assessing whether the degree of compliance was adequate to provide the required assurance, the review team should consider the nature, systemic causes, pattern, and pervasiveness of the instances of noncompliance noted and their relative importance to the firm's system of quality control as a whole, not merely their importance in the specific circumstances in which they were observed. As with the evaluation of design matters, compliance matters also need to be evaluated in the context of the firm's size, organizational structure, and the nature of its practice.

.82 To determine the degree of noncompliance, the review team should evaluate the matters of noncompliance, both individually and in the aggregate, recognizing that adherence to certain policies and procedures of the reviewed firm is more critical to the firm obtaining reasonable assurance of performing and reporting in conformity with applicable professional standards than adherence to others. In this context, the review team should consider the likelihood that noncompliance with a given quality control policy or procedure could have resulted in engagements not being performed or reported on in conformity with applicable professional standards in all material respects. The more direct the relationship between a specific quality control policy or procedure and the application of professional standards, the lower the degree of noncompliance necessary to determine whether a matter (or matters) is a finding and whether a finding is a deficiency or significant deficiency.

Determining the Systemic Cause ~~for a Finding~~

.83 When the review team is faced with an indication that a matter(s) could be a finding, ~~or the firm failed to perform or report in conformity with applicable professional standards in all material respects,~~ the review team's first task in such circumstances, in collaboration with the firm, is to determine the systemic cause ~~of the finding or failure~~ (see interpretations). Causes that might be systemic and might affect the type of peer review report issued include, but are not limited to, the following:

a. The failure related to a specialized industry practice, and the firm had no experience in that industry and made no attempt to acquire training in the industry or to obtain appropriate consultation and assistance.

b. The failure related to an issue covered by a recent professional pronouncement, and the firm had failed to identify, through professional development programs or appropriate supervision, the relevance of that pronouncement to its practice.

c. The failure should have been detected if the firm's quality control policies and procedures had been followed.

d. The failure should have been detected by the application of quality control policies and procedures commonly found in firms similar in size or nature of practice. That judgment can often be made by the reviewer based on personal experience or knowledge; in some cases, the reviewer will wish to consult with the administering entity before reaching such a conclusion.

.84 ~~The~~A matter ~~finding or failure to perform or report in conformity with applicable professional standards in all material respects~~ may be the result of an isolated human error and, therefore, would not necessarily mean that a ~~peer review report with a peer review rating of *pass with deficiencies* or *fail* should be issued~~finding, deficiency, or significant deficiency exists (see interpretations). However, if the reviewer believes that the probable systemic cause (for example, a failure to provide or follow appropriate policies for supervision of the work of assistants) of a matter ~~finding or failure to perform or report in conformity with applicable professional standards in all material respects~~ on an engagement or ~~a finding~~ within a functional area also exists in other engagements or in other functional areas, the reviewer needs to consider carefully ~~the need~~whether to elevate the ~~issue a peer review report with a peer review rating of *pass with deficiencies* or *fail*.~~matter to a finding, deficiency, or significant deficiency.

.85 Although an isolated matter or an instance of noncompliance with the firm's quality control policies and procedures ordinarily would not be included in the report, its nature, systemic cause (if determinable), and relative importance for the firm's system of quality control as a whole should be evaluated in conjunction with the review team's other ~~findings~~ matters before making a final determination (see interpretations).

The Pattern and Pervasiveness of Matters

.86 The review team must consider the pattern and pervasiveness of matters and their implications for compliance with the firm's system of quality control as a whole, in addition to their nature, systemic causes, and relative importance in the specific circumstances in which they were observed. As noted in the preceding paragraphs, the review team's first task is to try to determine why the matters occurred. In some cases, the design of the firm's system of quality control may be deficient (for example, when it does not provide for timely involvement in the planning process by a partner of the firm or there is inadequate supervision of engagement planning). In other cases, there may be a pattern of noncompliance with a quality control policy or procedure such as when firm policy requires the completion of a financial statement disclosure checklist but such checklists often were not used or relevant questions or points were incorrectly considered. That increases the possibility that the firm might not perform or report in conformity with applicable professional standards in all material respects, which also means that the reviewer must consider carefully whether the matter(s) individually or in the aggregate is (are) a finding, deficiency, or a significant deficiency ~~and whether there is the need to issue a peer review report with a peer review rating of *pass with deficiencies* or *fail*~~. On the other hand, the types of matters noted may be individually different, not individually significant, and not directly traceable to the design of or compliance with a particular quality control policy or procedure. This may lead the reviewer to the conclusion that the matters were isolated cases of human error that should not result in a peer review report with a peer review rating of *pass with deficiencies* or *fail*.

Forming Conclusions on the Type of Report to Issue in a System Review

.87 The team captain must use professional judgment in determining the type of peer review report to issue. This judgment requires the consideration of several factors, including an understanding of the firm's system of quality control and the nature, systemic causes, pattern, and pervasiveness of matters and their relative importance to the firm's system of quality control taken as a whole, including limitations on the scope of the review.

System Review Report With a Peer Review Rating of Pass

.88 A report with a peer review rating of *pass* should be issued when the team captain concludes that the firm's system of quality control for the accounting and auditing practice has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. There are no deficiencies or significant deficiencies that affect the nature of the report and, therefore, the report does not contain any deficiencies~~,~~ or significant deficiencies~~, or recommendations~~. In the event of a scope limitation, a report with a peer review rating of *pass (with a scope limitation)* is issued.

System Review Report With a Peer Review Rating of Pass With Deficiencies

.89 A report with a peer review rating of *pass with deficiencies* should be issued when the team captain concludes that the firm's system of quality control for the accounting and auditing practice has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects with the exception of a certain deficiency or deficiencies that are described in the report. These deficiencies are conditions related to the firm's design of and compliance with its system of quality control that could create a situation in which the firm would have less than reasonable assurance of performing or reporting in conformity with applicable professional standards in one or more important respects due to the nature, systemic causes, pattern, or pervasiveness, including the relative importance of the deficiencies to the quality control system taken as a whole. In the event of a scope limitation, a report with a peer review rating of *pass with deficiencies (with a scope limitation)* is issued.

System Review Report With a Peer Review Rating of Fail

.90 A report with a peer review rating of *fail* should be issued when the team captain has identified significant deficiencies and concludes that the firm's system of quality control is not suitably designed to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects or the firm has not complied with its system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. In the event of a scope limitation, a report with a peer review rating of *fail (with a scope limitation)* is issued.

Communicating Conclusions at the Closing Meeting and Exit Conference

.91 Prior to issuing his or her report or finalizing MFC and FFC form(s), if applicable, the team captain should communicate its conclusions to senior members of the firm at a closing meeting. Ordinarily, tThe team captain should ordinarily be physically present at the exit conferenceclosing meeting, unless the System Review is performed at a location other than the reviewed firm's office. (see interpretations). The exit conferenceclosing meeting may also be attended by representatives of the administering entity, the board, AICPA staff, or other board--authorized organizations with oversight responsibilities. The team captain should discuss the following during the closing meeting (see interpretations):

a. Preliminary peer review results, including A firm that has a System Review should respond promptly to questions raised in the review in order to assist the review team in reaching its conclusions. Prior to issuing its report or finalizing FFC form(s), if applicable, the review team should communicate its conclusions to senior members of the reviewed firm at an exit conference (see interpretations). any matters documented on MFC form(s), findings documented on FFC form(s), deficiencies or significant deficiencies to be included in the peer review report, and the type of report expected to be issued if determinable at this point.

b. The review team should also communicate, if applicable, that tThe firm's requirement will be required to respond to the matters documented on MFC form(s), findings documented on the FFC form(s), or the deficiency(ies) or significant deficiency(ies) included in the peer review report.–Ordinarily, the team captain should be physically present at the exit conference, unless the System Review is performed at a location other than the reviewed firm's office. (see interpretations)The exit conference may also be attended by representatives of the administering entity, the board, AICPA staff, or other board authorized organizations with oversight responsibilities.

c. The exit conference is also the appropriate vehicle for providing suggestions to the firm that are not included in the report, FFC form(s), or MFC form(s). Other suggestions and observations for the firm to consider. For example, implications of upcoming changes in professional standards, operational or efficiency suggestions, and minor areas for improvement considerations.

.92 The reviewed firm is entitled to be informed at the exit conference about any matters documented on the MFC form(s), findings documented on the FFC form(s), deficiencies or significant deficiencies to be included in the peer review report, and the type of report to be issued. An exit conference will be held after the firm has responded to the MFC forms, FFC forms, and deficiencies or significant deficiencies in the report and the team captain has assessed whether the responses are appropriate and considered any additional impact to the peer review results. Accordingly, except in rare circumstances that should be explained to the reviewed firm, the exit conference should be postponed if there is any uncertainty about the report to be issued or the deficiencies or significant deficiencies to be included in the report. The review team should also communicate, if applicable, that the firm will be required to respond to the matters documented on MFC form(s), findings documented on the FFC form(s), or the deficiency(ies) or significant deficiency(ies) included in the peer review report. The exit conference may be held via teleconference and

should occur after allowing the firm sufficient time to respond to MFC forms, FFC forms, deficiencies or significant deficiencies discussed at the closing meeting, if applicable. The purpose of a separate closing meeting and exit conference is to provide the firm sufficient time to determine appropriate responses to the matters, findings, deficiencies, and significant deficiencies identified and to provide the team captain with sufficient time to assess the firm's responses prior to the report date (exit conference date). If these steps have been taken prior to the closing meeting or are not necessary, the closing meeting and exit conference may be combined. In either circumstance, the exit conference should ordinarily be held prior to but no later than the review due date (see interpretations). The team captain should discuss the following during the exit conference:

a. Peer review results, including any changes to the information communicated at the closing meeting after consideration of the firm's responses to MFC forms, FFC forms, and deficiencies and significant deficiencies in the report.

b. ~~The review team should also communicate that the firm may be required, if applicable, to (1) take certain actions to correct the deficiencies or significant deficiencies noted in the report or (2) complete an implementation plan to address the findings noted in the FFC form(s).~~ Potential corrective actions (for deficiencies and significant deficiencies) and implementation plans (for findings) that may be imposed by the RAB, if applicable. The review team should also discuss with the reviewed firm the implications of these steps on the acceptance and completion of the peer review and the reviewed firm's enrollment in the program. ~~The exit conference is also the appropriate vehicle for providing suggestions to the firm that are not included in the report, FFC form(s), or MFC form(s).~~

c. Peer review noncooperation implications of consecutive non-pass report ratings, if applicable (see interpretations).

Addressing Disagreements Between the Reviewer and the Reviewed Firm

.93 Disagreements may arise on the resolution of various issues, for instance, related to the review of particular engagements, the systemic cause for a deficiency, or issues related to a design deficiency. In addition, there could be a disagreement on the appropriate approach to be taken in performing or reporting in conformity with applicable professional standards, or the review team might not believe that the actions planned or taken by the firm, if any, are appropriate (for example, if the reviewed firm believes that it can continue to support a previously issued report and the review team continues to believe that there may be a failure to reach appropriate conclusions in the application of professional standards). Reviewers and reviewed firms should understand that professional judgment often becomes a part of the process and that each party has the right to challenge each other on an issue. Nevertheless, a disagreement on the resolution of an issue may persist in some circumstances. The reviewed firm or reviewer should be aware that they may consult with their administering entity and, if necessary, request that the administering entity's peer review committee resolve the disagreement. If the administering entity's full peer review committee is unable to resolve the disagreement, the administering entity may refer unresolved issues to the board for a final determination. Only the administering entity's

peer review committee will be responsible for determining whether a disagreement still exists, or whether the reviewed firm or review team is not cooperating, in order for the administering entity to refer the issue to the board.

Reporting on System Reviews

General

.94 The team captain should furnish the reviewed firm with a written report within 30 days of the exit conference date or by the firm's peer review due date, whichever is earlier. A report on a review performed by a firm is to be issued on the letterhead of the firm performing the review. A report by a review team formed by an association of CPA firms is to be issued on the letterhead of the firm of the team captain performing the review. The report in a System Review ordinarily should be dated as of the date of the exit conference. See interpretations for guidance on notification requirements and submission of peer review documentation to the administering entity.

Preparing the Report in a System Review

.95 The standard form for a report with a peer review rating of *pass* is illustrated in appendix C, "Illustration of a Report With a Peer Review Rating of *Pass* in a System Review." Illustrations of reports with a peer review rating of *pass with deficiencies* and *fail* are presented in appendixes E, "Illustration of a Report With a Peer Review Rating of *Pass With Deficiencies* in a System Review," and I, "Illustration of a Report With a Peer Review Rating of *Fail* in a System Review," respectively. Illustrations of reports with a peer review rating of *pass (with a scope limitation)*, *pass with deficiencies (with a scope limitation)*, and *fail (with a scope limitation)* are presented in appendixes D, "Illustration of a Report With a Peer Review Rating of *Pass (With a Scope Limitation)* in a System Review;" G, "Illustration of a Report With a Peer Review Rating of *Pass With Deficiencies (With a Scope Limitation)* in a System Review;" and K, "Illustration of a Report With a Peer Review Rating of *Fail (With a Scope Limitation)* in a System Review," respectively.

.96 The written report in a System Review should:

a. State at the top of the report the title "~~System Review Report~~Report on the Firm's System of Quality Control."

b. Include headings for each of the following sections:

- Firm's Responsibility.
- Peer Reviewer's Responsibility.
- Required Selections and Considerations, if applicable.
- Deficiency(ies) or Significant Deficiency(ies) Identified in the Firm's System of Quality Control, if applicable.
- Scope Limitation, if applicable.
- Opinion.

~~*b.*~~*c.* State that the system of quality control for the accounting and auditing practice of the firm was reviewed and include the year-end covered by the peer review.

~~c.~~*d.* State that the peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants.

~~d.~~*e.* State that a summary of the nature, objectives, scope, limitations of, and procedures performed in a System Review ~~are~~as described in the ~~s~~Standards can be found on the AICPA website where the Standards are summarized.

f. ~~Include a URL reference to the AICPA website where the standards are located~~State that the summary includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.~~.~~

~~e.~~*g.* State that the firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects and for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, where appropriate, and for remediating weaknesses in its system of quality control, if any.

~~f.~~*h.* State that the reviewer's responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on the review.

~~State that the nature, objectives, scope, limitations of, and procedures performed in a System Review are described in the standards.~~

~~Include a URL reference to the AICPA website where the standards are located.~~

i. Identify engagement types required to be selected ~~by the board in the interpretations~~and indicate whether single or multiple engagements (for example, an audit versus audits) were reviewed, when applicable.

~~g.~~*j.* State that reviews by regulatory entities as communicated by the firm, if applicable, were considered in determining the nature and extent of procedures.

~~h.~~*k.* In the event of a scope limitation, include an additional paragraph before the opinion paragraph that describes the relationship of the excluded engagement(s) or functional area(s) to the ~~reviewed~~ firm's practice as a whole, the highest level of service and industry concentration, if any, of the engagement(s) excluded from potential selection, and the effect of the exclusion on the scope and results of the peer review. Tailor the opinion, as appropriate, to address the scope limitation.

~~i.~~*l.* Identify the different peer review ratings that the firm could receive.

~~j.~~*m.* In a report with a peer review rating of *pass*:

- Express an opinion that the system of quality control for the accounting and auditing practice of the reviewed firm in effect for the year-ended has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.
- State ~~at the end of the opinion paragraph that therefore~~ the firm has received a peer review rating of pass.
- ~~In the event of a scope limitation, include an additional paragraph before the opinion paragraph that describes the relationship of the excluded engagement(s) or functional area(s) to the reviewed firm's practice as a whole, the highest level of service and industry concentration, if any, of the engagement(s) excluded from potential selection, and the effect of the exclusion on the scope and results of the peer review.~~
- ~~Reports with a peer review rating of pass do not contain any findings, deficiencies,~~

~~significant deficiencies, or recommendations.~~

~~k.~~*n.* In a report with a peer review rating of pass with deficiencies:[2]

- Express an opinion that, except for the deficiencies previously described, the system of quality control for the accounting and auditing practice of the reviewed firm in effect for the year-ended has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.
- State ~~at the end of the opinion paragraph that therefore~~ the firm has received a peer review rating of pass with deficiencies.
- ~~In the event of a scope limitation, include an additional paragraph before the deficiencies that describes the relationship of the excluded engagement(s) or functional area(s) to the reviewed firm's practice as a whole, the highest level of service and industry concentration, if any, of the engagement(s) excluded from potential selection, and the effect of the exclusion on the scope and results of the peer review.~~

~~l.~~*o.* In a report with a peer review rating of fail:

- Express an opinion that as a result of the significant deficiencies previously described, the system of quality control for the accounting and auditing practice of the reviewed firm in effect for the year-ended was not suitably designed or complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.
- State ~~at the end of the opinion paragraph that therefore~~ the firm has received a peer review rating of fail.
- ~~In the event of a scope limitation, include an additional paragraph before the significant deficiencies that describes the relationship of the excluded engagement(s) or functional area(s) to the reviewed firm's practice as a whole, the highest level of service and industry concentration, if any, of the engagement(s) excluded from potential selection, and the effect of the exclusion on the scope and results of the peer review.~~

p. In a report with a peer review rating of pass with deficiencies or fail:

- Include~~, for reports with a peer review rating of pass with deficiencies or fail, systemically written~~ descriptions of the deficiencies or significant deficiencies ~~and the reviewing firm's recommendations~~ (each of these should be numbered) which include reference to the applicable requirement of Statements on Quality Control Standards, the scenario that led to the deficiency or significant deficiency, and reference to nonconforming engagements as a result of the deficiency or significant deficiency, if applicable (~~See~~ see interpretations).
- Identify~~, for~~ any deficiencies or significant deficiencies ~~included in the report with a peer review rating of pass with deficiencies or fail, any~~ that were also made in the report issued on the firm's previous peer review (see interpretations). This should be determined based on the ~~underlying~~ systemic cause of the deficiencies or significant deficiencies.
- Identify the level of service for any deficiencies or significant deficiencies.
- Identify the applicable industry ~~I~~if ~~the~~ a deficiency or significant deficiency ~~included in the report with a peer review rating of pass with deficiencies or fail~~ is

[2] Reference to plural could also apply to a singular item within the standards. For instance, there could be deficiencies or a deficiency. The wording in the peer review report should be tailored as necessary.

industry specific~~, also identify the industry.~~

- Identify must select industries and practice areas in which nonconforming engagements were noted as a result of a deficiency or significant deficiency.

Firm Responses in a System Review and Related Team Captain Considerations

.97~~100~~ The firm should discuss matters, findings, deficiencies, and significant deficiencies with the team captain. If~~, after a discussion with the team captain,~~ the ~~reviewed~~ firm disagrees with one or more of the findings, deficiencies, or significant deficiencies, the ~~reviewed~~ firm should contact the administering entity for assistance~~ in the matter~~ and follow the guidance in paragraph .93 to resolve the disagreement. ~~(see paragraph .93). If the reviewed firm still disagrees with one or more of the findings, deficiencies, or significant deficiencies, its response on either the FFC form or in the letter of response, as applicable, should describe the reasons for the disagreement.~~

.98~~9~~ The ~~reviewed~~ firm should respond to all matters communicated on an MFC form, findings ~~and related recommendations not rising to the level of a deficiency or significant deficiency on the related~~ communicated on an FFC form and deficiencies, or significant deficiencies communicated in the peer review report~~s~~. ~~These responses should describe the plan the reviewed firm has implemented or will implement (including timing) with respect to each finding. The team captain should review and evaluate the responses on the FFC forms before they are submitted to the administering entity (see interpretations).~~ The firm's response to deficiencies or significant deficiencies should be communicated in a letter of response addressed to the administering entity's peer review committee. The firm's draft responses should be provided to the team captain as soon as practicable to allow the team captain sufficient time to assess the firm's response prior to the exit conference.

.9~~7~~9 If the reviewed firm receives an FFC form or a report with a peer review rating of *pass with deficiencies* or *fail*, it is the firm's responsibility to identify the appropriate remediation of any findings, deficiencies, and significant deficiencies and to appropriately respond. ~~t~~The reviewed firm should ~~respond in writing~~address the following in its response with respect to each finding, deficiency, and significant deficiency (see interpretations): ~~to the deficiencies or significant deficiencies and related recommendations identified in the report~~. ~~The letter of response should be addressed to the administering entity's peer review committee and should describe the actions planned (including timing) or taken by the reviewed firm with respect to each deficiency in the report. The reviewed firm should submit a copy of the report, and its letter of response, to the administering entity within 30 days of the date it received the report from the team captain or by the firm's peer review due date, whichever date is earlier. Prior to submitting the response to the administering entity, the reviewed firm should submit the response to the team captain for review, evaluation, and comment (see interpretations).~~

a. Nonconforming engagements, including the following:
    - The firm's actions taken or planned to remediate the engagements identified on the FFC form or in the report as nonconforming.
    - The firm's actions taken or planned to remediate findings and deficiencies in the firm's system of quality control (see interpretations)

b. Systemic issues unrelated to nonconforming engagements:

- The firm's actions taken or planned to remediate findings and deficiencies in the firm's system of quality control

c. Timing of the remediation

.100 The team captain should review and evaluate the firm's responses on the FFC forms and letter of response prior to the exit conference. The firm's letter of response should be finalized and dated as of the exit conference date and provided to the team captain. The team captain should include the firm's letter of response with his or her report and working papers submitted to the administering entity (see interpretations).

~~**.98** If the reviewed firm receives a report with a peer review rating of *pass* or *pass (with a scope limitation)*, a letter of response is not applicable, and the reviewed firm does not submit a copy of the report to the administering entity.~~

~~**.99** The reviewed firm should respond to all findings and related recommendations not rising to the level of a deficiency or significant deficiency on the related FFC forms. These responses should describe the plan the reviewed firm has implemented or will implement (including timing) with respect to each finding. The team captain should review and evaluate the responses on the FFC forms before they are submitted to the administering entity (see interpretations).~~

~~**.100** If, after a discussion with the team captain, the reviewed firm disagrees with one or more of the findings, deficiencies, or significant deficiencies, the reviewed firm should contact the administering entity for assistance in the matter (see paragraph .93). If the reviewed firm still disagrees with one or more of the findings, deficiencies, or significant deficiencies, its response on either the FFC form or in the letter of response, as applicable, should describe the reasons for the disagreement.~~

.101 Illustrations of letters of response by a reviewed firm to reports in a System Review with a peer review rating of *pass with deficiencies* and *fail* are included in appendixes F, "Illustration of a Response by a Reviewed Firm to a Report With a Peer Review Rating of *Pass With Deficiencies* in a System Review;" H, "Illustration of a Response by a Reviewed Firm to a Report With a Peer Review Rating of *Pass With Deficiencies (With a Scope Limitation)* in a System Review;" J, "Illustration of a Response by a Reviewed Firm to a Report With a Peer Review Rating of *Fail* in a System Review;" and L, "Illustration of a Response by a Reviewed Firm to a Report With a Peer Review Rating of *Fail (With a Scope Limitation)* in a System Review."

Performing Engagement Reviews

Basic Requirements

.109 An Engagement Review does not include a review of other documentation prepared on the engagements submitted for review (other than the documentation referred to in paragraphs .107–.108), tests of the firm's administrative or personnel files, interviews of selected firm

personnel, or other procedures performed in a System Review (see interpretations). Accordingly, an Engagement Review does not provide the review captain with a basis for expressing any form of assurance on the firm's system of quality control for its accounting practice. The review captain's report does indicate, however, whether anything came to the review captain's attention that caused him or her to believe that the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects (see interpretations). The review captain should promptly inform the firm when an engagement is not performed or reported on in conformity with applicable professional standards and remind the firm of its obligation under professional standards to take appropriate actions (see interpretations).

Identifying Matters, Findings, Deficiencies, and Significant Deficiencies

.113 A matter is documented on an MFC form. If the matter, after further evaluation, gets elevated to a finding, but not a deficiency or significant deficiency, it is documented on a FFC form. The FFC form is a standalone document that includes the ~~reviewer's recommendation and the~~ reviewed firm's response regarding actions planned or taken and the timing of those actions by the firm. MFC and FFC forms are subject to review and oversight by the administering entity, who will evaluate the reviewed firm's FFC form responses for appropriateness and responsiveness (see paragraphs .141–.145). If the matter documented on the MFC form is instead elevated to a deficiency or significant deficiency, then it is communicated in the report itself~~, along with the reviewer's recommendation~~. The firm submits a letter of response regarding actions planned or taken and the timing of those actions by the firm, which is also evaluated for appropriateness and responsiveness (see paragraphs .139–.140).

Communicating Conclusions at the Closing Meeting and Exit Conference

.115 Prior to issuing his or her report or finalizing MFC and FFC form(s), if applicable, the review captain should communicate his or her conclusions to the firm at a closing meeting. The closing meeting is normally held via teleconference and may also be attended by representatives of the administering entity, the board, AICPA staff, or other board authorized organizations with oversight responsibilities. The review captain should discuss the following during the closing meeting:

a. Preliminary peer review results, including any matters documented on the MFC form(s), findings documented on the FFC form(s), deficiencies or significant deficiencies to be included in the peer review report, and the type of report to be issued.

b. The firm's requirement to respond to the MFC form(s), FFC form(s), or the deficiency(ies) or significant deficiency(ies) included in the peer review report.

c. Other suggestions and observations for the firm to consider. For example, implications of upcoming changes in professional standards, operational or efficiency suggestions, and minor areas for improvement considerations.

An exit conference will be held after the firm has responded to the MFC form(s), FFC form(s), and deficiencies or significant deficiencies in the report and the review captain has assessed whether the responses are appropriate and considered any additional impact to the peer review results. Accordingly, except in rare circumstances that should be explained to the firm, the exit conference should be postponed if there is uncertainty about the report to be issued or the deficiencies or significant deficiencies to be included in the report. The exit conference is normally held via teleconference and should occur after allowing the firm sufficient time to respond to MFC form(s), FFC form(s), deficiencies or significant deficiencies discussed at the closing meeting, if applicable. The purpose of a separate closing meeting and exit conference is to provide the firm sufficient time to determine appropriate responses to the matters, findings, deficiencies, and significant deficiencies identified and to provide the review captain with sufficient time to assess the firm's responses prior to the report date (exit conference date). If these steps have been taken prior to the closing meeting or are not necessary, the closing meeting and exit conference may be combined. In either circumstance, the exit conference should ordinarily be held prior to but no later than the review due date (see interpretations). The review captain should discuss the following during the exit conference:

a. Final peer review results, including any changes to the information communicated at the closing meeting after consideration of the firm's responses to MFCs, FFCs, and deficiencies and significant deficiencies in the report.

b. Potential corrective actions (for deficiencies and significant deficiencies) and implementation plans (for findings) that may be imposed by the RAB, if applicable. The review captain should also discuss with the firm the implications of these steps on the acceptance and completion of the peer review and the firm's enrollment in the program.

c. Peer review noncooperation implications of consecutive non-pass report ratings, if applicable (see interpretations).

~~A firm that has an Engagement Review should respond promptly to questions raised in the review, whether those questions are raised orally or in writing. The review captain will contact the firm, before issuing the final peer review report, to resolve questions raised during the peer review and to complete the MFC, DMFC, and FFC forms as applicable. In addition to discussing deficiencies or significant deficiencies and recommendations to be included in a report with a peer review rating of *pass with deficiencies* or *fail*, ordinarily, these should be discussed, along with the content of the letter of response, and agreed upon with the firm prior to the issuance of the final written report. The review captain should also communicate, if applicable, that the firm may be required to (1) take certain actions to correct the deficiencies or significant deficiencies noted in the report or (2) complete an implementation plan to address the findings noted on the FFC form(s). The review team should also discuss with the reviewed firm the implications of these steps on the acceptance and completion of the peer review and the reviewed firm's enrollment in the program. This is also the appropriate opportunity for providing suggestions to the firm that are not included in the report, FFC form(s), or MFC form(s).~~

Addressing Disagreements Between the Reviewer and the Reviewed Firm

.116 Disagreements may arise on the resolution of various issues. For instance, there could be a disagreement on the appropriate approach to performing or reporting in conformity with applicable professional standards, or the review team might not believe that the actions planned or taken by the firm, if any, are appropriate (for example, if the reviewed firm believes that it can continue to support a previously issued report and the review team continues to believe that there may be a failure to reach appropriate conclusions in the application of professional standards). Reviewers and reviewed firms should understand that professional judgment often becomes a part of the process and that each party has the right to challenge each other on an issue. Nevertheless, a disagreement on the resolution of an issue may persist in some circumstances. The reviewed firm and reviewer should be aware that they may consult with their administering entity and, if necessary, request that the administering entity's peer review committee resolve the disagreement. If the administering entity's full peer review committee is unable to resolve the disagreement, the administering entity may refer unresolved issues to the board for a final determination. Only the administering entity's peer review committee will be responsible for determining whether a disagreement still exists or whether the reviewed firm or review team is not cooperating in order to refer the issue to the board.

Reporting on Engagement Reviews

Forming Conclusions on the Type of Report to Issue in an Engagement Review

Engagement Review Report With a Peer Review Rating of Pass

.117 A report with a peer review rating of *pass* is issued when the reviewer concludes that nothing came to his or her attention that caused him or her to believe that the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects. There are no deficiencies or significant deficiencies that affect the nature of the report and, therefore, the report does not contain any deficiencies~~,~~ or significant deficiencies~~, or recommendations~~. In the event of a scope limitation, a report with a peer review rating of *pass (with a scope limitation)* is issued.

Reporting on Engagement Reviews

General

.120 In an Engagement Review, the review captain should furnish the reviewed firm with a written report within 30 days of the ~~review of engagements~~exit conference date or by the firm's peer review due date, whichever is earlier. A report on a review performed by a firm is to be issued on the letterhead of the firm performing the review. A report by a review team formed by an association of CPA firms is to be issued on the letterhead of the firm of the review captain performing the review. Other reports are issued on the letterhead of the administering entity. The report in an Engagement Review ordinarily should be dated as of the date of the ~~completion of the peer review procedures~~exit conference. See interpretations

for guidance on notification requirements and submission of peer review documentation to the administering entity.

Illustrations of Reports in an Engagement Review

.121 The standard form for a report with a peer review rating of *pass* is illustrated in appendix M, "Illustration of a Report with a Peer Review Rating of *Pass* in an Engagement Review." Illustrations of reports with a peer review rating of *pass with deficiencies* and *fail* are presented in appendixes N, "Illustration of a Report with a Peer Review Rating of *Pass with Deficiencies* in an Engagement Review," and P, "Illustration of a Report with a Peer Review Rating of *Fail* in an Engagement Review," respectively. Additional paragraphs included for scope limitations follow the illustrations for System Reviews with scope limitations (see appendixes D, G, and K).

.122 The written report in an Engagement Review should:

a. State at the top of the report the title "~~Engagement Review Report~~Report on the Firm's Conformity With Professional Standards on Engagements Reviewed."

b. Include headings for each of the following sections:

a. Firm's Responsibility.

b. Peer Reviewer's Responsibility.

c. Deficiency(ies) or Significant Deficiency(ies) Identified on the Firm's Conformity With Professional Standards on Engagements Reviewed, if applicable.

d. Scope Limitation, if applicable.

e. Conclusion.

~~*b.*~~*c.* State that the review captain reviewed selected accounting engagements of the firm and include the year-end covered by the peer review.

~~*c.*~~*d.* State that the peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants.

~~*d.*~~*e.* State that the nature, objectives, scope, limitations of, and procedures performed in an Engagement Review ~~are~~as described in the ~~s~~Standards can be found on the AICPA website where the Standards are summarized.

~~*e.* Include a URL to the AICPA website where the standards are located.~~

f. State that the firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects ~~(even though this is an Engagement Review, the statement reflects the responsibility of the firm).~~ and for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, where appropriate, and for remediating weaknesses in its system of quality control, if any.

g. State that the reviewer's responsibility is to evaluate whether the engagements submitted for review were performed and reported on in conformity with applicable professional standards in all material respects.

h. State that an Engagement Review does not include reviewing the firm's system of quality control and compliance therewith and, accordingly, the reviewer~~s~~ expresses no opinion or any form of assurance on that system.

~~State that the nature, objectives, scope, limitations of, and procedures performed in an~~

~~Engagement Review are described in the standards.~~
~~Include a URL to the AICPA website where the standards are located.~~

i. In the event of a scope limitation, include an additional paragraph before the last paragraph that describes the relationship of the excluded engagement(s) to the ~~reviewed~~ firm's practice as a whole, the highest level of service and industry concentration, if any, of the engagement(s) excluded from the potential selection, and the effect of the exclusion on the scope and results of the peer review. Tailor the conclusion, as appropriate, to address the scope limitation.

j. Identify the different peer review ratings that the firm could receive.

k. In a report with a peer review rating of pass, state:

- That nothing came to the review captain's attention that caused the review captain to believe that the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects.
- ~~At the end of the second paragraph, t~~That ~~therefore~~ the firm has received a peer review rating of pass.
- ~~In the event of a scope limitation, include an additional paragraph before the last paragraph that describes the relationship of the excluded engagement(s) to the reviewed firm's practice as a whole, the highest level of service and industry concentration, if any, of the engagement(s) excluded from the potential selection, and the effect of the exclusion on the scope and results of the peer review.~~
- ~~Reports with a peer review rating of pass do not contain any findings, deficiencies, significant deficiencies, or recommendations.~~

l. In a report with a peer review rating of *pass with deficiencies*,[3] state:

- ~~That except for~~ That as a result of the deficiencies previously described, ~~nothing came to the review captain's attention that caused~~ the review captain ~~to~~ believes that at least one but not all of the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects.
- ~~At the end of the last paragraph, t~~That ~~therefore~~ the firm has received a peer review rating of pass with deficiencies.
- ~~In the event of a scope limitation, include an additional paragraph before the deficiencies that describes the relationship of the excluded engagement(s) to the reviewed firm's practice as a whole, the highest level of service and industry concentration, if any, of the engagement(s) excluded from the potential selection, and the effect of the exclusion on the scope and results of the peer review.~~

m. In a report with a peer review rating of fail, state:

- That as a result of the deficiencies previously described, the review captain believes that all the engagements submitted for review were not performed and/or reported on in conformity with applicable professional standards in all material respects.
- ~~At the end of the last paragraph, t~~That ~~therefore~~ the firm has received a peer review rating of fail.
- ~~In the event of a scope limitation, include an additional paragraph before the significant deficiencies that describes the relationship of the excluded engagement(s) to the~~

[3] Reference to plural could also apply to a singular item within the standards. For instance, there could be deficiencies or a deficiency. The wording in the peer review report should be tailored as necessary.

reviewed firm's practice as a whole, the highest level of service and industry concentration, if any, of the engagement(s) excluded from the potential selection, and the effect of the exclusion on the scope and results of the peer review.

n. In a report with a peer review rating of pass with deficiencies or fail:

- Include, for reports with a peer review rating of pass with deficiencies or fail, descriptions of the deficiencies or significant deficiencies and the reviewing firm's recommendations (each of these should be numbered) (see interpretations).
- Identify, for any deficiencies or significant deficiencies included in the report with a peer review rating of pass with deficiencies or fail, any that were also made in the report in the firm's previous peer review. However, if the specific types of reporting, presentation, disclosure, or documentation deficiencies or significant deficiencies are not substantially the same on the current review as on the prior review, the deficiencies or significant deficiencies would not be considered a repeat (see interpretations).
- Identify the level of service for any deficiencies or significant deficiencies. If the deficiency or significant deficiency included in the report with a peer review rating of pass with deficiencies or fail is industry specific, also identify the industry.

Firm Responses in an Engagement Review and Related Review Captain Considerations

.126 3 The firm should discuss matters, findings, deficiencies, and significant deficiencies with the review captain. If, after a discussion with the review captain, the reviewed firm disagrees with one or more of the findings, deficiencies, or significant deficiencies, the reviewed firm should contact the administering entity for assistance in the matter and follow the guidance in paragraph .116 to resolve the disagreement. (see paragraph .116). If the reviewed firm still disagrees with one or more of the findings, deficiencies, or significant deficiencies, its response on either the FFC form or in the letter of response, as applicable, should describe the reasons for such disagreement.

.125 4 The reviewed firm should respond to all matters communicated on an MFC form, findings and related recommendations not rising to the level of a deficiency or significant deficiency on the relatedcommunicated on an FFC form, and deficiencies or significant deficiencies communicated in the peer review reports. These responses should describe the plan the reviewed firm has implemented or will implement (including timing) with respect to each finding. The review captain should review and evaluate the responses on the FFC forms before they are submitted to the administering entity (see interpretations). The firm's response to deficiencies or significant deficiencies should be communicated in a letter of response addressed to the administering entity's peer review committee. The firm's draft responses should be provided to the review captain as soon as practicable to allow the review captain sufficient time to assess the firm's response prior to the exit conference.

.123125 In an Engagement Review, iIf the firm receives an FFC form or a report with a peer review rating of *pass with deficiencies* or *fail*, it is the firm's responsibility to identify the appropriate remediation of findings, deficiencies, and significant deficiencies and to appropriately respond (see interpretations). the The reviewed firm should respond in writingaddress the firm's actions taken or planned to remediate the findings, to the

deficiencies, or significant deficiencies~~ and related recommendations identified in the report~~, including timing of the remediation and additional procedures to ensure the finding, deficiency, or significant deficiency is not repeated in the future. ~~The letter of response should be addressed to the administering entity's peer review committee and should describe the actions planned (including timing) or taken by the reviewed firm with respect to each deficiency in the report. The reviewed firm should submit a copy of the report, and its letter of response, to the administering entity within 30 days of the date it received the report from the review captain or by the firm's peer review due date, whichever date is earlier. Prior to submitting the letter of response to the administering entity, the reviewed firm should submit the response to the review captain for review, evaluation, and comment (see interpretations).~~

.126 The review captain should review and evaluate the responses on the FFC forms and letter of response prior to the exit conference. The firm's letter of response should be finalized and dated as of the exit conference date and provided to the review captain. The review captain should include the firm's letter of response with his or her report and working papers submitted to the administering entity (see interpretations).

~~**.124** If the firm receives a report with a peer review rating of *pass* or *pass (with a scope limitation)*, a letter of response is not applicable, and the reviewed firm does not submit a copy of the report to the administering entity.~~

~~**.125** The reviewed firm should respond to all findings and related recommendations not rising to the level of a deficiency or significant deficiency on the related FFC forms. These responses should describe the plan the reviewed firm has implemented or will implement (including timing) with respect to each finding. The review captain should review and evaluate the responses on the FFC forms before they are submitted to the administering entity (see interpretations).~~

~~**.126** If, after a discussion with the review captain, the reviewed firm disagrees with one or more of the findings, deficiencies, or significant deficiencies, the reviewed firm should contact the administering entity for assistance in the matter (see paragraph .116). If the reviewed firm still disagrees with one or more of the findings, deficiencies, or significant deficiencies, its response on either the FFC form or in the letter of response, as applicable, should describe the reasons for such disagreement.~~

.127 Illustrations of letters of responses by a reviewed firm to reports with a peer review rating of *pass with deficiencies* and *fail* are included in appendixes O, "Illustration of a Response by a Reviewed Firm to a Report With a Peer Review Rating of *Pass With Deficiencies* in an Engagement Review," and Q, "Illustration of a Response by a Reviewed Firm to a Report With a Peer Review Rating of *Fail* in an Engagement Review."

Fulfilling Peer Review Committee and Report Acceptance Body Responsibilities

.133 The committee's report acceptance body responsibilities include, but are not limited to:

a. Ensuring that peer reviews are presented to an RAB in a timely manner, ordinarily within 120 days of the later of receipt of the working papers and peer review report from the team captain or review captain or, if applicable, the report with a peer review rating of *pass with deficiencies* or *fail* and the related letter of response from the reviewed firm, or within 60 days for Engagement Reviews meeting certain criteria (see paragraphs .137–.138).

b. Considering whether the review has been performed in accordance with these standards, interpretations, and related guidance materials.

c. Considering whether the report, and the response thereto, if applicable, are in accordance with these standards, interpretations, and related guidance materials, including an evaluation of the adequacy of the corrective actions the reviewed firm has represented that it has taken or will take in its letter of response.

d. Determining whether it should require any remedial, corrective actions related to the deficiencies or significant deficiencies noted in the peer review report, in addition to or in affirmation of those described by the reviewed firm in its letter of response. Examples of such corrective actions include, but are not limited to, requiring certain individuals to obtain specified kinds and specified amounts of CPE, requiring the firm to carry out more comprehensive monitoring procedures, or requiring it to engage another CPA to perform pre-issuance or post-issuance reviews of financial statements, reports, and accounting and audit documentation to attempt to strengthen the performance of the firm's personnel.

e. In relation to FFCs:

1. Considering whether FFC (and associated MFC and DMFC) forms are prepared in accordance with these standards, interpretations, and related guidance materials, including whether the findings addressed on the FFC forms should have been included in a report with a peer review rating of *pass with deficiencies* or *fail*.
2. Determining the adequacy of the plan the reviewed firm has represented that it has implemented or will implement in its response on the FFC form(s).
3. Determining whether it should require an implementation plan in addition to or as an affirmation of the plan described by the reviewed firm in its response to the findings on the FFC form(s).

f. Ensuring that all corrective actions related to deficiencies or significant deficiencies in the peer review report and all implementation plans related to findings on FFC forms have been completed to the satisfaction of the committee.

g. Ensuring that all firms within its jurisdiction have timely peer reviews and keeping track of the timing of the completion of corrective actions and implementation plans by all firms that the committee has required, including those that are overdue.

Accepting System and Engagement Reviews

.139 In deciding on the need for and nature of any corrective actions, the committee should consider the nature and significance (and for System Reviews, the systemic causes, pattern, pervasiveness, and relative importance to the system of quality control as a whole) of the deficiencies or significant deficiencies. It should evaluate whether the ~~recommendations of~~

~~the review team appear to address those deficiencies or significant deficiencies adequately and whether the~~ reviewed firm's ~~responses to those recommendations~~actions taken or planned to remediate deficiencies in the system of quality control and nonconforming engagements, if applicable, appear comprehensive, genuine, and feasible.

Cooperating in a Peer Review

.142 In deciding on the need for and nature of any implementation plan in addition to, or in affirmation of, that described by the firm in its response on the FFC form, the committee should consider the nature and significance (and for System Reviews, the systemic causes, pattern, pervasiveness, and relative importance to the system of quality control as a whole) of the findings. It should evaluate whether the ~~recommendations of the review team appear to address those findings adequately and whether the~~ reviewed firm's ~~responses to those recommendations~~actions taken or planned to remediate nonconforming engagements and systemic findings appear comprehensive, genuine, and feasible.

Publicizing Peer Review Information

.146 The reviewed firm should not publicize the results of the review or distribute copies of the peer review report to its personnel, clients, or others until it has been advised that the report has been accepted (see interpretations) by the administering entity as meeting the requirements of the program. Neither the administering entity nor the AICPA shall make the results of the review, or information related to the acceptance or completion of the review, available to the public, except as authorized or permitted by the firm under certain circumstances (see interpretations). The administering entity and the AICPA may disclose the following information:

a. The firm's name and address
b. The firm's enrollment in the program
c. The date of acceptance and the period covered by the firm's most recently accepted peer review
d. If applicable, whether the firm's enrollment in the program has been dropped or terminated

Performing and Reporting on Reviews of Quality Control Materials (QCM)

Procedures for Planning and Performing QCM Reviews

Planning Considerations

.169 The QCM reviewer should obtain the prior QCM report, the letter of response (if applicable), and the acceptance letter from the provider. The QCM reviewer should also obtain the prior FFC forms (if applicable) from the National PRC. The QCM reviewer should consider whether the issues discussed in those documents require additional emphasis in the current review, and should evaluate the provider's performance of the actions noted in ~~response to~~ the prior ~~report.~~review letter of response and FFC forms, if applicable.

Identifying Matters, Findings, Deficiencies, and Significant Deficiencies

.178 Determining the relative importance of matters noted during the QCM review, individually or combined with others, requires professional judgment. Careful consideration is required in forming conclusions. The descriptions that follow are intended to assist in aggregating and evaluating the QCM review results, concluding on them, and determining the nature of the QCM review report to issue:

a. A *matter* is noted as a result of

i. the QCM reviewer's evaluation of the design of and compliance with the provider's system of quality control. Matters can be one or more "no" answers to questions in QCM review questionnaire(s) that a QCM reviewer concludes warrants further consideration in the evaluation of a provider's system of quality control.

ii. the QCM reviewer's evaluation of whether the materials submitted for review are reliable aids. Matters can arise from either the QCM reviewer's comments based on tests of the materials, or one or more "no" answers to questions in QCM review questionnaire(s) that the QCM reviewer concludes warrants further consideration by the provider in the evaluation of the materials.

A matter is documented on a MFC form.

b. A *finding* is one or more matters that result from

i. a condition in the provider's system of quality control or compliance with it such that there is more than a remote possibility that the provider would not develop or maintain reliable aids, or

ii. the QCM reviewer's conclusion that one or more of the materials tested do not encompass some portion of the components of the professional standards that the materials purport to encompass.

A QCM reviewer will conclude whether one or more findings are a deficiency or significant deficiency. If the QCM reviewer concludes that no finding, individually or combined with others, rises to the level of deficiency or significant deficiency, a report rating of *pass* is appropriate. A finding not rising to the level of a deficiency or significant deficiency is documented on a FFC form.

c. A *deficiency* is one or more findings that

i. the QCM reviewer has concluded, due to the nature, systemic causes, pattern, or pervasiveness, could create a situation in which the provider would not have reasonable assurance of developing or maintaining reliable aids, or

ii. affects the reliability of one or more of the materials tested, such that one or more of the materials do not encompass the components which are integral to the professional standards that the materials purport to encompass.

This includes the relative importance of the deficiency to either the provider's system of quality control taken as a whole, or any of the materials tested (individually or collectively). It is not a significant deficiency if the QCM reviewer has concluded that except for the deficiency or deficiencies the provider has reasonable assurance of developing and maintaining reliable aids or that the nature

of the deficiency or deficiencies is limited to a small number of the total materials reviewed. Such deficiencies are communicated in a report with a QCM review rating of *pass with deficiencies*.

d. A *significant deficiency* is one or more deficiencies that the QCM reviewer has concluded results from a condition in the provider's system of quality control when the system taken as a whole does not provide reasonable assurance of developing or maintaining reliable aids, and it has affected the reliability of one or more of the materials reviewed. Such deficiencies are communicated in a report with a QCM rating of *fail*.

Aggregating and Evaluating Matters in the Provider's System

.179 The QCM review team must aggregate matters noted during the review of the provider's system of quality control to develop and maintain the materials in order to conclude on the opinion of the provider's system. This entails determining whether any matters noted were the result of the design of the provider's system of quality control or the failure of its personnel to comply with the provider's quality control policies and procedures. The QCM review team should consider their relative importance to both the provider's system of quality control as a whole and the impact on the materials (individually and collectively), and their nature, systemic causes, pattern, and pervasiveness.

Design Matters

.183 There may be circumstances in which the QCM reviewer finds few findings in the materials developed and maintained by the provider, yet he or she still concludes that the design of the provider's system of quality control needs to be improved. For example, a provider that has a rapidly growing customer base may not have appropriately revised its policies and procedures to solicit user feedback. However, this type of finding may not result in less than reasonable assurance of developing or maintaining reliable aids. The QCM reviewer should exercise judgment in determining whether this matter should be addressed in an FFC as a finding ~~rather than~~or result in a report with a QCM review rating of *pass with deficiencies* or *fail.*

Compliance Matters

.185 In assessing whether the degree of compliance was adequate to provide the required assurance, the QCM review team should consider the nature, systemic causes, pattern, and pervasiveness of the instances of noncompliance noted and their relative importance to the provider's system of quality control as a whole, as well as their importance in the specific circumstances in which they were observed. As with the evaluation of design matters, compliance matters also need to be evaluated in the context of the provider's organizational structure, the nature of its practice, the number of users, and so on.

Reporting on QCM Reviews

General

.190 The QCM review team should furnish the provider with a written report and the final FFC forms within 30 days of the date of the exit conference or by the provider's review due date, whichever is earlier. A report on a QCM review performed by a firm is to be issued on the letterhead of the firm performing the review. A report by a QCM review team formed by an association of CPA firms is to be issued on the letterhead of the firm of the team captain performing the review. The report in a QCM review ordinarily should be dated as of the date of the exit conference. See interpretations for guidance on notification requirements and submission of peer review documentation to the administering entity.

Preparing the Report in a QCM Review

.194 A QCM report with a rating of *pass*, *pass with deficiencies*, or *fail* contains elements similar to those in a System Review report. As such, the written report in a QCM System Review should:

a. State at the top of the page the title "~~Quality Control Materials Review Report~~Report on the Provider's System of Quality Control and Resultant Materials."

b. Include headings for each of the following sections:

a. Provider's Responsibility.
b. Peer Reviewer's Responsibility.
c. User's Responsibility.
d. Deficiency(ies) or Significant Deficiency(ies) Identified in the Provider's System of Quality Control and Resultant Materials, if applicable.
e. Opinion.

c. State that the system of quality control for the development and maintenance of the materials and the resultant materials in effect at the year-end covered by the QCM review were reviewed.

~~*b.*~~*d.* Identify the items covered by the opinion or refer to an attached listing.

~~*c.*~~*e.* State that the review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants.

~~*d.*~~*f.* State that the nature, objectives, scope, limitations of, and procedures performed in a ~~Quality Control Materials~~QCM review ~~are~~as described in the ~~s~~Standards can be found on the AICPA website where the Standards are summarized.

~~*e.* Include a URL reference to the AICPA website where the standards are located.~~

~~*f.*~~*g.* State that the provider is responsible for designing a system of quality control and complying with it to provide users of the materials with reasonable assurance that the materials are reliable aids to assist them in performing and reporting in conformity with the components which are integral to the professional standards that the materials purport to encompass and for evaluating actions to promptly remediate materials not deemed as reliable aids, where appropriate, and for remediating weaknesses in its system of quality control, if any.

~~*g.*~~*h.* State that the reviewer's responsibility is to express an opinion on the design of the system

of quality control, the provider's compliance with that system, and the reliability of the resultant materials based on the review.

~~State that the nature, objectives, scope, limitations of, and procedures performed in a Quality Control Materials review are described in the standards.~~

~~Include a URL reference to the AICPA website where the standards are located.~~

~~h.~~*i.* State that the users of the materials are responsible for implementing, tailoring, and augmenting the materials as appropriate.

~~i.~~*j.* State that there may be important elements of a quality control system in accordance with Statements on Quality Control Standards that are not part of the materials that have been subject to this QCM review.

~~j.~~*k.* Identify the different peer review ratings that the provider could receive.

~~k.~~*l.* In a report with a peer review rating of pass:

- Express an opinion that the system of quality control for the development and maintenance of the quality control materials was suitably designed and was being complied with during the year ended to provide reasonable assurance that the materials are reliable aids.
- Express an opinion that the quality control materials were reliable aids to assist users in conforming with the components which are integral to the professional standards the materials purport to encompass at year-end.
- State ~~at the end of the opinion paragraph~~ that therefore the ~~report reflects~~provider has received a ~~peer~~ review rating of pass.
- ~~Reports with a peer review rating of pass do not contain any findings, deficiencies, significant deficiencies, or recommendations.~~

~~l.~~*m.* In a report with a review rating of pass with deficiencies:[4]

- Express an opinion that, except for the deficiencies described previously, the system of quality control for the development and maintenance of the quality control materials was suitably designed and was being complied with during the year ended to provide reasonable assurance that the materials are reliable aids. ~~or~~
- Express an opinion that, except for the deficiencies described previously, the quality control materials were reliable aids to assist users in conforming with the components which are integral to the professional standards the materials purport to encompass at year-end.
- State ~~at the end of the opinion paragraph~~ that ~~therefore~~ the ~~report reflects a~~provider has received a review rating of pass with deficiencies.

~~m.~~*n.* In a report with a peer review rating of fail:

- Express an opinion that as a result of the significant deficiencies described previously, the system of quality control for the development and maintenance of the quality control materials was not suitably designed and being complied with during the year ended and, therefore, cannot provide reasonable assurance that the materials are reliable aids.
- Express an opinion that also, as a result of the significant deficiencies described previously, the quality control materials are not reliable aids and do not assist users in conforming with the components which are integral to the professional standards the

[4] Reference to plural could also apply to a singular item within the standards. For instance, there could be deficiencies or a deficiency. The wording in the peer review report should be tailored as necessary.

materials purport to encompass at year-end.

- State ~~at the end of the opinion paragraph~~ that ~~therefore~~ the provider has received a ~~peer~~ review rating of fail.

o. In a report with a peer review rating of pass with deficiencies or fail:

- Include ~~, for reports with a review rating of pass with deficiencies or fail,~~ written descriptions of the deficiencies or significant deficiencies ~~and the reviewing firm's recommendations~~ (each of these should be numbered).
- Identify~~, for~~ any deficiencies or significant deficiencies ~~included in the report with a review rating of pass with deficiencies or fail any~~ that were also made in the report issued on the provider's previous QCM review. This should be determined based on the ~~underlying~~ systemic cause of the deficiencies or significant deficiencies.

Provider Responses on QCM Reviews and Related QCM Reviewer Considerations

.195~~8~~ The provider should discuss matters, findings, deficiencies, and significant deficiencies with the QCM reviewer. If~~, after a discussion with the QCM reviewer,~~ the provider disagrees with one or more of the findings, deficiencies, or significant deficiencies, the provider should contact the National PRC for assistance ~~in the matter~~ and follow the guidance in paragraph .93 to resolve the disagreement. ~~(see paragraph .93). If the provider still disagrees with one or more of the findings, deficiencies, or significant deficiencies, its response on either the FFC form or in the letter of response, as applicable, should describe the reasons for such disagreement.~~

.196~~7~~ The provider should ~~also~~ respond to all matters communicated on an MFC form, findings communicated on an ~~on the~~ FFC form and deficiencies or significant deficiencies communicated in the QCM report. ~~s, if any are developed, to findings and related recommendations. These responses should describe the plan (including timing) the provider has implemented or will implement with respect to each finding. They should be submitted to the QCM reviewer no later than two weeks after the exit conference or by the review's due date, whichever is earlier. FFC forms are submitted by the QCM reviewer with the applicable working papers to the National PRC.~~ The provider's draft response to deficiencies or significant deficiencies should be communicated in a letter of response addressed to the National PRC. The provider's responses should be provided to the QCM reviewer as soon as practicable to allow the QCM reviewer sufficient time to assess the firm's response prior to the exit conference.

.197~~5~~ If the provider receives an FFC form or a report with a review rating of *pass with deficiencies* or *fail*, it is the provider's responsibility to identify the appropriate remediation of any findings, deficiencies and significant deficiencies and to appropriately respond. The provider should address the following in its response with respect to each finding, deficiency and significant deficiency: ~~then the provider should respond in writing to the deficiencies and significant deficiencies and related recommendations identified in the report, if applicable. The letter of response should be addressed to the National PRC and should describe the action(s) planned (including timing) or taken by the provider with respect to each deficiency in the report. If the provider disagrees with one or more of the deficiencies or significant deficiencies, its response should describe the reasons for such~~

~~disagreement. In the event that a material error or omission in the materials is uncovered by the QCM review team, the response also should describe the provider's plan for notifying known users of that error or omission. The provider should submit the letter of response for review and comment to the QCM reviewer prior to submitting the response to the National PRC.~~

a. The provider's actions taken or planned to remediate the materials identified on the FFC form or in the report as having an error or omission, including the provider's plan for notifying known users of that error or omission.

b. Timing of the remediation

.198 The QCM reviewer should review and evaluate the responses on the FFC forms and letter of response prior to the exit conference. The provider's letter of response should be finalized and dated as of the exit conference date and provided to the QCM reviewer. The QCM reviewer should include the provider's letter of response with his or her report and working papers submitted to the National PRC.

~~**.196** The provider should submit a copy of the report and its letter of response to the National PRC within 30 days of the date it received the report or by the provider's review due date, whichever date is earlier. Prior to submitting the response to the National PRC, the provider should submit the response to the QCM reviewer for review, evaluation, and comment. If the provider receives a report with a review rating of *pass*, a letter of response is not applicable, and the provider does not submit a copy of the report to the National PRC.~~

~~**.197** The provider should also respond on the FFC forms, if any are developed, to findings and related recommendations. These responses should describe the plan (including timing) the provider has implemented or will implement with respect to each finding. They should be submitted to the QCM reviewer no later than two weeks after the exit conference or by the review's due date, whichever is earlier. FFC forms are submitted by the QCM reviewer with the applicable working papers to the National PRC.~~

~~**.198** If, after a discussion with the QCM reviewer, the provider disagrees with one or more of the findings, deficiencies, or significant deficiencies, the provider should contact the National PRC for assistance in the matter (see paragraph .93). If the provider still disagrees with one or more of the findings, deficiencies, or significant deficiencies, its response on either the FFC form or in the letter of response, as applicable, should describe the reasons for such disagreement.~~

Appendix A

Summary of the Nature, Objectives, Scope, Limitations of, and Procedures Performed in System and Engagement Reviews and Quality Control Materials Reviews (as Referred to in a Peer Review Report)

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(Effective for Peer Reviews Commencing on or After January 1, 2009)

1. Firms (and individuals) enrolled in the AICPA Peer Review Program are required to have a peer review, once every three years, of their accounting and auditing practice. ~~related to non-Security and Exchange Commission (SEC) issuers covering a one-year period.~~ An accounting and auditing practice for the purposes of these standards is defined as all engagements performed under Statements on Auditing Standards (SASs); Statements on Standards for Accounting and Review Services (SSARS); Statements on Standards for Attestation Engagements (SSAEs); *Government Auditing Standards* (the Yellow Book) issued by the U.S. Government Accountability Office; and engagements performed under Public Company Accounting Oversight Board (PCAOB) standards. Engagements covered in the scope of the program are those included in the firm's accounting and auditing practice that are not subject to PCAOB permanent inspection. The peer review is conducted by an independent evaluator, known as a peer reviewer. The AICPA oversees the program, and the review is administered by an entity approved by the AICPA to perform that role.

2. The peer review helps to monitor a CPA firm's accounting and auditing practice (*practice monitoring*). The goal of the practice monitoring, and the program itself, is to promote quality in the accounting and auditing services provided by the AICPA members and their CPA firms. This goal serves the public interest and enhances the significance of AICPA membership.

3. There are two types of peer reviews: System Reviews and Engagement Reviews. System Reviews focus on a firm's system of quality control and Engagement Reviews focus on work performed on particular selected engagements. Quality Control Materials (QCM) Reviews focus on the system of quality control of a provider of QCM to CPA firms. ~~As noted in paragraphs 4 and 157, a~~ A further description of System ~~and~~ , Engagement and QCM Reviews~~, and Quality Control Materials (QCM) Reviews~~, as well as a summary of the nature, objectives, scope, limitations of, and procedures performed on them, is provided in the following sections.

System Reviews

4. A System Review is a type of peer review that is a study and appraisal by an independent evaluator(s), known as a peer reviewer, of a CPA firm's system of quality control to perform accounting and auditing work. The system represents the policies and procedures that the CPA firm has designed, and is expected to follow, when performing its work. The peer reviewer's objective is to determine whether the system is designed to ensure conformity with professional standards and whether the firm is complying with its system appropriately.

5. Professional standards are literature, issued by various organizations, that contain the framework and rules that a CPA firm is expected to comply with when designing its system and when performing its work. Professional standards for design of a system of quality control include but are not limited to the Statements on Quality Control Standards (SQCSs) issued by the American Institute of Certified Public Accountants

(AICPA) that pertain to leadership responsibilities for quality within the firm (the "tone at the top"); relevant ethical requirements (such as independence, integrity and objectivity); acceptance and continuance of client relationships and specific engagements; human resources; engagement performance; and monitoring.

6. To plan a System Review, a peer reviewer obtains an understanding of (1) the firm's accounting and auditing practice, such as the industries of its clients, and (2) the design of the firm's system, including its policies and procedures and how the firm checks itself that it is complying with them. The reviewer assesses the risk levels implicit within different aspects of the firm's practice and its system. The reviewer obtains this understanding through inquiry of firm personnel and review of documentation on the system, such as firm manuals.

7. Based on the types of engagements firms perform, they may also have their practices reviewed or inspected on a periodic basis by regulatory or governmental entities, including but not limited to the Department of Health and Human Service, the Department of Labor, and the Public Company Accounting Oversight Board. The team captain obtains an understanding of those reviews or inspections, and he or she considers their impact on the nature and extent of the peer review procedures performed.

8. Based on the peer reviewer's planning procedures, the reviewer looks at a sample of the CPA firm's work, individually called engagements. The reviewer selects engagements for the period covered by the review from a cross section of the firm's practice with emphasis on higher risk engagements. The engagements selected must include those performed under *Government Auditing Standards*, audits of employee benefit plans, audits of depository institutions (with assets of $500 million or greater), audits of carrying broker-dealers, and examinations of service organizations (Service Organization Control [SOC] 1® and and SOC 2® engagements) when applicable (these are known as must select engagements). The scope of a peer review only covers accounting and auditing engagements performed under ~~U.S. professional standards~~ SASs, SSARSs, SSAEs, *Government Auditing Standards*, and PCAOB standards~~; it~~ and does not include the firm's ~~SEC issuer practice~~engagements subject to PCAOB permanent inspection, nor does it include tax or consulting services. The reviewer will also look at administrative elements of the firm's practice to test the elements listed previously from the ~~Statements on Quality Control Standards~~SQCSs.

9. Based on the peer reviewer's planning procedures, the reviewer looks at a sample of the CPA firm's work, individually called engagements. The reviewer selects engagements for the period covered by the review from a cross section of the firm's practice with emphasis on higher risk engagements. The engagements selected must include those performed under *Government Auditing Standards*, audits of employee benefit plans, audits of depository institutions (with assets of $500 million or greater), audits of carrying broker-dealers, and examinations of service organizations (Service Organization Control [SOC] 1® and SOC 2® engagements) when applicable (these are known as must select engagements). The scope of a peer review only covers accounting and auditing engagements performed under~~ U.S. professional standards~~ SASs, SSARSs, SSAEs, *Government Auditing Standards*, and PCAOB standards~~; it~~ and does not include the firm's ~~SEC issuer practice~~engagements subject to PCAOB permanent inspection, nor does it include tax or consulting services. The reviewer will also look at administrative elements of the firm's practice to test the elements listed previously from the ~~Statements on Quality Control Standards~~SQCSs.

10. The reviewer examines engagement working paper files and reports, interviews selected firm personnel, reviews representations from the firm, and examines selected administrative and personnel files. The objectives of obtaining an understanding of the system and then testing the system forms the basis for the reviewer's conclusions in the peer review report.

11. When a CPA firm receives a report from the peer reviewer with a peer review rating of *pass*, the report means that the system is appropriately designed and being complied with by the CPA firm in all material respects. If a CPA firm receives a report with a peer review rating of *pass with deficiencies*, this means the system is designed and being complied with appropriately by the CPA firm in all material respects, except in certain situations that are explained in detail in the peer review report. When a firm receives a report with a peer review rating of *fail*, the peer reviewer has determined that the firm's system is not suitably designed or being complied with, and the reasons why are explained in detail in the report.

12. If a deficiency or significant deficiency included in the peer review report is associated with an engagement that was not performed and reported on in conformity with applicable professional standards in all material respects ("nonconforming") in a must select industry or practice area or is industry specific, the report will identify the industry or practice area. However, because the purpose of a System Review is to report on the firm's system of quality control, the peer review report might not describe every engagement that was deemed nonconforming.

13. The firm is responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any. The firm's response is evaluated to determine if it is appropriate, whether lack of response is indicative of other weaknesses in the firm's system of quality control, or whether monitoring procedures are necessary to verify if the deficiencies and nonconforming engagements were remediated.

~~13.~~14. There are inherent limitations in the effectiveness of any system and, therefore, noncompliance with the system may occur and not be detected. A peer review is based on selective tests. It is directed at assessing whether the design of and compliance with the firm's system provides the firm with reasonable, not absolute, assurance of conforming to applicable professional standards. Consequently, it would not necessarily detect all weaknesses in the system or all instances of noncompliance with it. It does not provide assurance with respect to any individual engagement conducted by the firm or that none of the financial statements audited by the firm should be restated. Projection of any evaluation of a system to future periods is subject to the risk that the system may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

Engagement Reviews

~~14.~~15. An Engagement Review is a type of peer review that is a study and appraisal by an independent evaluator(s), known as a peer reviewer, of a sample of a CPA firm's actual accounting work, including accounting reports issued and documentation prepared by the CPA firm, as well as other procedures that the firm performed.

~~15.~~16. By definition, CPA firms undergoing Engagement Reviews do not perform audits or other similar engagements but do perform other accounting work including reviews and compilations, which are a lower level of service than audits. The peer reviewer's objective is to evaluate whether the CPA firm's reports are issued and procedures performed appropriately in accordance with applicable professional standards. Therefore, the objective of an Engagement Review is different from the objectives of a System Review, which is more system oriented and involves determining whether the system is designed in conformity with applicable professional standards and whether the firm is complying with its system appropriately.

~~16.~~17. Professional standards represent literature, issued by various organizations, that contain the framework and rules that a CPA firm is expected to follow when performing accounting work.

~~17.~~18. The reviewer looks at a sample of the CPA firm's work, individually called engagements. The scope of an Engagement Review only covers accounting engagements; it does not include tax or consulting services. An Engagement Review consists of reading the financial statements or information submitted by the reviewed firm and the accountant's report thereon, together with certain background information and representations from the firm and, except for certain compilation engagements, the documentation required by applicable professional standards.

~~18.~~19. When the CPA firm receives a report with a peer review rating of *pass*, the peer reviewer has concluded that nothing came to his or her attention that the CPA firm's work was not performed and reported on in conformity with applicable professional standards in all material respects. A report with a peer review rating of *pass with deficiencies* is issued when the reviewer concludes that nothing came to his or her attention that the work was not performed and reported on in conformity with applicable professional standards in all material respects, except in certain situations that are explained in detail in the report. A report with a peer review rating of *fail* is issued when the reviewer concludes that as a result of the situations described in the report, the work was not performed and/or reported on in conformity with applicable professional standards in all material respects.

~~19.~~20. If a deficiency or significant deficiency is industry specific, the report will identify the industry.

21. The firm is responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

~~20.~~22. An Engagement Review does not provide the reviewer with a basis for expressing any assurance as to the firm's system of quality control for its accounting practice, and no opinion or any -form of assurance is expressed on that system.

Quality Control Materials Reviews

~~21.~~23. An organization (hereinafter referred to as provider) may sell or otherwise distribute quality control materials (QCM or materials) that it has developed to CPA firms (hereinafter referred to as user firms). QCM may be all or part of a user firm's documentation of its system of quality control, and it may include manuals, guides, programs, checklists, practice aids (forms and questionnaires) and similar materials intended for use in conjunction with a user firm's accounting and auditing practice. User firms rely on QCM to assist them in performing and reporting in conformity with the professional standards covered by the materials (as described in the preceding paragraphs).

~~22.~~24. A QCM review is a study and appraisal by an independent evaluator (known as a QCM reviewer) of a provider's materials, as well as the provider's system of quality control to develop and maintain the materials (hereinafter referred to as provider's system). The QCM reviewer's objective is to determine whether the provider's system

is designed and complied with and whether the materials produced by the provider are appropriate so that user firms can rely on the materials. The scope of a QCM review only covers materials related to accounting and auditing engagements under U.S. professional standards. The scope does not include SEC or PCAOB guidance, nor does it cover materials for tax or consulting services.

~~23.~~25. To plan a QCM review, a QCM reviewer obtains an understanding of (1) the provider's QCM, including the industries and professional standards that they cover, and (2) the design of the provider's system, including the provider's policies and procedures and how it ensures that they are being complied with. The QCM reviewer assesses the risk levels implicit within different aspects of the provider's system and materials. The QCM reviewer obtains this understanding through inquiry of provider personnel, review of documentation on the provider's system, and review of the materials.

~~24.~~26. Based on the planning procedures, the QCM reviewer looks at the provider's QCM, including the instructions, guidance, and methodology therein. The scope of a QCM review encompasses those materials which the provider elects to include in the QCM review report; QCM designed to aid user firms with tax or other non-attest services are outside of the scope of this type of review. The QCM reviewer will also look at the provider's system and will test elements including, but not limited to, requirements regarding the qualifications of authors and developers, procedures for ensuring that the QCM are current, procedures for reviewing the technical accuracy of the materials, and procedures for soliciting feedback from users. The extent of a provider's policies and procedures and the manner in which they are implemented will depend upon a variety of factors, such as the size and organizational structure of the provider and the nature of the materials provided to users. Variance in individual performance and professional interpretation affects the degree of compliance with prescribed quality control policies and procedures. Therefore, adherence to all policies and procedures in every case may not be possible. The objectives of obtaining an understanding of the provider's system and the materials forms the basis for the QCM reviewer's conclusions in the QCM review report.

~~25.~~27. When a provider receives a QCM review report from an approved QCM reviewer with a review rating of pass, this means the provider's system is designed and being complied with and the materials produced by the provider are appropriate so that user firms can rely on the QCM to assist them in performing and reporting in conformity with the professional standards covered by the materials. If a provider receives a QCM review report with a review rating of pass with deficiencies, this means the provider's system is designed and being complied with and the materials produced by the provider are appropriate so that user firms can rely on the QCM to assist them in performing and reporting in conformity with the professional standards covered by the materials, except in certain situations that are explained in detail in the review report. When a provider receives a report with a review rating of fail, the QCM reviewer has determined that the provider's system is not suitably designed or being complied and the materials produced by the provider are not appropriate, and the reasons why are

explained in detail in the report.

28. The provider is responsible for evaluating actions to promptly remediate materials not deemed as reliable aids, when appropriate, and for remediating weaknesses in its system of quality control, if any. The provider's response is evaluated to determine if it is appropriate and whether lack of response is indicative of other weaknesses in the providers system of quality control.

~~26.~~29. There are inherent limitations in the effectiveness of any system and, therefore, noncompliance with the system may occur and not be detected. A QCM review is based on the review of the provider's system and its materials. It is directed at assessing whether the provider's system is designed and complied with and whether the QCM produced by the provider are appropriate so that user firms have reasonable, not absolute, assurance that they can rely on the materials to assist them in performing and reporting in conformity with the professional standards covered by the materials. Consequently, a QCM review would not necessarily detect all weaknesses in the provider's system, all instances of noncompliance with it, or all aspects of the materials that should not be relied upon. Projection of any evaluation of a system or the materials to future periods is subject to the risk that the system or materials may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

Appendix B

Considerations and Illustrations of Firm Representations

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1. The team captain or review captain obtains written representations from management of the reviewed firm to describe matters significant to the peer review in order to assist in the planning and performance of and the reporting on the peer review.

2. The written representations should be obtained for the entire firm and not for each individual engagement the firm performs. Firm management's refusal to furnish written representations to the team captain or review captain constitutes a failure to cooperate with the ~~reviewer and thus the administering entity and with the AICPA Peer Review Board~~peer review program, and the firm would be subject to fair procedures that could result in the firm's enrollment in the program being terminated (see interpretations). If termination occurs, it may result in the referral of the matter for investigation of a possible violation to the appropriate regulatory, monitoring, and enforcement bodies.

3. On System Reviews, the written representations should be addressed to the team captain. Because the team captain is concerned with events occurring during the peer review period and through the date of his or her peer review report that may require an

adjustment to the report or other peer review documents, the representations should be dated the same date as the peer review report.

1. The written representations should be signed by those members of management whom the team captain believes are responsible for and knowledgeable about, directly or through others in the firm, the matters covered in the representations, the firm, and its system of quality control. Such members of management normally include the managing partner and partner or manager in charge of the firm's system of quality control. If a representation made by management is contradicted by other information obtained, the team captain should investigate the circumstances and consider the reliability of the representations made and any effect on the report.

4. On Engagement Reviews, the representations should be addressed to the review captain (for example, "To John Smith, CPA" or on committee-appointed review team reviews where appropriate, it may be addressed "To the Review Captain") and dated the same date that the firm submits the list of engagements to the reviewer or the administering entity.

5. The written representations should be signed by those members of management whom the team captain, review captainreviewer or the administering entity believes are responsible for and knowledgeable about, directly or through others in the firm, the matters covered in the representations, the firm, and its system of quality control (even though an Engagement Review). Such members of management normally include the managing partner and partner or manager in charge of the firm's system of quality control.

6. If a representation made by management is contradicted by other information obtained, the team captain or review captainreviewer should investigate the circumstances and consider the reliability of the representations made and any effect on the report.

7. In connection with System and Engagement Reviews,The firm is required to make specific representations, as noted in the text that follows. should relate to the following matters, although tThe firm is not prohibited from making additional representations, and the firm may tailor the representation letter as it deems appropriate, as long as the minimum applicable representations are made to the team captain or review captain (see interpretations). : The team captain or review captain may request additional representations based on the circumstances and nature of the peer review.

8. As of the date of the representation letter and for the peer review year, the firm should do the following:
   a. Compliance with Rules and Regulations
      - Acknowledge responsibility for complying with the rules and regulations of state boards of accountancy and other regulations
      - Confirm, to the best of its knowledge and belief, that there are no known situations in which the firm or its personnel have not complied with the rules and regulations of state board(s) of accountancy or other regulatory bodies, including applicable firm and individual licensing requirements in each state in which it practices for the year under review.

- If there are known situations of noncompliance, the confirmation should first summarize~~ Situations or a summary of~~ the situation(s) where management is aware that the firm or its personnel has not complied with the rules and regulations of state board(s) of accountancy or other regulatory bodies (including applicable firm and individual licensing requirements in each state in which it practices for the year under review) and, if applicable, how the firm has or is addressing and rectifying situations of noncompliance (see interpretations). The confirmation should be written such that other than the summarized situation(s), to the best of its knowledge and belief, there are no known situations in which the firm or its personnel have not complied with the rules and regulations of state board(s) of accountancy or other regulatory bodies, including applicable firm and individual licensing requirements in each state in which it practices for the year under review.

b. Completeness of the ~~e~~Engagement ~~l~~Listing

- State the list of engagements provided to the reviewer:
  - ~~provided to the reviewer~~Included all engagements with periods ending (report date for financial forecasts or projections and agreed upon procedures) during the year under review, regardless of whether issued
  - ~~, i~~Includ~~ing~~ed, but was not limited to, ~~inclusion of~~ all engagements performed~~, whether issued or not,~~ under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, examinations of service organizations Service Organizations Control (SOC) 1 and SOC 2 engagements, as applicable

~~, and availability of the engagements with periods ending during the year under review, except financial forecasts or projections and agreed upon procedures. Financial forecasts or projections and agreed upon procedures with report dates during the year under review would be subject to selection.~~

- Acknowledge that failure to properly include these engagements on the list could be deemed as failure to cooperate and may result in termination from the Peer Review Program and, if termination occurs, will result in referral of the matter for investigation of a possible violation to the appropriate regulatory, monitoring, and enforcement bodies
- For Engagement Reviews, state that the firm does not perform engagements under the Statements on Auditing Standards (SASs) or *Government Auditing Standards*, examinations under the Statements on Standards for Attestation Engagements (SSAEs), or engagements under the Public Company Accounting Oversight Board (PCAOB) Standards that are not subject to PCAOB permanent inspection

c. Firm Remediation of Nonconforming Engagements, if applicable

- Confirm it will remediate nonconforming engagements as stated by the firm on the Matter For Further Consideration Form, Finding for Further Consideration Form, or Letter of Response, as applicable.

d. Communications ~~or summary of communications f~~From ~~regulatory~~Regulatory, ~~monitoring~~Monitoring, or ~~enforcement~~ Enforcement ~~bodies~~ Bodies

- ~~e.~~ State that the firm has discussed ~~Discussions of~~ significant issues from reports ~~or~~and communications~~, or both~~ (see interpretations)~~,~~ from ~~other practice monitoring or external inspection programs, such as the PCAOB's~~ regulatory, monitoring and enforcement bodies (see interpretations), with the team- captain or review captain, if applicable.
- State that the firm has provided the team captain or review captain with any other information requested, including communications by regulatory, monitoring, or enforcement bodies relating to allegations or investigations in the conduct of its accounting, audit, or attestation engagements performed and reported on by the firm, whether the matter relates to the firm or its personnel, within three years preceding the current peer review year-end, if applicable.
- ~~relating to allegations or investigations of deficiencies in the conduct of an accounting, audit, or attestation engagement performed and reported on by the firm, whether the matter relates to the firm or its personnel, within the three years preceding the firm's current peer review year-end and through the date of the exit conference. The information should be obtained in sufficient detail to consider its effect on the scope of the peer review (see interpretations). In addition, the reviewer may inquire if there are any other issues that may affect the firm's practice.~~
- Confirm, to the best of its knowledge and belief, that there are no known restrictions or limitations on the firm's or its personnel's ability to practice public accounting by regulatory, monitoring, or enforcement bodies within three years preceding the current peer review year-end OR
- ~~e.~~ Include a summary of the ~~R~~restrictions or limitations on the firm's or its personnel's ability to practice public accounting by regulatory, monitoring, or enforcement bodies within three years preceding the current peer review year-end.

~~Completeness of the engagement listing provided to the reviewer, including, but not limited to, inclusion of all engagements performed, whether issued or not, under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, examinations of service organizations Service Organizations Control (SOC) 1 and SOC 2 engagements, as applicable, and availability of the engagements with periods ending during the year under review, except financial forecasts or projections and agreed upon procedures. Financial forecasts or projections and agreed upon procedures with report dates during the year under review would be subject to selection.~~

~~e. Discussions of significant issues from reports or communications, or both (see interpretations), from other practice monitoring or external inspection programs, such as the PCAOB's (see interpretations), with the team captain.~~

~~f~~e. Quality Control Materials

- State that it understands the intended uses and limitations of the quality control materials it has developed or adopted.
- For System Reviews, state that it has tailored and augmented the materials as appropriate such that the quality control materials encompass guidance which is sufficient to assist it in conforming with professional standards (including the

Statements on Quality Control Standards) applicable to ~~Accepting responsibility for understanding, tailoring, and augmenting the quality control materials that the firm develops or adopts for use in~~ its accounting and auditing practice.

- For Engagement Reviews, state it has tailored and augmented the materials as appropriate such that the quality control materials encompass guidance which is sufficient to assist it in conforming with professional standards (including the Statements on Quality Control Standards) applicable to its accounting practice.

~~g~~*f*. Other Representations

- Include ~~O~~other representations ~~obtained~~ requested by the team captain or review captain ~~will depend~~based on the circumstances and nature of the peer review.

~~2. The written representations should be obtained for the entire firm and not for each individual engagement the firm performs. Firm management's refusal to furnish written representations to the team captain or review captain constitutes a failure to cooperate with the reviewer and thus the administering entity and with the AICPA Peer Review Board, and the firm would be subject to fair procedures that could result in the firm's enrollment in the program being terminated (see interpretations).~~

~~3. On System Reviews, the written representations should be addressed to the team captain. Because the team captain is concerned with events occurring during the peer review period and through the date of his or her peer review report that may require an adjustment to the report or other peer review documents, the representations should be dated the same date as the peer review report. The written representations should be signed by those members of management whom the team captain believes are responsible for and knowledgeable about, directly or through others in the firm, the matters covered in the representations, the firm, and its system of quality control. Such members of management normally include the managing partner and partner or manager in charge of the firm's system of quality control. If a representation made by management is contradicted by other information obtained, the team captain should investigate the circumstances and consider the reliability of the representations made and any effect on the report.~~

~~4. On Engagement Reviews, the representations should be addressed to the review captain (for example, "To John Smith, CPA" or on committee-appointed review team reviews where appropriate, it may be addressed "To the Review Captain") and dated the same date that the firm submits the list of engagements to the reviewer or the administering entity. The written representations should be signed by those members of management whom the reviewer or the administering entity believes are responsible for and knowledgeable about, directly or through others in the firm, the matters covered in the representations, the firm, and its system of quality control (even though an Engagement Review). Such members of management normally include the managing partner and partner or manager in charge of the firm's system of quality control. If a representation made by management is contradicted by other information obtained, the reviewer should investigate the circumstances and consider the reliability of the representations made and any effect on the report.~~

Illustration of a Representation Letter That ~~has~~ Has No Significant Matters to Report to the Team Captain ~~or Review Captain~~ for a System Review

(The firm may tailor the language in this illustration and may refer to attachments to the letter as long as adequate representations pertaining to the matters previously discussed, as applicable, are included to the satisfaction of the team captain or review captain.)

October 31, 20XX

To the Team Captain: or Review Captain

We are providing this letter in connection with the peer review of [name of firm] as of the date of this letter and for the year ended June 30, 20XX.

We understand that we are responsible for complying with the rules and regulations of state boards of accountancy and other regulators. We confirm, to the best of our knowledge and belief, that there are no known situations in which [name of firm] or its personnel have not complied with the rules and regulations of state board(s) of accountancy or other regulatory bodies, including applicable firm and individual licensing requirements in each state in which it practices for the year under review.

We have also provided a list of all engagements to the [team captain, review captain, or administering entity] with periods ending (report date for financial forecasts or projections and agreed upon procedures) during the year under review, regardless of whether issued or not. This list included, but was not limited to, all engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations (Service Organizations Control ([SOC)] 1 and SOC 2 engagements), as applicable. For financial forecasts or projections and agreed upon procedures, the list included those engagements with report dates during the year under review. We understand that failure to properly include these engagements on the list could be deemed as failure to cooperate. We also understand this may result in termination from the Peer Review Program and, if termination occurs, will result in referral of the matter for investigation of a possible violation to the appropriate regulatory, monitoring, and enforcement bodies.to the AICPA Professional Ethics Division for investigation of a possible violation of the AICPA *Code of Professional Conduct.*

We have also discussed the content of our PCAOB inspection reportsignificant issues from reports and communications from regulatory, monitoring and enforcement bodies with the [team captain or review captain], (if applicable). We have also provided the [team captain or review captain] with any other information requested, including communications by regulatory, monitoring, or enforcement bodies relating to allegations or investigations in the conduct of its accounting, audit, or attestation engagements performed and reported on by the firm, whether the matter relates to the firm or its personnel, within three years preceding the current peer review year-end. We confirm, to the best of our knowledge and belief, In addition, that there are no known restrictions or limitations on the firm's or its personnel's ability to practice public accounting by regulatory, monitoring, or enforcement bodies within three years preceding the current peer review year-end.

We understand the intended uses and limitations of the quality control materials we have developed or adopted. We have tailored and augmented the materials as appropriate such that the quality control materials encompass guidance ~~which~~ that is sufficient to assist us in conforming with professional standards (including the Statements on Quality Control Standards) applicable to our accounting and auditing practice in all material respects. ~~We have also discussed the content of our PCAOB inspection report with the [team captain or review captain] (if applicable).~~

Sincerely,

[*Signature(s)*[5]]

Illustration of a Representation Letter That Has Been Tailored for Significant Matters to Report to the Team Captain ~~a Matter of Noncompliance With a Regulatory Requirement~~ for a System Review

(The firm may tailor the language in this illustration and ~~may~~ refer to attachments to the letter as long as adequate representations pertaining to the matters previously discussed, as applicable, are included to the satisfaction of the team captain ~~or review captain~~.)

October 31, 20XX

To the Team Captain: ~~or Review Captain~~

We are providing this letter in connection with the peer review of [name of firm] as of the date of this letter and for the year ended June 30, 20XX.

We understand that we are responsible for complying with the rules and regulations of state boards of accountancy and other regulators. Other than the firm not having a practice unit license during the year under review in one state where the firm practices (which has been subsequently obtained), we confirm, to the best of our knowledge and belief, that there are no known situations in which [name of firm] or its personnel have not complied with the rules and regulations of state board(s) of accountancy or other regulatory bodies, including applicable firm and individual licensing requirements in each state in which it practices for the year under review.

We have ~~also~~ provided a list of all engagements to the ~~[~~team captain~~, review captain, or administering entity]~~ with periods ending (report date for financial forecasts or projections and agreed upon procedures) during the year under review, regardless of whether issued ~~or not~~. This list included, but was not limited to, all engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations (Service Organizations Control ~~(~~[SOC~~)~~] 1 and SOC 2 engagements), as applicable. ~~For~~

[5] Members of management as noted in section ~~3~~ 5 of appendix B, "Considerations and Illustrations of Firm Representations."

~~financial forecasts or projections and agreed upon procedures, the list included those engagements with report dates during the year under review.~~ We understand that failure to properly include these engagements on the list could be deemed as failure to cooperate. We also understand this may result in termination from the Peer Review Program and, if termination occurs, will result in referral of the matter for investigation of a possible violation to the appropriate regulatory, monitoring, and enforcement bodies.~~to the AICPA Professional Ethics Division for investigation of a possible violation of the AICPA *Code of Professional Conduct.*~~

We confirm that we will implement the remedial plans for nonconforming engagements stated in our response to Finding for Further Consideration Forms 1 and 3.

We have ~~also~~ discussed significant issues from reports and communications from regulatory, monitoring and enforcement bodies ~~the content of our Public Company Accounting Oversight Board inspection report~~ with the team captain, ~~(~~if applicable~~)~~. We have also provided the ~~[~~team captain~~]~~ with any other information requested, including communications by regulatory, monitoring, or enforcement bodies relating to allegations or investigations in the conduct of its accounting, audit, or attestation engagements performed and reported on by the firm, whether the matter relates to the firm or its personnel, within three years preceding the current peer review year-end. ~~In addition,~~ Other than the single partner restriction to perform employee benefit plans as determined by the AICPA Professional Ethics Division, we confirm, that to the best of our knowledge and belief, there are no known restrictions or limitations on the firm's or its personnel's ability to practice public accounting within three years preceding the current peer review year-end.

We understand the intended uses and limitations of the quality control materials we have developed or adopted. We have tailored and augmented the materials as appropriate such that the quality control materials encompass guidance ~~which~~ that is sufficient to assist us in conforming with professional standards (including the Statements on Quality Control Standards) applicable to our accounting and auditing practice in all material respects. ~~We have also discussed the content of our Public Company Accounting Oversight Board inspection report with the team captain (if applicable).~~

Sincerely,

[*Signature(s)*[6]]

Illustration of a Representation Letter That Has No Significant Matters to Report to the Review Captain for an Engagement Review

(The firm may tailor the language in this illustration and refer to attachments to the letter as long as adequate representations pertaining to the matters previously discussed, as applicable, are included to the satisfaction of the review captain.)

[6] Members of management as noted in section ~~3~~ 5 of appendix B, "Considerations and Illustrations of Firm Representations."

October 31, 20XX

To the Review Captain:

We are providing this letter in connection with the peer review of [name of firm] as of the date of this letter and for the year ended June 30, 20XX.

We understand that we are responsible for complying with the rules and regulations of state boards of accountancy and other regulators. We confirm, to the best of our knowledge and belief, that there are no known situations in which [name of firm] or its personnel have not complied with the rules and regulations of state board(s) of accountancy or other regulatory bodies, including applicable firm and individual licensing requirements in each state in which it practices for the year under review.

We have provided a list of all engagements to the review captain with periods ending (report date for financial forecasts or projections and agreed upon procedures) during the year under review, regardless of whether issued. This list included, but was not limited to, all engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations (Service Organizations Control [SOC] 1 and SOC 2 engagements), as applicable. We understand that failure to properly include these engagements on the list could be deemed as failure to cooperate. We also understand this may result in termination from the Peer Review Program and, if termination occurs, will result in referral of the matter for investigation of a possible violation to the appropriate regulatory, monitoring, and enforcement bodies. The firm does not perform engagements under the Statements on Auditing Standards (SASs) or *Government Auditing Standards*, examinations under the Statements on Standards for Attestation Engagements (SSAEs), or engagements under the Public Company Accounting Oversight Board (PCAOB) Standards that are not subject to permanent inspection by the PCAOB.

We have discussed significant issues from reports and communications from regulatory, monitoring and enforcement bodies with the review captain, if applicable. We have also provided the review captain with any other information requested, including communications by regulatory, monitoring, or enforcement bodies relating to allegations or investigations in the conduct of its accounting, audit, or attestation engagements performed and reported on by the firm, whether the matter relates to the firm or its personnel, within three years preceding the current peer review year-end. We confirm, that to the best of our knowledge and belief, there are no known restrictions or limitations on the firm's or its personnel's ability to practice public accounting by regulatory, monitoring, or enforcement bodies within three years preceding the current peer review year-end.

We understand the intended uses and limitations of the quality control materials we have developed or adopted. We have tailored and augmented the materials as appropriate such that the quality control materials encompass guidance that is sufficient to assist us in conforming with professional standards (including the Statements on Quality Control Standards) applicable to our accounting practice in all material respects.

Sincerely,

[*Signature(s)*[7]]

Illustration of a Representation Letter That Has Been Tailored for Significant Matters to Report to the Review Captain for an Engagement Review

(The firm may tailor the language in this illustration and refer to attachments to the letter as long as adequate representations pertaining to the matters previously discussed, as applicable, are included to the satisfaction of the review captain.)

October 31, 20XX

To the Review Captain:

We are providing this letter in connection with the peer review of [name of firm] as of the date of this letter and for the year ended June 30, 20XX.

We understand that we are responsible for complying with the rules and regulations of state boards of accountancy and other regulators. Other than the firm not having a practice unit license during the year under review in one state where the firm practices (which has been subsequently obtained), we confirm, to the best of our knowledge and belief, that there are no known situations in which [name of firm] or its personnel have not complied with the rules and regulations of state board(s) of accountancy or other regulatory bodies, including applicable firm and individual licensing requirements in each state in which it practices for the year under review.

We have provided a list of all engagements to the review captain with periods ending (report date for financial forecasts or projections and agreed upon procedures) during the year under review, regardless of whether issued. This list included, but was not limited to, all engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations (Service Organizations Control [SOC] 1 and SOC 2 engagements), as applicable. We understand that failure to properly include these engagements on the list could be deemed as failure to cooperate. We also understand this may result in termination from the Peer Review Program and, if termination occurs, will result in referral of the matter for investigation of a possible violation to the appropriate regulatory, monitoring, and enforcement bodies. The firm does not perform engagements under the Statements on Auditing Standards (SASs) or *Government Auditing Standards*, examinations under the Statements on Standards for Attestation Engagements (SSAEs), or engagements under the Public Company Accounting Oversight Board (PCAOB) Standards that are not subject to permanent inspection by the PCAOB.

[7] Members of management as noted in section 5 of appendix B, "Considerations and Illustrations of Firm Representations."

We confirm that we will implement the remedial plans for nonconforming engagements stated in our letter of response to the peer review report.

We have discussed significant issues from reports and communications from regulatory, monitoring and enforcement bodies with the review captain, if applicable. We have also provided the review captain with any other information requested, including communications by regulatory, monitoring, or enforcement bodies relating to allegations or investigations in the conduct of its accounting, audit, or attestation engagements performed and reported on by the firm, whether the matter relates to the firm or its personnel, within three years preceding the current peer review year-end. Other than the single partner restriction to perform reviews under Statements on Standards for Accounting and Review Services (SSARS) as determined by the AICPA Professional Ethics Division, we confirm, that to the best of our knowledge and belief, there are no known restrictions or limitations on the firm's or its personnel's ability to practice public accounting within three years preceding the current peer review year-end.

We understand the intended uses and limitations of the quality control materials we have developed or adopted. We have tailored and augmented the materials as appropriate such that the quality control materials encompass guidance that is sufficient to assist us in conforming with professional standards (including the Statements on Quality Control Standards) applicable to our accounting and auditing practice in all material respects.

Sincerely,

[*Signature(s)*[8]]

Appendix C

Illustration of a Report With a Peer Review Rating of *Pass* in a System Review

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[*Firm letterhead for a firm-on-firm review; team captain's firm letterhead for an association formed review team*.]

~~System Review Report~~Report on the Firm's System of Quality Control

October 31, 20XX

[8] Members of management as noted in section 5 of appendix B, "Considerations and Illustrations of Firm Representations."

To the Partners of [*or other appropriate terminology*] XYZ & Co. and the Peer Review Committee of the [*insert the name of the applicable administering entity*][9]

We[10] have reviewed the system of quality control for the accounting and auditing practice of XYZ & Co. (the firm)[11] in effect for the year ended June 30, 20XX. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the t~~T~~he nature, objectives, scope, limitations of, and the procedures performed in a System Review ~~are~~as described in the ~~s~~Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

~~As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures.~~

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. ~~The nature, objectives, scope,~~

[9] The report of a firm whose review is administered by the National Peer Review Committee should be addressed as follows: To the Partners of [or appropriate terminology] XYZ & Co. and the National Peer Review Committee.

[10] The report should use the plural *we, us*, and *our* even if the review team consists of only one person. The singular *I, me*, and *my* are appropriate only if the reviewed firm has engaged another firm to perform its review and the reviewing firm is a sole practitioner.

[11] The report of a firm who is required to be registered with and inspected by the PCAOB should be tailored here to add "applicable to engagements not subject to PCAOB permanent inspection."

~~limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.~~

Required Selections and Considerations

~~As required by the standards, e~~Engagements selected for review included (engagements performed under *Government Auditing Standards*; audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organization~~s~~ Control (SOC) 1 and SOC 2 engagements].) [12]

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of XYZ & Co.[13] in effect for the year ended June 30, 20XX, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. XYZ & Co. has received a peer review rating of *pass*.

Smith, Jones and Associates

[*Name of team captain's firm*]

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[12] If the firm performs audits of employee benefit plans, engagements performed under *Government Auditing Standards*, audits of depository institutions with total assets of $500 million or greater at the beginning of its fiscal year, audits of carrying broker-dealers, examinations of service organizations (Service Organization Control [SOC] 1 and SOC 2), or other engagements required to be selected by the board in interpretations, the engagement type(s) selected for review should be identified in the report using this paragraph, tailored as applicable. For SOC engagements, the paragraph should be tailored to reflect the type(s) selected for review. The paragraph should be tailored to indicate if single or multiple engagements were selected for review (for example, an audit versus audits). If the firm does not perform such engagements, this paragraph is not applicable and not included in the report.

[13] The report of a firm who is required to be registered with and inspected by the PCAOB should be tailored here to add "applicable to engagements not subject to PCAOB permanent inspection."

Appendix D

Illustration of a Report With a Peer Review Rating of *Pass (With a Scope Limitation)* in a System Review

.210

Limitation on Scope of Review

A report with a scope limitation should be issued when the scope of the review is limited by conditions (including those discussed in the standards*)* that preclude the application of one or more peer review procedure(s) considered necessary in the circumstances and the review team cannot accomplish the objectives of those procedures through alternate procedures. For example, a review team may be able to apply appropriate alternate procedures if one or more engagements have been excluded from the scope of the review. Ordinarily, however, the team would be unable to apply alternate procedures if the firm's only engagement in an industry that must be selected is unavailable for review and there isn't an earlier issued engagement that may be able to replace it, or when a significant portion of the firm's accounting and auditing practice during the year reviewed had been divested before the review began (see interpretation). A scope limitation may be included in a report with a peer review rating of *pass*, *pass with deficiency(ies)* or *fail*. In this example, the scope limitation was included in a report with a peer review rating of *pass*.

[*Firm letterhead for a firm-on-firm review; team captain's firm letterhead for an association formed review team*.]

~~**System Review Report**~~**Report on the Firm's System of Quality Control**

October 31, 20XX

To the Partners of [*or other appropriate terminology*] XYZ & Co. and the Peer Review Committee of the [*insert the name of the applicable administering entity*][14]

We[15] have reviewed the system of quality control for the accounting and auditing practice of XYZ & Co. (the firm)[16] in effect for the year ended June 30, 20XX. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer

[14] The report of a firm whose review is administered by the National Peer Review Committee should be addressed as follows: To the Partners of [or appropriate terminology] XYZ & Co. and the National Peer Review Committee.

[15] The report should use the plural *we, us*, and *our* even if the review team consists of only one person. The singular *I, me*, and *my* are appropriate only if the reviewed firm has engaged another firm to perform its review and the reviewing firm is a sole practitioner.

[16] The report of a firm who is required to be registered with and inspected by the PCAOB should be tailored here to add "applicable to engagements not subject to PCAOB permanent inspection."

Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the ~~s~~Standards at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

~~As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures.~~

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. ~~The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.~~

Required Selections and Considerations

~~As required by the standards, e~~Engagements selected for review included (engagements performed under *Government Auditing Standards*; audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organization~~s~~ Control (SOC) 1 and SOC 2 engagements]). [17]

[17] If the firm performs audits of employee benefit plans, engagements performed under *Government Auditing Standards*, audits of depository institutions with total assets of $500 million or greater at the beginning of its fiscal year, audits of carrying broker-dealers, examinations of service organizations (Service Organization Control [SOC] 1 and SOC 2) or other engagements required to be selected by the board in interpretations, the engagement type(s) selected for review should be identified in the report using this paragraph, tailored as applicable. For SOC engagements, the paragraph should be tailored to reflect the type(s) selected for review. The paragraph should be tailored to indicate if single or multiple engagements were selected for review (for example, an audit versus audits). If the firm does not perform such engagements, this paragraph is not applicable and not included in the report.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Scope Limitation[18]

In performing our review, the firm notified us that we would be unable to review the engagements performed by one of its former partners who left the firm during the peer review year. Accordingly, we were unable to include in our engagement selection any of the divested engagements. That partner's responsibility was concentrated in the construction industry. The engagements excluded from our engagement selection process included audit engagements and comprised approximately 15 percent of the firm's audit and accounting practice during the peer review year.

Opinion

In our opinion, except for any deficiencies or significant deficiencies that might have come to our attention had we been able to review divested engagements, as previously described, the system of quality control for the accounting and auditing practice of XYZ & Co.[19] in effect for the year ended June 30, 20XX, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. XYZ & Co. has received a peer review rating of *pass (with a scope limitation)*.

Smith, Jones and Associates

[*Name of team captain's firm*]

Appendix E

Illustration of a Report With a Peer Review Rating of *Pass With Deficiencies* in a System Review

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[18] The scope limitation provided is an example provided for illustrative purposes only.

[19] The report of a firm who is required to be registered with and inspected by the PCAOB should be tailored here to add "applicable to engagements not subject to PCAOB permanent inspection."

The deficiencies ~~and related recommendations~~ provided are examples ~~provided~~ for illustrative purposes only. Any one or more of the deficiencies, based on the relative importance of the deficiency to the system of quality control as a whole, could result in a report with a peer review rating of *pass with deficiencies* or *fail*.

[*Firm letterhead for a firm-on-firm review; team captain's firm letterhead for an association formed review team*.]

~~System Review Report~~Report on the Firm's System of Quality Control

August 31, 20XX

To the Partners of [*or other appropriate terminology*] XYZ & Co. and the Peer Review Committee of the [*insert the name of the applicable administering entity*][20]

We[21] have reviewed the system of quality control for the accounting and auditing practice of XYZ & Co. (the firm)[22] in effect for the year ended June 30, 20XX. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of ~~T~~the nature, objectives, scope, limitations of, and the procedures performed in a System Review ~~are~~as described in the ~~s~~Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

~~As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures.~~

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or

[20] The report of a firm whose review is administered by the National Peer Review Committee should be addressed as follows: To the Partners of [or appropriate terminology] XYZ & Co. and the National Peer Review Committee.

[21] The report should use the plural *we, us*, and *our* even if the review team consists of only one person. The singular *I, me*, and *my* are appropriate only if the reviewed firm has engaged another firm to perform its review and the reviewing firm is a sole practitioner.

[22] The report of a firm who is required to be registered with and inspected by the PCAOB should be tailored here to add "applicable to engagements not subject to PCAOB permanent inspection."

reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. ~~The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.~~

Required Selections and Considerations

~~As required by the standards, e~~Engagements selected for review included (engagements performed under *Government Auditing Standards*; audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organization~~s~~ Control (SOC) 1 and SOC 2 engagements]).[23]

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Deficiencies[24] Identified in the Firm's System of Quality Control

We noted the following deficiencies[25] during our review:

1. ~~Deficiency—The firm's quality control policies and procedures do not provide its staff with a means of ensuring that all necessary procedures are performed on review and compilation engagements. As a result, the firm's review and compilation working papers did not include documentation of all procedures required by professional standards, in particular relating to accounts and notes payable. We were able to satisfy ourselves that, in each case, sufficient procedures had been performed, and the firm subsequently prepared the appropriate documentation.~~

   ~~Recommendation—The firm's quality control policies and procedures should be revised to ensure documentation of all procedures performed as required by professional standards. Although not required by professional standards, the firm~~

[23] If the firm performs audits of employee benefit plans, engagements performed under *Government Auditing Standards*, audits of depository institutions with total assets of $500 million or greater at the beginning of its fiscal year, audits of carrying broker-dealers, examinations of service organizations (Service Organization Control [SOC] 1 and SOC 2) or other engagements required to be selected by the board in interpretations, the engagement type(s) selected for review should be identified in the report using this paragraph, tailored as applicable. For SOC engagements, the paragraph should be tailored to reflect the type(s) selected for review. The paragraph should be tailored to indicate if single or multiple engagements were selected for review (for example, an audit versus audits). If the firm does not perform such engagements, this paragraph is not applicable and not included in the report.

[24] Should be tailored to indicate a single deficiency, when applicable.

[25] The deficiencies provided are examples for illustrative purposes only.

should consider using the practice aids in the reference manuals available in the firm's library in order to accomplish this step.

21. Deficiency – The firm's quality control policies and procedures do not require partner involvement in the planning stage of audit engagements. Generally accepted auditing standards permit the auditor with final responsibility for the engagement to delegate some of this work to assistants, but the standards emphasize the importance of proper planning to the conduct of the engagement. We found several audits performed in which, as a result of a lack of involvement including timely supervision by the engagement partner in planning the audit, the work performed on contracts, contract provisions, and related receivables did not support the firm's opinion on the financial statements. The firm has subsequently performed the necessary additional procedures to provide a satisfactory basis for its opinion. The firm's quality control policies and procedures addressing continuing professional education (CPE) are not sufficient to provide reasonable assurance that its personnel will have the competence necessary to perform engagements in accordance with professional and regulatory requirements. Although the firm's policies require that personnel attain a minimum of 40 hours of CPE courses annually and comply with CPE requirements of the applicable external bodies, it lacks appropriate procedures to determine whether the personnel are in compliance with these requirements. During our review, we noted several personnel who did not comply with CPE requirements of *Government Auditing Standards*. In our opinion, this contributed to audit engagements performed under *Government Auditing* Standards that did not conform to professional standards in all material respects.

Recommendation – The firm's quality control policies and procedures should be revised to provide, at a minimum, for timely audit partner review of the preliminary audit plan and the audit program. The firm should ensure that this is addressed as part of its ongoing monitoring procedures.

32. Deficiency – Certain of Tthe firm's quality control policies and procedures regarding engagement performance have not been suitably designed or complied with to provide reasonable assurance that audit engagements are consistently performed in accordance with professional standards. More specifically, we noted financial statements were missing several significant disclosures specific to the construction industry as required by generally accepted accounting principles. In our opinion, this contributed to audit engagements in the construction industry that did not conform to professional standards in all material respects. require that financial statement reporting and disclosure checklists appropriate to the industry of the engagement being performed be completed. Our review noted that these checklists were not being used on all audit engagements. As a result, on certain audit engagements in the construction industry, the financial statements were missing several significant disclosures specific to the industry as required by generally accepted accounting principles. The subject reports have been recalled, and the financial statements are being revised.

~~Recommendation—The firm should conduct a training session for all personnel to review the firm's policies and procedures for utilizing financial statement reporting and disclosure checklists that are appropriate to the industry of an engagement. The engagement partner should carefully review these checklists at the completion of an engagement to ensure that the appropriate checklists are utilized and to ensure their proper completion as required by firm policy. This can be accomplished by adding a procedure to the firm's engagement review checklist requiring the engagement partner to document his or her review of these checklists.~~

Opinion

In our opinion, except for the deficiencies previously described, the system of quality control for the accounting and auditing practice of XYZ & Co.[26] in effect for the year ended June 30, 20XX, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies*), or *fail*. XYZ & Co has received a peer review rating of *pass with deficiencies*.

Smith, Jones and Associates

[*Name of team captain's firm*]

Appendix F

Illustration of a Response by a Reviewed Firm to a Report With a Peer Review Rating of *Pass With Deficiencies* in a System Review

.212

The purpose of a letter of response is to describe the actions the firm has taken or will take, including the timing of the planned actions, to prevent a recurrence of each deficiency discussed in the report. If the reviewed firm disagrees with one or more of the deficiencies ~~or recommendations~~ in the report, the reviewed firm should contact the administering entity for assistance. ~~If the firm still disagrees after contacting the administering entity, the firm's response should describe the reasons for such disagreement.~~ For more information related to disagreements, see paragraph .93 of the standards. The letter of response should be carefully prepared because of the important bearing it may have on the decisions reached in connection with acceptance of the report on the review (see paragraphs .136–.140,

[26] The report of a firm who is required to be registered with and inspected by the PCAOB should be tailored here to add "applicable to engagements not subject to PCAOB permanent inspection."

"Accepting System and Engagement Reviews") and should be tailored to address the firm's remediation plans for the deficiencies described in its peer review report. The letter of response should be submitted to the team captain for review and comment prior to the firm submitting the response to the administering entityexit conference.

[*Reviewed firm's letterhead*]

September 2August 31, 20XX

[*Addressed to the peer review committee of the administering entity*][27]

Ladies and Gentlemen:

This letter represents our[28] response to the report issued in connection with the peer review of the firm's system of quality control for the accounting and auditing practice in effect for the year ended June 30, 20XX. The corrective remedial actions discussed in this letter will be monitored to ensure that they are effectively implemented as part of our system of quality control.

1.[29] The firm modified its quality control policies and procedures to require the use of practice aids to document procedures performed on review and compilation engagements, especially for accounts and notes payable. Partners were instructed to ensure that these aids were being utilized appropriately when reviewing engagements. This policy was discussed in a recent training session held in connection with a recent firm-wide staff meeting.

21.[30] The firm also modified its quality control policies and procedures to include monitoring of firm personnel's compliance with regulatory and organization membership requirements. The importance of meeting these CPE requirements was discussed in a recent training session held in connection with a recent firm wide staff meeting. Additionally, the training session included sufficient Yellow Book CPE such that all firm personnel have met the regulatory requirements. The impact to the Yellow Book audits for failure to take sufficient CPE timely is currently being discussed with the Government Accountability Office (GAO) and the firm will remediate as necessary based on that discussion.place a greater emphasis on partner involvement in the planning stage of all audit engagements. The revised policies and procedures require the engagement owner to document his or her timely involvement in the planning process in the planning section of the written work program. The importance of proper planning, including timely partner

[27] The response of a firm whose review is administered by the National Peer Review Committee should be addressed as follows: To the National Peer Review Committee.

[28] The response should use the singular *I, me,* and *my* only when the reviewed firm is a sole practitioner.

[29] The numbering of responses, to coincide with the numbered comments in the report, is optional.

[30] The numbering of responses, to coincide with the numbered comments in the report is optional.

~~involvement, to quality work was emphasized in the training session previously referred.~~

~~3~~2. In addition, at that training session, the importance of proper use of the firm's reporting and disclosure checklists appropriate to the industry of the engagement being performed was discussed. We discussed the proper resolution of points or topics unfamiliar to the individual completing the checklist or those reviewing its completion. The firm's CPE plan for partners and managers now includes annual updates on industry specific disclosure issues. The audit reports associated with these engagements have been recalled and will be reissued after the significant disclosures are added to the financial statements.

~~As previously mentioned, t~~These ~~corrective~~ remedial actions will also be emphasized in our monitoring procedures and internal inspection.

We believe these actions are responsive to the findings of the review.

Sincerely,

[*Name of Firm*][31]

Appendix G

Illustration of a Report With a Peer Review Rating of *Pass With Deficiencies* (*With a Scope Limitation*) in a System Review

.213

The deficiencies ~~and related recommendations~~ provided are examples ~~provided~~ for illustrative purposes only. Any one or more of the deficiencies, based on the relative importance of the deficiency to the system of quality control as a whole, could result in a report with a peer review rating of *pass with deficiencies* or *fail*.

Limitation on Scope of Review

A report with a scope limitation should be issued when the scope of the review is limited by conditions (including those discussed in the standards) that preclude the application of one or more peer review procedure(s) considered necessary in the circumstances and the review team cannot accomplish the objectives of those procedures through alternate procedures. For example, a review team may be able to apply appropriate alternate procedures if one or more engagements have been excluded from the scope of the review. Ordinarily, however, the team would be unable to apply alternate procedures if the firm's only engagement in an industry that must be selected is unavailable for review and there

[31] Signed by an authorized partner of the firm.

isn't an earlier issued engagement that may be able to replace it, or when a significant portion of the firm's accounting and auditing practice during the year reviewed had been divested before the review began (see interpretation). A scope limitation may be included in a report with a peer review rating of *pass*, *pass with deficiency(ies)*, or *fail*. In this example, the scope limitation was included in a report with a peer review rating of *pass with deficiencies*, where one of the deficiencies related to the circumstances of the scope limitation.

[*Firm letterhead for a firm-on-firm review; team captain's firm letterhead for an association formed review team*.]

~~System Review Report~~Report on the Firm's System of Quality Control

October 31, 20XX

To the Partners of [*or other appropriate terminology*] XYZ & Co. and the Peer Review Committee of the [*insert the name of the applicable administering entity*][32]

We[33] have reviewed the system of quality control for the accounting and auditing practice of XYZ & Co. (the firm)[34] in effect for the year ended June 30, 20XX. Except as subsequently described, our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of ~~T~~the nature, objectives, scope, limitations of, and the procedures performed in a System Review ~~are~~as described in the ~~s~~Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

~~As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures.~~

[32] The report of a firm whose review is administered by the National Peer Review Committee should be addressed as follows: To the Partners of [or appropriate terminology] XYZ & Co. and the National Peer Review Committee

[33] The report should use the plural *we, us*, and *our* even if the review team consists of only one person. The singular *I, me*, and *my* are appropriate only if the reviewed firm has engaged another firm to perform its review and the reviewing firm is a sole practitioner.

[34] The report of a firm who is required to be registered with and inspected by the PCAOB should be tailored here to add "applicable to engagements not subject to PCAOB permanent inspection."

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. ~~The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.~~

Required Selections and Considerations

~~As required by the standards, e~~Engagements selected for review included (audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organization~~s~~ Control (SOC) 1 and SOC 2 engagements]).[35]

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

~~In performing our review, the firm notified us that we would be unable to select its only audit subject to *Government Auditing Standards* (Yellow Book). As a result, we were unable to review all of the types of engagements required to be selected by the standards established by the Peer Review Board of the AICPA.~~

Deficiencies[36] Identified in the Firm's System of Quality Control

We noted the following deficiencies[37] during our review:

1. ~~Deficiency The firm's quality control policies and procedures do not require partner involvement in the planning stage of audit engagements. Generally~~

[35] If the firm performs audits of employee benefit plans, engagements performed under *Government Auditing Standards*, audits of depository institutions with total assets of $500 million or greater at the beginning of its fiscal year, audits of carrying broker-dealers, examinations of service organizations (Service Organization Control [SOC] 1 and SOC 2) or other engagements required to be selected by the board in interpretations, the engagement type(s) selected for review should be identified in the report using this paragraph, tailored as applicable. For SOC engagements, the paragraph should be tailored to reflect the type(s) selected for review. The paragraph should be tailored to indicate if single or multiple engagements were selected for review (for example, an audit versus audits). If the firm does not perform such engagements, this paragraph is not applicable and not included in the report.

[36] Should be tailored to indicate a single deficiency, when applicable.

[37] The deficiencies provided are examples for illustrative purposes only.

~~accepted auditing standards permit the auditor with final responsibility for the engagement to delegate some of this work to assistants, but the standards emphasize the importance of proper planning to the conduct of the engagement. We found several audits performed in which, as a result of a lack of involvement, including timely supervision by the engagement partner in planning the audit, the work performed on contracts, contract provisions, and related receivables did not support the firm's opinion on the financial statements. The firm has subsequently performed the necessary additional procedures to provide a satisfactory basis for its opinion.~~ Certain of the firm's quality control policies and procedures addressing human resources have not been suitably designed or complied with to provide reasonable assurance that its personnel will have the capabilities necessary to perform engagements in accordance with professional standards. Although the firm's policies require that candidates meet certain qualifications and its procedures require obtaining relevant supporting documentation, we noted several instances in which the files for personnel hired through methods other than the firm's college campus recruiting program did not contain evidence that the individual met the firm's stated qualifications. Upon further investigation by the firm, it was noted that these individuals did not actually meet the firm's stated qualifications for hire. In our opinion, this contributed to engagements that did not conform to professional standards in all material respects.

~~Recommendation – The firm's quality control policies and procedures should be revised to provide, at a minimum, for timely audit partner review of the preliminary audit plan and the audit program. The firm should ensure that this is addressed as part of its ongoing monitoring procedures.~~

2. ~~Deficiency –~~ Certain of the firm's quality control policies and procedures regarding engagement performance have not been suitably designed or complied with to provide reasonable assurance that audit engagements are consistently performed in accordance with applicable regulatory requirements. As ~~previously~~ noted in the following text, ~~in performing our review, the firm notified us that we would be~~we were unable to select ~~its~~ the firm's only audit subject to *Government Auditing Standards* (Yellow Book). As a result, the firm was not in compliance with the Yellow Book peer review engagement selection requirements.

   ~~Recommendation – We recommend that the firm consider the importance of adhering to the Yellow Book requirements and the possible consequences of noncompliance.~~

Scope Limitation[38]

In performing our review, the firm notified us that we would be unable to select its only audit subject to *Government Auditing Standards* (Yellow Book). As a result, we were

[38] The scope limitation provided is an example provided for illustrative purposes only.

unable to review all of the types of engagements required to be selected by the standards established by the Peer Review Board of the AICPA.

Opinion

In our opinion, except for the effects of the deficiency previously described and any additional deficiencies or significant deficiencies that might have come to our attention had we been able to review the engagement as previously described, the system of quality control for the accounting and auditing practice of XYZ & Co.[39] in effect for the year ended June 30, 20XX, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies*), or *fail*. XYZ & Co has received a peer review rating of *pass with deficiencies (with a scope limitation)*.

Smith, Jones and Associates

[*Name of team captain's firm*]

Appendix H

Illustration of a Response by a Reviewed Firm to a Report With a Peer Review Rating of *Pass With Deficiencies (With a Scope Limitation)* in a System Review

.214

The purpose of a letter of response is to describe the actions the firm has taken or will take, including the timing of the planned actions, to prevent a recurrence of each deficiency discussed in the report. If the reviewed firm disagrees with one or more of the deficiencies ~~or recommendations~~ in the report, the reviewed firm should contact the administering entity for assistance. ~~If the firm still disagrees after contacting the administering entity, the firm's response should describe the reasons for such disagreement.~~ For more information related to disagreements, see paragraph .93 of the standards. The letter of response should be carefully prepared because of the important bearing it may have on the decisions reached in connection with acceptance of the report on the review (see paragraphs .136–.140, "Accepting System and Engagement Reviews") and should be tailored to address the firm's remediation plans for the deficiencies described in its peer review report. The letter of

[39] The report of a firm who is required to be registered with and inspected by the PCAOB should be tailored here to add "applicable to engagements not subject to PCAOB permanent inspection."

response should be submitted to the team captain for review and comment prior to the ~~firm submitting the response to the administering entity~~exit conference.

[*Reviewed firm's letterhead*]

~~November~~ October ~~30~~31, 20XX

[*Addressed to the peer review committee of the administering entity*][40]

Ladies and Gentlemen:

This letter represents our[41] response to the report issued in connection with the peer review of the firm's system of quality control for the accounting and auditing practice in effect for the year ended June 30, 20XX.

1. [42] The firm created a checklist to assist human resources in verifying the firm's stated personnel qualifications are met prior to being hired and ~~also~~ modified its quality control policies and procedures to require inclusion of that checklist in the employee's personnel record. This remedial action will be monitored to ensure that it is effectively implemented as part of our system of quality control. To determine the extent of the necessary remediation, we have contacted our attorney and clients and will remediate as necessary based on those discussions and in conformity with AU-C section 585, *Consideration of Omitted Procedures After the Report Release Date* (AICPA, *Professional Standards*). ~~place a greater emphasis on partner involvement in the planning stage of all audit engagements. The revised policies and procedures require the engagement owner to document his or her timely involvement in the planning process in the planning section of the written work program. The importance of proper planning, including timely partner involvement, to quality work was emphasized in a recent training session held in conjunction with a recent firm-wide staff meeting.~~

2. Due to circumstances that we deemed appropriate, we notified the peer reviewer that he would be unable to select our only audit subject to *Government Auditing Standards* in the peer review. This was an initial engagement and an engagement performed under *Government Auditing Standards,*~~is the only governmental audit the firm has performed,~~ so there were no previous audits for the reviewer to select. ~~We suggested selecting an audit engagement in a different industry.~~ We have considered the consequences of noncompliance related to this matter. We understand that until our firm's most recently completed peer review includes selection of an engagement performed under *Government Auditing Standards* our

[40] The response of a firm whose review is administered by the National Peer Review Committee should be addressed as follows: To the National Peer Review Committee.

[41] The response should use the singular *I, me,* and *my* only when the reviewed firm is a sole practitioner.

[42] The numbering of responses, to coincide with the numbered comments in the report, is optional.

audit reports for such engagements will need to include an exception regarding our lack of compliance with peer review requirements.

Sincerely,

[*Name of Firm*][43]

Appendix I

Illustration of a Report With a Peer Review Rating of *Fail* in a System Review

.215

The deficiencies ~~and related recommendations~~ provided are examples ~~provided~~ for illustrative purposes only. Any one or more of the deficiencies, based on the relative importance of the deficiency to the system of quality control as a whole, could result in a report with a peer review rating of *pass with deficiencies* or *fail*.

[*Firm letterhead for a firm-on-firm review; team captain's firm letterhead for an association formed review team*.]

~~System Review Report~~Report on the Firm's System of Quality Control

October 31, 20XX

To the Partners of [*or other appropriate terminology*] XYZ & Co. and the Peer Review Committee of the [*insert the name of the applicable administering entity*][44]

We[45] have reviewed the system of quality control for the accounting and auditing practice of XYZ & Co. (the firm)[46] in effect for the year ended June 30, 20XX. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

[43] Signed by an authorized partner of the firm.

[44] The report of a firm whose review is administered by the National Peer Review Committee should be addressed as follows: To the Partners of [or appropriate terminology] XYZ & Co. and the National Peer Review Committee.

[45] The report should use the plural *we, us*, and *our* even if the review team consists of only one person. The singular *I, me*, and *my* are appropriate only if the reviewed firm has engaged another firm to perform its review and the reviewing firm is a sole practitioner.

[46] The report of a firm who is required to be registered with and inspected by the PCAOB should be tailored here to add "applicable to engagements not subject to PCAOB permanent inspection."

A summary of ~~T~~the nature, objectives, scope, limitations of, and the procedures performed in a System Review ~~are~~as described in the ~~s~~Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

~~As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures.~~

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. ~~The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.~~

Required Selections and Considerations

~~As required by the standards, e~~Engagements selected for review included (engagements performed under *Government Auditing Standards*; audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organization~~s~~ Control (SOC) 1 and SOC 2 engagements]).[47]

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

[47] If the firm performs audits of employee benefit plans, engagements performed under *Government Auditing Standards*, audits of depository institutions with total assets of $500 million or greater at the beginning of its fiscal year, audits of carrying broker-dealers, examinations or service organizations (Service Organization Control [SOC] 1 and SOC 2) or other engagements required to be selected by the board in interpretations, the engagement type(s) selected for review should be identified in the report using this paragraph, tailored as applicable. For SOC engagements, the paragraph should be tailored to reflect the type(s) selected for review. The paragraph should be tailored to indicate if single or multiple engagements were selected for review (for example, an audit versus audits). If the firm does not perform such engagements, this paragraph is not applicable and not included in the report.

Significant Deficiencies[48] Identified in the Firm's System of Quality Control

We noted the following significant deficiencies[49] during our review:

1. ~~Deficiency—The firm's quality control policies and procedures do not require written audit programs as required by professional standards. As a result, we noted several instances in which audit procedures were not adequately performed and documented in the areas of investments and expenses. As a result, the audit work performed for several audits did not support the opinion issued and was not performed in conformity with applicable professional standards. The firm has subsequently performed the omitted procedures to support the audit opinions.~~ The firm's quality control policies and procedures do not provide reasonable assurance that the firm will comply with applicable professional standards and will issue reports that are appropriate in the circumstances, as a result of the following significant deficiencies:

   - The firm lacks policies and procedures addressing new engagement acceptance to only undertake engagements for which it has the capabilities, resources, and professional competence to complete in accordance with applicable professional standards.
   - The firm lacks policies and procedures addressing continuing professional education (CPE) to require its personnel to obtain relevant training to prepare for engagements in new industries or service areas.
   - Firm leadership has not implemented policies and procedures to provide clear, consistent, and frequent actions and messages from all levels of the firm's management that emphasize the firm's commitment to quality.

   In our opinion, the significant deficiencies described previously contributed to an employee benefit plan audit that did not conform to professional standards in all material respects. During our review, we discovered that the firm had undertaken an employee benefit plan audit without performing appropriate acceptance procedures, including the engagement partner obtaining relevant CPE or otherwise obtaining sufficient knowledge to conduct the audit.

   ~~Recommendation—The firm's quality control policies and procedures should require the use of audit programs on all audits. All audit programs should be retained with the engagement working papers.~~

2. ~~Deficiency—The firm's quality control policies and procedures require consultation based upon the following factors: materiality, experience in a particular industry or functional area, and familiarity with the accounting principles or auditing requirements in a specialized area. We noted instances in which the firm~~

[48] Should be tailored to indicate a single significant deficiency, when applicable.

[49] When considered together, the deficiencies rise to the level of significant deficiencies. The significant deficiencies provided are examples for illustrative purposes only.

~~did not consult during the year, either by use of the firm's technical reference material or by requesting assistance from outside the firm. As a result, financial statements on audits for development stage companies did not conform with applicable professional standards. The firm was not aware of the unique disclosure and statement presentations required until it was brought to its attention during the peer review. The firm intends to recall and reissue the financial statements and reports.~~ The firm's quality control policies and procedures addressing continuing professional education (CPE) are not sufficient to provide reasonable assurance that its personnel will have the competence necessary to perform engagements in accordance with professional and regulatory requirements. The courses taken by firm personnel did not provide them with sufficient information about current developments in accounting and auditing matters. In our opinion, this led to firm personnel being unable to appropriately address recent pronouncements and new disclosure requirements; and failure to consider new auditing standards and other required communications. This contributed to audit engagements performed under *Government Auditing* Standards, and audits in other industries that did not conform to professional standards in all material respects.

~~Recommendation—The firm should emphasize its consultation policies and procedures on those engagements that are new to the experience level of the firm's accounting and auditing personnel.~~

3. ~~Deficiency—The firm's quality control policies and procedures do not provide its personnel with a means of ensuring that all necessary procedures are performed on Employee Retirement Income Security Act (ERISA) engagements. During our review, we noted that the firm failed to adequately perform, including appropriately documenting, procedures related to benefit payments on ERISA engagements. The firm has subsequently performed the testing and documented its procedures.~~ The firm's quality control policies and procedures regarding monitoring do not provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively. The firm's quality control policies and procedures do not:

   - Include an ongoing consideration and evaluation of the firm's system of quality control, including inspection or a periodic review of engagement documentation, reports, and clients' financial statements for a selection of completed engagements

   - Require responsibility for the monitoring process to be assigned to a partner or partners or other persons with sufficient and appropriate experience and authority in the firm to assume that responsibility

   - Assign the performance of monitoring the firm's system of quality control to qualified individuals

~~Recommendation – The firm should review and implement the requirements of specialized industries. This can be accomplished by the purchase and use of practice aids tailored to the industry.~~

4. ~~Deficiency – The firm's quality control policies and procedures require that financial statement reporting and disclosure checklists be completed for all engagements. Our review noted that these checklists were not being used on all engagements. As a result, the reviewed financial statements in the construction industry were missing several significant disclosures as required by generally accepted accounting principles. The subject reports have been recalled, and the financial statements are being revised.~~

   ~~Recommendation – The firm should conduct a training session for all personnel to review the firm's policies and procedures for utilizing financial statement reporting and disclosure checklists specific to the industry of the engagement, when available. The engagement partner should carefully review these checklists at the completion of an engagement to ensure their proper completion as required by firm policy. This can be accomplished by adding a procedure to the firm's engagement review checklist requiring the engagement partner to document his or her review of these checklists.~~

Opinion

In our opinion, as a result of the significant deficiencies previously described, the system of quality control for the accounting and auditing practice of XYZ & Co.[50] in effect for the year ended June 30, 20XX, was not suitably designed or complied with to provide the firm with reasonable assurance of performing or reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies*), or *fail*. XYZ & Co has received a peer review rating of *fail*.

Smith, Jones and Associates

[*Name of team captain's firm*]

Appendix J

Illustration of a Response by a Reviewed Firm to a Report With a Peer Review Rating of *Fail* in a System Review

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[50] The report of a firm who is required to be registered with and inspected by the PCAOB should be tailored here to add "applicable to engagements not subject to PCAOB permanent inspection."

The purpose of a letter of response is to describe the actions the firm has taken or will take, including the timing of the planned actions, to prevent a recurrence of each of the significant deficiencies discussed in the report. If the reviewed firm disagrees with one or more of the significant deficiencies ~~or recommendations~~ in the report, the reviewed firm should contact the administering entity for assistance. ~~If the firm still disagrees after contacting the administering entity, the firm's response should describe the reasons for such disagreement.~~ For more information related to disagreements, see paragraph .93 of the standards. The letter of response should be carefully prepared because of the important bearing it may have on the decisions reached in connection with acceptance of the report on the review (see paragraphs .136–.140, "Accepting System and Engagement Reviews") and should be tailored to address the firm's remediation plans for the significant deficiencies described in its peer review report. The letter of response should be submitted to the team captain for review and comment prior to the ~~firm submitting the response to the administering entity~~exit conference.

~~November~~ October ~~30~~31, 20XX

[*Addressed to the peer review committee of the administering entity*][51]

Ladies and Gentlemen:

This letter represents our[52] response to the report issued in connection with the peer review of the firm's system of quality control for the accounting and auditing practice in effect for the year ended June 30, 20XX. The firm is committed to providing clear, consistent, and frequent actions and messages from all levels of the firm's management to emphasize the firm's commitment to quality. The remedial actions discussed in this letter will be monitored to ensure that they are effectively implemented as part of our system of quality control.~~All issues have been brought to the attention of personnel at a meeting held on November 22, 20XX. In addition, steps have been added to our monitoring procedures to review the deficiencies noted in the report so that they will not happen again.~~

1.[53] ~~Several of the deficiencies noted by the review team included missing or incomplete audit and review documentation. All individuals with responsibility for managing audit and accounting engagements have been reminded of their responsibility to ensure the applicable professional standards for performing and documenting engagements are followed. In addition, we have implemented a concurring partner review on all audit and review engagements, and the quality of audit documentation will be a focus of the concurring partner's review.~~ The firm modified its quality control policies and procedures to require the following:

[51] The response of a firm whose review is administered by the National Peer Review Committee should be addressed as follows: To the National Peer Review Committee.

[52] The response should use the singular *I, me,* and *my* only when the reviewed firm is a sole practitioner.

[53] The numbering of responses, to coincide with the numbered comments in the report, is optional.

- Use of practice aids to document procedures performed to assess competency for undertaking new engagements. The practice aid is designed to ensure that the firm 1) is competent to perform the engagement and has the capabilities, including time and resources, to do so, 2) can comply with legal and relevant ethical requirements, and 3) has considered the integrity of the client.

- Inclusion of a CPE plan for obtaining relevant training to prepare for engagements in new industries or service areas in the client acceptance file.

The firm has recalled the audit report for the employee benefit plan audit and has hired a third party to perform a preissuance review prior to reissuing our report.

2. We have joined the AICPA Governmental Audit Quality Center and Employee Benefit Plan Audit Quality Center. The firm modified its quality control policies and procedures to require personnel that perform engagements in these specialized areas to attend at least eight hours of CPE annually in the specialized area. We are committed to promptly completing our evaluation of the audit engagements, including whether audited financial statements should be recalled and reissued to include the omitted disclosures. The omitted procedures will be performed and documentation will be added in a memo to the engagement files of the audit performed under *Government Auditing Standards* and the audits in other industries identified as not in conformity with professional standards.

~~The firm has contacted two other accounting firms with expertise in Employee Retirement Income Security Act (ERISA) audits, development stage companies, and other industries that are similar to ours. We have implemented a plan for consultation with these firms for guidance in situations with which we are unfamiliar.~~

3. The firm's system of quality control was modified to include monitoring procedures to provide it with reasonable assurance that the firm's policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively. Specifically, the firm will monitor compliance with all functional areas of the system and will perform annual inspections on a sample of engagements. We intend to hire a Quality Control Director who will be responsible for developing and implementing our monitoring and inspection procedures.~~We have purchased practice aids that are specific to the industries of our clients and have instructed staff and partners on their use.~~

~~4. At the staff meeting previously mentioned, the importance of proper use of the firm's reporting and disclosure checklist was discussed, including the use of checklists for specialized industries. We discussed the proper resolution of points or topics unfamiliar to the individual completing the checklist or those reviewing its completion. The firm's CPE plan for partners and managers now includes annual updates on disclosure issues.~~

The results of our peer review will be discussed in a firm-wide meeting to be held on November 22, 20XX, and an emphasis on quality will be reinforced with all engagement partners and their teams.~~The firm is committed to strengthening its monitoring policies and procedures, especially as they relate to a timely post-issuance review of engagements. We have acquired quality control materials to guide the firm, and supervision of the monitoring process has been assigned to a partner. Additionally, outside assistance (as previously mentioned) has been sought, and this individual will be available for consultation and guidance.~~

Sincerely,

[*Name of Firm*][54]

Appendix K

Illustration of a Report With a Peer Review Rating of *Fail (With a Scope Limitation)* in a System Review

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The deficiencies ~~and related recommendations~~ provided are examples~~ provided~~ for illustrative purposes only. Any one or more of the deficiencies, based on the relative importance of the deficiency to the system of quality control as a whole, could result in a report with a peer review rating of *pass with deficiencies* or *fail*.

Limitation on Scope of Review

A report with a scope limitation should be issued when the scope of the review is limited by conditions (including those discussed in the standards*)* that preclude the application of one or more peer review procedure(s) considered necessary in the circumstances and the review team cannot accomplish the objectives of those procedures through alternate procedures. For example, a review team may be able to apply appropriate alternate procedures if one or more engagements have been excluded from the scope of the review. Ordinarily, however, the team would be unable to apply alternate procedures if the firm's only engagement in an industry that must be selected is unavailable for review and there is not an earlier issued engagement that may be able to replace it, or when a significant portion of the firm's accounting and auditing practice during the year reviewed had been divested before the review began (see interpretation). A scope limitation may be included in a report with a peer review rating of *pass*, *pass with deficiency(ies*), or *fail*. In this example, the scope limitation was included in a report with a peer review rating of *fail*.

[54] Signed by an authorized partner of the firm.

[*Firm letterhead for a firm-on-firm review; team captain's firm letterhead for an association formed review team*.]

~~System Review Report~~Report on the Firm's System of Quality Control

October 31, 20XX

To the Partners of [*or other appropriate terminology*] XYZ & Co. and the Peer Review Committee of the [*insert the name of the applicable administering entity*][55]

We[56] have reviewed the system of quality control for the accounting and auditing practice of XYZ & Co. (the firm)[57] in effect for the year ended June 30, 20XX. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of ~~T~~the nature, objectives, scope, limitations of, and the procedures performed in a System Review ~~are~~as described in the ~~s~~Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

~~As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures.~~

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

[55] The report of a firm whose review is administered by the National Peer Review Committee should be addressed as follows: To the Partners of [or appropriate terminology] XYZ & Co. and the National Peer Review Committee.

[56] The report should use the plural *we, us,* and *our* even if the review team consists of only one person. The singular *I, me*, and *my* are appropriate only if the reviewed firm has engaged another firm to perform its review and the reviewing firm is a sole practitioner.

[57] The report of a firm who is required to be registered with and inspected by the PCAOB should be tailored here to add "applicable to engagements not subject to PCAOB permanent inspection."

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. ~~The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.~~

Required Selections and Considerations

~~As required by the standards, e~~Engagements selected for review included (engagements performed under *Government Auditing Standards*; audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organization~~s~~ Control (SOC) 1 and SOC 2 engagements]).[58]

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

~~In performing our review, the firm notified us that we would be unable to review the engagements performed by one of the firm's four offices that divested from the firm during the peer review year. As a result, we were unable to include within our engagement selection any engagements issued by that office. The engagements excluded from our engagement selection process included audit engagements and composed approximately 20 percent of the firm's audit and accounting hours during the peer review year.~~

Significant Deficiencies[59] Identified in the Firm's System of Quality Control

In addition, we noted the following significant deficiencies[60] during our review:

1. ~~Deficiency – The firm's quality control policies and procedures do not require written audit programs as required by professional standards. As a result, we noted several instances in which audit procedures were not adequately performed and documented in the areas of investments and expenses. As a result, the audit work performed for several audits did not support the opinion issued and was not performed in conformity with applicable professional standards. The firm has subsequently performed the omitted procedures to support the audit opinions.~~ The

[58] If the firm performs audits of employee benefit plans, engagements performed under *Government Auditing Standards*, audits of depository institutions with total assets of $500 million or greater at the beginning of its fiscal year, audits of carrying broker-dealers, examinations of service organizations (Service Organization Control [SOC] 1 and SOC 2) or other engagements required to be selected by the board in interpretations, the engagement type(s) selected for review should be identified in the report using this paragraph, tailored as applicable. For SOC engagements, the paragraph should be tailored to reflect the type(s) selected for review. The paragraph should be tailored to indicate if single or multiple engagements were selected for review (for example, an audit versus audits). If the firm does not perform such engagements, this paragraph is not applicable and not included in the report.

[59] Should be tailored to indicate a single significant deficiency, when applicable.

[60] When considered together, the deficiencies rise to the level of significant deficiencies. The significant deficiencies provided are examples for illustrative purposes only.

firm's policies and procedures regarding relevant ethical considerations are not sufficient to provide it with reasonable assurance that the firm and its personnel maintain independence when required The firm's quality control policies and procedures require that written independence representations be obtained annually from all partners and personnel and then be reviewed by a partner in the firm assigned overall responsibility for such matters. During our review, we noted that the responsible partner left the firm in the early part of the year and her responsibilities in this area had not been reassigned. As a result, several of the firm's personnel failed to sign such a representation. Written independence representations were subsequently obtained but there were instances on engagements reviewed when the firm was not independent with respect to the financial statements on which it reported. In our opinion, this contributed to the firm failing to be independent on an audit of an employee benefit plan and an audit in another industry, resulting in engagements that did not conform to professional standards in all material respects.

~~Recommendation The firm's quality control policies and procedures should require the use of audit programs on all audits. All audit programs should be retained with the engagement working papers.~~

2. ~~Deficiency The firm's quality control policies and procedures require consultation based upon the following factors: materiality, experience in a particular industry or functional area, and familiarity with the accounting principles or auditing requirements in a specialized area. We noted instances in which the firm did not consult during the year, either by use of the firm's technical reference material or by requesting assistance from outside the firm. As a result, financial statements on audits for development stage companies did not conform with applicable professional standards. The firm was not aware of the unique disclosure and statement presentations required until it was brought to its attention during the peer review. The firm intends to recall and reissue the financial statements and reports.~~ The firm's policies and procedures regarding acceptance and continuance of clients are not sufficient to provide it with reasonable assurance that its personnel are competent to perform the engagement and have the capabilities to do so. The firm accepted an audit in a specialized industry in which it had no experience or expertise and did not take steps to obtain competency prior to issuing the audit report. In our opinion, this contributed to an employee benefit plan audit that was not performed in accordance with professional standards in all material respects.

   ~~Recommendation The firm should emphasize its consultation policies and procedures on those engagements that are new to the experience level of the firm's accounting and auditing personnel.~~

3. ~~Deficiency The firm's quality control policies and procedures do not provide its personnel with a means of ensuring that all necessary procedures are performed on Employee Retirement Income Security Act (ERISA) engagements. During our review, we noted that the firm failed to adequately perform, including appropriately documenting, procedures related to benefit payments on ERISA engagements. The~~

~~firm has subsequently performed the testing and documented its procedures.~~ The firm's use of the standardized planning forms required by its quality control policies and procedures for engagement performance are not consistently complied with to provide reasonable assurance that audit engagements are performed in accordance with professional standards. Despite such forms including audit planning steps for considering preliminary judgments about materiality levels, fraud risk factors, planned assessed level of control risk, analytical review procedures, and conditions that may require an extension of or a modification of tests, we noted several engagements that lacked sufficient evidence of such considerations. In our opinion, this contributed to audits of employee benefit plans and engagements in other industries that did not conform to professional standards in all material respects.

~~Recommendation—The firm should review and implement the requirements of specialized industries. This can be accomplished by the purchase and use of practice aids tailored to the industry.~~

4. ~~Deficiency—The firm's quality control policies and procedures require that financial statement reporting and disclosure checklists be completed for all engagements. Our review noted that these checklists were not being used on all engagements. As a result, the reviewed financial statements in the construction industry were missing several significant disclosures as required by generally accepted accounting principles. The subject reports have been recalled and the financial statements are being revised.~~

   ~~Recommendation—The firm should conduct a training session for all personnel to review the firm's policies and procedures for utilizing financial statement reporting and disclosure checklists specific to the industry of the engagement, when available. The engagement partner should carefully review these checklists at the completion of an engagement to ensure their proper completion as required by firm policy. This can be accomplished by adding a procedure to the firm's engagement review checklist requiring the engagement partner to document his or her review of these checklists.~~

Scope Limitation[61]

In performing our review, the firm notified us that we would be unable to review the engagements performed by one of the firm's four offices that divested from the firm during the peer review year. As a result, we were unable to include within our engagement selection any engagements issued by that office. The engagements excluded from our engagement selection process included audit engagements and composed approximately 20 percent of the firm's audit and accounting hours during the peer review year.

Opinion

In our opinion, as a result of the significant deficiencies previously described, and any additional significant deficiencies that might have come to our attention had we been able

[61] The scope limitation provided is an example provided for illustrative purposes only.

to review engagements from the divested office as previously described, the system of quality control for the accounting and auditing practice of XYZ & Co.[62] in effect for the year ended June 30, 20XX was not suitably designed or complied with to provide the firm with reasonable assurance of performing or reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies*), or *fail*. XYZ & Co has received a peer review rating of *fail (with a scope limitation)*.

Smith, Jones and Associates

[*Name of team captain's firm*]

Appendix L

Illustration of a Response by a Reviewed Firm to a Report With a Peer Review Rating of *Fail (With a Scope Limitation)* in a System Review

.218

The purpose of a letter of response is to describe the actions the firm has taken or will take including the timing of the planned actions, to prevent a recurrence of each of the significant deficiencies discussed in the report. If the reviewed firm disagrees with one or more of the significant deficiencies~~, or recommendations~~ in the report, the reviewed firm should contact the administering entity for assistance. ~~If the firm still disagrees after contacting the administering entity, the firm's response should describe the reasons for such disagreement.~~ For more information related to disagreements, see paragraph .93 of the standards. The letter of response should be carefully prepared because of the important bearing it may have on the decisions reached in connection with acceptance of the report on the review (see paragraphs .136–.140, "Accepting System and Engagement Reviews") and should be tailored to address the firm's remediation plans for the significant deficiencies described in its peer review report. The letter of response should be submitted to the team captain for review and comment prior to the ~~firm submitting the response to the administering entity~~exit conference.

~~November~~ October ~~30~~31, 20XX

[*Addressed to the peer review committee of the administering entity*][63]

Ladies and Gentlemen:

[62] The report of a firm who is required to be registered with and inspected by the PCAOB should be tailored here to add "applicable to engagements not subject to PCAOB permanent inspection."

[63] The response of a firm whose review is administered by the National Peer Review Committee should be addressed as follows: To the National Peer Review Committee.

This letter represents our[64] response to the report issued in connection with the peer review of the firm's system of quality control for the accounting and auditing practice in effect for the year ended June 30, 20XX. ~~All issues have been brought to the attention of the personnel at a meeting held on November 22, 20XX. In addition, steps have been added to our monitoring procedures to review the deficiencies noted in the report so that they will not happen again.~~

We notified our peer reviewer that he would be unable to review the engagements performed by one of our firm's four offices that divested from our firm during the peer review year. We have considered the consequences of this scope limitation on the results of our peer review.

1.[65] The firm's monitoring procedures were modified to provide it with reasonable assurance that the firm's policies and procedures are relevant, adequate, and operating effectively. Specifically, the firm will monitor compliance with relevant ethical considerations and perform annual testing of a sample of personnel independence confirmations. We have contacted our attorney, clients, and applicable regulatory bodies to discuss the impact of the independence violations and will remediate the engagements as required by professional standards.~~Several of the deficiencies noted by the review team included missing or incomplete audit and review documentation. All individuals with responsibility for managing audit and accounting engagements have been reminded of their responsibility to ensure the applicable professional standards for performing and documenting engagements are followed. In addition, we have implemented a concurring partner review on all audit and review engagements, and the quality of audit documentation will be a focus of the concurring partner's review.~~

2. The firm has contacted two other accounting firms with expertise in Employee Retirement Income Security Act (ERISA) audits~~, development stage companies, and other industries that are similar to ours.~~ We have implemented a plan for consultation with these firms for guidance in situations with which we are unfamiliar. We have also joined the AICPA Employee Benefit Plan Audit Quality Center. The omitted procedures will be performed and documentation will be added in a memo to the engagement file. We will engage one of the accounting firms to review the engagement working papers prior to finalizing the memo and to perform engagement quality control reviews of future employee benefit plan audits.

3. We have purchased practice aids that are specific to the industries of our clients and have instructed staff and partners on their use. At our next staff meeting on November 22, 20XX, we will emphasize

~~4. At the staff meeting previously mentioned,~~ the importance of proper use of the firm's practice aids. ~~reporting and disclosure checklist was discussed, including~~

[64] The response should use the singular *I, me,* and *my* only when the reviewed firm is a sole practitioner.

[65] The numbering of responses, to coincide with the numbered comments in the report, is optional.

~~the use of checklists for specialized industries.~~ We will also discuss~~ed~~ the proper resolution of points or topics unfamiliar to the individual completing the checklist or those reviewing its completion. The firm's CPE plan for partners and managers now includes annual updates on the firm's expectations for performing and documenting audit planning considerations.~~disclosure issues.~~

The firm is committed to strengthening its monitoring policies and procedures.~~, especially as they relate to a timely post-issuance review of engagements.~~ We have acquired quality control materials to guide the firm, and supervision of the monitoring process has been assigned to a partner. Additionally, outside assistance (as previously mentioned) has been sought, and these~~is~~ individuals will be available for consultation and guidance.

Sincerely,
[*Name of Firm*][66]

Appendix M

Illustration of a Report With a Peer Review Rating of *Pass* in an Engagement Review

.219

In the event of a scope limitation, include an additional paragraph (as described in paragraph .122j of the standards), and follow the illustrations for System Reviews with scope limitations (see appendixes D, "Illustration of a Report With a Peer Review Rating of Pass (With a Scope Limitation) in a System Review;" G, "Illustration of a Report With a Peer Review Rating of Pass With Deficiencies (With a Scope Limitation) in a System Review;" and K, "Illustration of a Report With a Peer Review Rating of Fail (With a Scope Limitation) in a System Review").

[*Administering entity letterhead for a committee-appointed review team review; firm letterhead for a firm-on-firm review; review captain's firm letterhead for an association formed review team*]

~~Engagement Review Report~~Report on the Firm's Conformity With Professional Standards on Engagements Reviewed[67]

September 30, 20XX

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[66] Signed by an authorized partner of the firm

[67] The report title and body should be tailored as appropriate when a single engagement is reviewed. The title should be changed to "Report on the Firm's Conformity With Professional Standards on an Engagement Reviewed."

To the Partners of [*or other appropriate terminology*] XYZ & Co. and the Peer Review Committee of the [*insert the name of the applicable administering entity*] [68]

We[69] have reviewed selected accounting engagements of XYZ & Co. (the firm)[70] issued with periods ending or report dates during the year ended June 30, 20XX, as applicable. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of ~~T~~the nature, objectives, scope, limitations of, and the procedures performed in an Engagement Review ~~are~~as described in the ~~s~~Standards may be found at www.aicpa.org/prsummary.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to evaluate whether the engagements submitted for review were performed and reported on in conformity with applicable professional standards in all material respects.

An Engagement Review does not include reviewing the firm's system of quality control and compliance therewith and, accordingly, we express no opinion or any form of assurance on that system. ~~The nature, objectives, scope, limitations of, and the procedures performed in an Engagement Review are described in the standards at www.aicpa.org/prsummary.~~

[68] The report of a firm whose review is administered by the National Peer Review Committee should be addressed as follows: To the Partners of [or appropriate terminology] XYZ & Co. and the National Peer Review Committee.

[69] The report should use the plural *we, us*, and *our* even if the review team consists of only one person. The singular *I, me*, and *my* are appropriate only if the reviewed firm has engaged another firm to perform its review and the reviewing firm is a sole practitioner.

[70] The report of a firm who is required to be registered with and inspected by the PCAOB should be tailored here to add "applicable to engagements not subject to PCAOB permanent inspection."

Conclusion

Based on our review, nothing came to our attention that caused us to believe that the engagements submitted for review by XYZ & Co.[71] issued with periods ending during the year ended June 30, 20XX, were not performed and reported on in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. XYZ & Co has received a peer review rating of *pass*.

Smith, Jones and Associates [*Name of review captain's firm on firm-on-firm review or association formed review team*]

[*or*]

John Brown, Review Captain

[*Committee-appointed review team review*]

Appendix N

Illustration of a Report With a Peer Review Rating of *Pass With Deficiencies* in an Engagement Review

.220

This illustration assumes the review captain concludes that deficiencies are not evident on all of the engagements submitted for review. Otherwise, this firm would have received a peer review rating of *fail*.

In the event of a scope limitation, include an additional paragraph (as described in paragraph .122j of the standards), and follow the illustrations for System Reviews with scope limitations (appendixes D, "Illustration of a Report With a Peer Review Rating of Pass (With a Scope Limitation) in a System Review;" G, "Illustration of a Report With a Peer Review Rating of Pass With Deficiencies (With a Scope Limitation) in a System Review;" and K, "Illustration of a Report With a Peer Review Rating of Fail (With a Scope Limitation) in a System Review").

[*Administering entity letterhead for a committee-appointed review team review; firm letterhead for a firm-on-firm review; review captain's firm letterhead for an association formed review team*]

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[71] The report of a firm who is required to be registered with and inspected by the PCAOB should be tailored here to add "applicable to engagements not subject to PCAOB permanent inspection."

~~Engagement Review Report~~Report on the Firm's Conformity With Professional Standards on Engagements Reviewed[72]

September 30, 20XX

To the Partners of [*or other appropriate terminology*] XYZ & Co. and the Peer Review Committee of the [*insert the name of the applicable administering entity*][73]

We[74] have reviewed selected accounting engagements of XYZ & Co. (the firm)[75] issued with periods ending or report dates during the year ended June 30, 20XX, as applicable. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of ~~T~~the nature, objectives, scope, limitations of, and the procedures performed in an Engagement Review ~~are~~as described in the ~~s~~Standards may be found at www.aicpa.org/prsummary.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to evaluate whether the engagements submitted for review were performed and reported on in conformity with applicable professional standards in all material respects.

An Engagement Review does not include reviewing the firm's system of quality control and compliance therewith and, accordingly, we express no opinion or any form of

[72] The report title and body should be tailored as appropriate when a single engagement is reviewed. The title should be changed to "Report on the Firm's Conformity With Professional Standards on an Engagement Reviewed."

[73] The report of a firm whose review is administered by the National Peer Review Committee should be addressed as follows: To the Partners of [or appropriate terminology] XYZ & Co. and the National Peer Review Committee.

[74] The report should use the plural *we, us*, and *our* even if the review team consists of only one person. The singular *I, me*, and *my* are appropriate only if the reviewed firm has engaged another firm to perform its review and the reviewing firm is a sole practitioner.

[75] The report of a firm who is required to be registered with and inspected by the PCAOB should be tailored here to add "applicable to engagements not subject to PCAOB permanent inspection."

assurance on that system. ~~The nature, objectives, scope, limitations of, and the procedures performed in an Engagement Review are described in the standards at www.aicpa.org/prsummary.~~

Deficiencies[76] Identified on the Firm's Conformity With Professional Standards on Engagements Reviewed[77]

We noted the following deficiencies[78] during our review:

1. ~~Deficiency~~ On one review engagement of a manufacturing client, we noted that the accompanying accountant's report was not appropriately modified~~.~~ when ~~The~~ the financial statements did not appropriately present or disclose matters in accordance with industry standards. ~~The firm discussed the departure with the client and decided to recall its report and restate the accompanying financial statements in order to report in conformity with applicable professional standards in all material respects.~~

   ~~Recommendation~~ ~~We recommend that the firm establish a means of ensuring that financial statements present or disclose matters in accordance with industry standards. Such means might include continuing professional education in the industries of the firm's engagements and, although not required by professional standards, use of a comprehensive reporting and disclosure checklist on accounting engagements that is tailored for specialized industries, where applicable, or a cold review of reports and financial statements prior to issuance.~~

2. ~~Deficiency~~ On a review engagement ~~we reviewed~~, we noted that the firm failed to obtain a management representation letter, and its working papers failed to document the matters covered in the accountant's inquiry and analytical procedures. These deficiencies were identified on the firm's previous review.

   ~~Recommendation~~ ~~The firm should review and implement the requirements for obtaining management representation letters and the content of the accountant's working papers on review engagements.~~

Conclusion

~~Based on our review, except for the deficiencies previously described, nothing came to our attention that caused us to believe that the~~ As a result of the deficiencies previously described, we concluded that at least one but not all of the engagements submitted for

[76] Should be tailored to indicate a single deficiency, when applicable.

[77] Should be tailored to indicate a single engagement reviewed, when applicable.

[78] The deficiencies ~~and related recommendations~~ provided are examples ~~provided~~ for illustrative purposes only.

review by XYZ & Co.[79] issued with periods ending during the year ended June 30, 20XX, were not performed and reported on in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. XYZ & Co. has received a peer review rating of *pass with deficiencies*.

Smith, Jones and Associates

[*Name of review captain's firm on firm-on-firm review or association formed review team*]

[*or*]

John Brown, Review Captain [*Committee-appointed review team review*]

Appendix O

Illustration of a Response by a Reviewed Firm to a Report With a Peer Review Rating of *Pass With Deficiencies* in an Engagement Review

.221

The purpose of a letter of response is to describe the actions the firm has taken or will take including the timing of the planned actions to prevent the recurrence of each deficiency discussed in the report. If the reviewed firm disagrees with one or more of the deficiencies ~~or recommendations~~ in the report, the reviewed firm should contact the administering entity for assistance~~ in the matter~~. ~~If the firm still disagrees after contacting the administering entity, the firm's response should describe the reasons for such disagreement.~~ For additional guidance on disagreements, see paragraph .116 of standards. The letter of response should be carefully prepared because of the important bearing it may have on the decisions reached in connection with acceptance of the report on the review (see paragraphs .136–.140, "Accepting System and Engagement Reviews") and should be tailored to address the firm's remediation plans for the deficiencies described in its peer review report. The letter of response should be submitted to the reviewer for review and comment prior to the ~~firm submitting the response to the administering entity~~exit conference.

~~October 31~~September 30, 20XX

[79] The report of a firm who is required to be registered with and inspected by the PCAOB should be tailored here to add "applicable to engagements not subject to PCAOB permanent inspection."

[*Addressed to the peer review committee of the administering entity*][80]

Ladies and Gentlemen:

This letter represents our[81] response to the report on the Engagement Review of our firm's accounting practice for engagements submitted for review with periods ending during the year ended June 30, 20XX.

1.[82] ~~As recommended by the reviewer, t~~We have recalled and reissued the review report. The entire staff has participated in continuing professional education related to reporting and disclosures, with a particular focus on areas specific to the industries that we are engaged in. We will be performing a pre-issuance review by a partner not associated with the engagement to make sure that the accountant's report is appropriately modified when the financial statements depart from applicable professional standards.

2. We subsequently obtained a management representation letter and documented the matters covered in our inquiry and analytical procedures. Management representation letters will be obtained for all future review engagements issued by the firm. The firm has required that a manager review each engagement to ensure that the management representation letter is obtained and that all the required documentation, including the matters covered in the accountant's inquiry and analytical procedures, is included in the working papers.

We believe these actions address the matters noted by the reviewer.

Sincerely,

[*Name of firm*][83]

Appendix P

Illustration of a Report With a Peer Review Rating of *Fail* in an Engagement Review

.222

[80] The response of a firm whose review is administered by the National Peer Review Committee should be addressed as follows: To the National Peer Review Committee.

[81] The response should use the singular *I, me,* and *my* only when the reviewed firm is a sole practitioner.

[82] The numbering of responses, to coincide with the numbered comments in the report, is optional.

[83] Signed by an authorized partner of the firm.

The deficiencies in this illustration represent various examples and are not intended to suggest that the peer review would include this many engagements in the scope or require this number of deficiencies to warrant a report with a peer review rating of *fail*. However, each of the engagements reviewed would have one or more deficiencies in a report with a peer review rating of *fail*.

In the event of a scope limitation, include an additional paragraph (as described in paragraph .122j of the standards), and follow the illustrations for System Reviews with scope limitations (appendixes D, "Illustration of a Report With a Peer Review Rating of Pass (With a Scope Limitation) in a System Review;" G, "Illustration of a Report With a Peer Review Rating of Pass With Deficiencies (With a Scope Limitation) in a System Review;" and K, "Illustration of a Report With a Peer Review Rating of Fail (With a Scope Limitation) in a System Review").

[*Administering entity letterhead for a committee-appointed review team review; firm letterhead for a firm-on-firm review; review captain's firm letterhead for an association formed review team*]

~~Engagement Review Report~~Report on the Firm's Conformity With Professional Standards on Engagements Reviewed[84]

September 30, 20XX

To the Partners of [*or other appropriate terminology*] XYZ & Co. and the Peer Review Committee of the [*insert the name of the applicable Administering Entity*][85]

We[86] have reviewed selected accounting engagements of XYZ & Co. (the firm)[87] issued with periods ending or report dates during the year ended June 30, 20XX, as applicable. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of ~~T~~the nature, objectives, scope, limitations of, and the procedures performed in an Engagement Review ~~are~~as described in the ~~s~~Standards may be found at www.aicpa.org/prsummary.

[84] The report title and body should be tailored as appropriate when a single engagement is reviewed. The title should be changed to "Report on the Firm's Conformity With Professional Standards on an Engagement Reviewed."

[85] The report of a firm whose review is administered by the National Peer Review Committee should be addressed as follows: To the Partners of [or appropriate terminology] XYZ & Co. and the National Peer Review Committee.

[86] The report should use the plural *we, us*, and *our* even if the review team consists of only one person. The singular *I, me*, and *my* are appropriate only if the reviewed firm has engaged another firm to perform its review and the reviewing firm is a sole practitioner.

[87] The report of a firm who is required to be registered with and inspected by the PCAOB should be tailored here to add "applicable to engagements not subject to PCAOB permanent inspection."

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to evaluate whether the engagements submitted for review were performed and reported on in conformity with applicable professional standards in all material respects.

An Engagement Review does not include reviewing the firm's system of quality control and compliance therewith and, accordingly, we express no opinion or any form of assurance on that system. ~~The nature, objectives, scope, limitations of, and the procedures performed in an Engagement Review are described in the standards at www.aicpa.org/prsummary.~~

Significant Deficiencies[88] Identified on the Firm's Conformity With Professional Standards on Engagements Reviewed[89]

We noted the following significant deficiencies[90] during our review:

1. ~~Deficiency~~ Our review disclosed several failures to adhere to applicable professional standards in reporting on material departures from generally accepted accounting principles (GAAP) and in conforming to standards for accounting and review services. Specifically, the firm did not disclose in certain compilation and review reports failures to conform with GAAP in accounting for leases, in accounting for revenue from construction contracts, and in disclosures made in the financial statements or the notes thereto concerning various matters important to an understanding of those statements. The compilation and review engagements were in the construction and manufacturing industries, respectively. In addition, the firm did not obtain management representation letters on review engagements.

   ~~Recommendation We recommend the firm establish a means of ensuring its conformity with applicable professional standards. In addition, we recommend the firm review and implement the requirements for obtaining management representation letters on review engagements. The firm should either participate in~~

[88] Should be tailored to indicate a single significant deficiency, when applicable.

[89] Should be tailored to indicate a single engagement reviewed, when applicable.

[90] The deficiencies ~~and related recommendations~~ provided are examples ~~provided~~ for illustrative purposes only.

~~continuing professional education in financial statement disclosures, use a reporting and disclosure checklist on accounting engagements (tailored if the financial statements are in a specialized industry), or conduct a pre-issuance review of the engagement by an individual not associated with the engagement prior to issuance.~~

2. ~~Deficiency~~ During our review, we noted the firm did not modify its compilation reports on financial statements when neither the financial statements nor the footnotes noted that the statements were presented using a special purpose framework.[91] This deficiency was noted in the firm's previous peer reviews.

   ~~Recommendation~~ ~~We recommend that the firm review the reports issued during the last year and identify those reports that should have been modified to reflect the use of a special purpose framework. A memorandum should then be prepared highlighting the changes to be made in the current year and placed in the files of the client for whom a report must be changed.~~

3. ~~Deficiency~~ In the construction industry compilation engagements that we reviewed, disclosures of material lease obligations as required by generally accepted accounting principles were not included in the financial statements, and the omissions were not disclosed in the accountant's reports.

   ~~Recommendation~~ ~~We recommend the firm review and disseminate information regarding the disclosure requirements on specialized industries to all staff involved in reviewing or compiling financial statements. In addition, we recommend that the firm establish appropriate policies to ensure that all lease obligations are disclosed in financial statements reported on by the firm. For example, a step might be added to compilation and review work programs requiring that special attention be given to these areas.~~

4. ~~Deficiency~~ ~~During our review of the financial statements for a compilation engagement prepared under Statement on Standards for Accounting and Review Services No. 8, for management use only, we noted that the engagement letter did not include all of the information required by applicable professional standards.~~ During our review of the firm's engagements to prepare financial statements, we noted the firm did not issue a disclaimer that made clear no assurance was provided on the financial statements and also did not indicate that no assurance was provided on each page of the financial statements.

[91] The cash, tax, regulatory, and other bases of accounting that utilize a definite set of logical, reasonable criteria that are applied to all material items appearing in financial statements are commonly referred to as other comprehensive bases of accounting.

~~Recommendation—The firm should review the professional standards governing the information to be included in engagement letters for financial statements prepared for management use only and make sure it conforms to those standards.~~

Conclusion

As a result of the deficiencies previously described, we ~~believe~~ concluded that all the engagements submitted for review by XYZ & Co.[92] issued with periods ending during the year ended June 30, 20XX, were not performed and reported on in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. XYZ & Co has received a peer review rating of *fail*.

Smith, Jones and Associates

[*Name of review captain's firm on firm-on-firm review or association formed review team*]

[*or*]

John Brown, Review Captain [*Committee-appointed review team review*]

Appendix Q

Illustration of a Response by a Reviewed Firm to a Report With a Peer Review Rating of *Fail* in an Engagement Review

.223

The purpose of a letter of response is to describe the actions the firm has taken or will take including the timing of the planned actions to prevent the recurrence of each of the significant deficiencies. If the reviewed firm disagrees with one or more of the significant deficiencies ~~or recommendations~~ in the report, the reviewed firm should contact the administering entity for assistance. ~~If the firm still disagrees after contacting the administering entity, the firm's response should describe the reasons for such disagreement.~~ For additional guidance on disagreements, see paragraph .116 of the standards. The letter of response should be carefully prepared because of the important bearing it may have on the decisions reached in connection with acceptance of the report on the review (see paragraphs .136–.140, "Accepting System and Engagement Reviews") and should be tailored to address the firm's remediation plans for the significant deficiencies described in its peer review report. The letter of response should be submitted to the reviewer for review and comment prior to the ~~firm submitting the response to the administering entity~~exit conference.

[92] The report of a firm who is required to be registered with and inspected by the PCAOB should be tailored here to add "applicable to engagements not subject to PCAOB permanent inspection."

~~October 31~~September 30, 20XX

[*Addressed to the peer review committee of the administering entity*][93]

Ladies and Gentlemen:

This letter represents our[94] ~~-~~response to the report on the Engagement Review of our firm's accounting practice for engagements submitted for review with periods ending during the year ended June 30, 20XX.

[95] To prevent the recurrence of the deficiencies noted by the reviewer and to prevent other such deficiencies from occurring, we will review the professional standards related to the deficiencies and ensure that the professional standards will be complied with on all future engagements.

Specifically, we have strengthened the engagement review to ensure that management representation letters are obtained for all review engagements performed by the firm.

All personnel who work on accounting engagements will be participating in continuing professional education in disclosures and reporting by December 31, 20XX, to address the disclosure and reporting deficiencies noted by the reviewer. In addition, we have started using a third-party reporting and disclosure checklist to ensure all reporting and disclosure matters are appropriately addressed. The reporting and disclosure checklist is tailored to specialized industries, where applicable.

The firm is now using third-party practice aids for guidance ~~in compilations of financial statements for management use only, and this includes engagement letters that conform to professional standards to document the client's understanding with respect to these engagements.~~ on report modifications and disclaimers.

For the engagements reviewed, we have recalled and reissued our reports.

We believe these actions are responsive to the deficiencies noted on the review.

Sincerely,

[*Name of firm*][96]

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[93] The response of a firm whose review is administered by the National Peer Review Committee should be addressed as follows: To the National Peer Review Committee.

[94] The response should use the singular *I, me,* and *my* only when the reviewed firm is a sole practitioner.

[95] The numbering of responses, to coincide with the numbered comments in the report, is optional.

[96] Signed by an authorized partner of the firm.

Appendix R

Illustration of a Report With a Review Rating of *Pass* in a Review of Quality Control Materials

.224

~~Quality Control Materials Review Report~~Report on the Provider's System of Quality Control and Resultant Materials

April 30, 20XX

Executive Board of XYZ Organization and the National Peer Review Committee

We have reviewed the system of quality control for the development and maintenance of [*identify each item covered by the opinion or refer to an attached listing*] (hereafter referred to as *materials* or *QCM*) of XYZ Organization (the provider) and the resultant materials in effect at December 31, 20XX. Our quality control materials review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of ~~T~~the nature, objectives, scope, limitations of, and the procedures performed in a Quality Control Materials Review ~~are~~as described in the ~~s~~Standards may be found at www.aicpa.org/prsummary.

Provider's Responsibility

The provider is responsible for designing and complying with a system of quality control that provides reasonable assurance that the materials are reliable aids to assist users in conforming with the components which are integral to the professional standards that the materials purport to encompass. The provider is also responsible for evaluating actions to promptly remediate materials not deemed as reliable aids, when appropriate, and for remediating weaknesses in its system of quality control, if any.

QCM Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system, the provider's compliance with that system, and the reliability of the resultant materials, based on our review. ~~The nature, objectives, scope, limitations of, and the procedures performed in a Quality Control Materials Review are described in the standards at www.aicpa.org/prsummary.~~

User's Responsibility

Users of the materials and this report should carefully consider the scope of this review. They should also understand the intended uses and limitations of the materials as reflected in their user instructions and related information, as well as the level of explanatory

guidance provided by the materials. Users of the materials are responsible for evaluating their suitability and implementing, tailoring, and augmenting the materials as appropriate. Therefore, the reliability of the materials is also dependent on the effectiveness of these actions and could vary from user to user. Further, there may be important elements of a quality control system in accordance with the Statements on Quality Control Standards that are not included in the materials that have been subject to this review.

Opinion

In our opinion, the system of quality control for the development and maintenance of the quality control materials of the XYZ Organization was suitably designed and was being complied with during the year ended December 31, 20XX, to provide users of the materials with reasonable assurance that the materials are reliable aids. Also, in our opinion, the quality control materials previously referred to are reliable aids to assist users in conforming with the components which are integral to the professional standards the materials purport to encompass at December 31, 20XX. Providers can receive a rating of *pass*, *pass with deficiency(ies*), or *fail*. XYZ Organization has received a review rating of *pass*.

ABC & Co.[97]

Appendix S

Illustration of a Report With a Review Rating of *Pass With Deficiencies* in a Review of Quality Control Materials

.225

~~Quality Control Materials Review Report~~Report on the Provider's System of Quality Control and Resultant Materials

April 30, 20XX

Executive Board of XYZ Organization and the National Peer Review Committee

We have reviewed the system of quality control for the development and maintenance of [*identify each item covered by the opinion or refer to an attached listing*] (hereafter referred to as *materials* or *QCM*) of XYZ Organization (the provider) and the resultant materials in effect at December 31, 20XX. Our quality control materials review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

[97] The report should be signed in the name of the team captain's firm for firm-on-firm reviews or association formed review teams.

A summary of ~~T~~the nature, objectives, scope, limitations of, and the procedures performed in a Quality Control Materials Review ~~are~~as described in the ~~s~~Standards may be found at www.aicpa.org/prsummary.

Provider's Responsibility

The provider is responsible for designing and complying with a system of quality control that provides reasonable assurance that the materials are reliable aids to assist users in conforming with the components which are integral to the professional standards that the materials purport to encompass. The provider is also responsible for evaluating actions to promptly remediate materials not deemed as reliable aids, when appropriate, and for remediating weaknesses in its system of quality control, if any.

QCM Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system, the provider's compliance with that system, and the reliability of the resultant materials, based on our review. ~~The nature, objectives, scope, limitations of, and the procedures performed in a Quality Control Materials Review are described in the standards at www.aicpa.org/prsummary.~~

User's Responsibility

Users of the materials and this report should carefully consider the scope of this review. They should also understand the intended uses and limitations of the materials as reflected in their user instructions and related information, as well as the level of explanatory guidance provided by the materials. Users of the materials are responsible for evaluating their suitability and implementing, tailoring, and augmenting the materials as appropriate. Therefore, the reliability of the materials is also dependent on the effectiveness of these actions and could vary from user to user. Further, there may be important elements of a quality control system in accordance with the Statements on Quality Control Standards that are not included in the materials that have been subject to this review.

Deficiencies[98] Identified in the Provider's System of Quality Control and Resultant Materials

We noted the following deficiencies[99] during our review:

1. ~~Deficiency~~ The provider's policies and procedures for the development and maintenance of quality control materials state that feedback on the materials is obtained by means of a questionnaire provided with the materials. The provider's policies and procedures do not specify the procedures to be followed for reviewing and analyzing returned questionnaires. As a result, our review of the questionnaires

[98] Should be tailored to indicate a single deficiency, when applicable.

[99] The deficiencies ~~and related recommendations~~ provided are examples ~~provided~~ for illustrative purposes only.

received by the provider during the review period indicated that several questionnaires that had significant feedback as to the accuracy of the information of certain materials were not being read, summarized, or analyzed to determine whether the quality control materials require change. During our review we noted an error in the provider's interpretation of a recently issued professional standard in the *How To Perform Employee Benefit Plan Audits* manual. This error was also noted on several of the feedback questionnaires. However, the error was not of such significance that it affected the reliability of the aid. Our review did not note any similar issues in the other materials.

~~Recommendation – The provider should revise its policies and procedures to include procedures for reviewing, summarizing, and analyzing the feedback received on its quality control materials in order to determine whether the materials require change(s) to provide reasonable assurance that the materials are reliable aids. In addition, the provider may wish to consider using external technical reviewers to confirm its understanding of new professional standards.~~

~~2. Deficiency – The organization's policies and procedures require that a technical review of all quality control materials be performed by a qualified person other than the developer to ensure that the materials are reliable aids to assist users in conforming to those professional standards the materials purport to encompass. During our review, we noted that such a technical review was performed on all of the materials we reviewed except for the current edition of the General Financial Statement Disclosure and Reporting checklist, Construction Contractor Disclosure checklist, and the Personal Financial Statements checklist, which had cold reviews performed by the developer. However, we were satisfied that the checklists are reliable aids.~~

~~Recommendation – The organization should remind its personnel of the importance of complying with its technical review policy. In addition, the organization may wish to implement other controls to ensure compliance with this policy.~~

Opinion

In our opinion, except for the deficiencies previously described, the system of quality control for the development and maintenance of the quality control materials of the XYZ Organization was suitably designed and was being complied with during the year ended December 31, 20XX, to provide users of the materials with reasonable assurance that the materials are reliable aids. Also, in our opinion, the quality control materials previously referred to are reliable aids to assist users in conforming with the components which are integral to the professional standards the materials purport to encompass at December 31, 20XX. Providers can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. XYZ Organization has received a review rating of *pass with deficiencies*.

ABC & Co[100]

[100] The report should be signed in the name of the team captain's firm for firm-on-firm reviews or association formed review teams.

Appendix T

Illustration of a Report With a Review Rating of *Fail* in a Review of Quality Control Materials

.226

The deficiencies ~~and related recommendations~~ provided are examples for illustrative purposes only. Any one or more of the deficiencies, based on the relative importance of the deficiency to the system of quality control as a whole, could result in a report with a peer review rating of *fail*.

~~Quality Control Materials Review Report~~Report on the Provider's System of Quality Control and Resultant Materials

October 31, 20XX

Executive Board of XYZ Organization and the National Peer Review Committee

We have reviewed the system of quality control for the development and maintenance of [*identify each item covered by the opinion or refer to an attached listing*] (hereafter referred to as *materials* or *QCM*) of XYZ Organization (the provider) and the resultant materials in effect at December 31, 20XX. Our quality control materials review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of t~~T~~he nature, objectives, scope, limitations of, and the procedures performed in a Quality Control Materials Review ~~are~~as described in the ~~s~~Standards may be found at www.aicpa.org/prsummary.

Provider's Responsibility

The provider is responsible for designing and complying with a system of quality control that provides reasonable assurance that the materials are reliable aids to assist users in conforming with the components which are integral to the professional standards that the materials purport to encompass. The provider is also responsible for evaluating actions to promptly remediate materials not deemed as reliable aids, when appropriate, and for remediating weaknesses in its system of quality control, if any.

QCM Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system, the provider's compliance with that system, and the reliability of the resultant materials, based on our review. ~~The nature, objectives, scope, limitations of, and the procedures performed in a Quality Control Materials Review are described in the standards at www.aicpa.org/prsummary.~~

User's Responsibility

Users of the materials and this report should carefully consider the scope of this review. They should also understand the intended uses and limitations of the materials as reflected in their user instructions and related information, as well as the level of explanatory guidance provided by the materials. Users of the materials are responsible for evaluating their suitability and implementing, tailoring, and augmenting the materials as appropriate. Therefore the reliability of the materials is also dependent on the effectiveness of these actions and could vary from user to user. Further, there may be important elements of a quality control system in accordance with the Statements on Quality Control Standards that are not included in the materials that have been subject to this review.

Significant Deficiencies[101] Identified in the Provider's System of Quality Control and Resultant Materials

We noted the following significant deficiencies[102] during our review:

1. ~~Deficiency~~ The organization's policies and procedures for the development and maintenance of quality control materials state that feedback on the materials is obtained by means of a questionnaire provided with the materials. The organization's policies and procedures do not specify the procedures to be followed for reviewing and analyzing returned questionnaires. As a result, our review of the questionnaires received by the organization during the review period indicated that several questionnaires that had significant feedback as to the accuracy of the information of certain materials were not being read, summarized, or analyzed to determine whether the quality control materials require change. During our review we noted errors in the provider's interpretation of recently issued professional standards in the *How To Perform Employee Benefit Plan Audits*, *How To Perform Audits of Small Businesses* and *How To Perform Construction Contractor Reviews* manuals. The errors were identified on several of the feedback questionnaires. As a result, these specific materials were inaccurate and, thus, were not reliable aids.

   ~~Recommendation The organization should revise its policies and procedures to include procedures for reviewing, summarizing, and analyzing the feedback received on its quality control materials in order to determine whether the materials require change(s) to provide reasonable assurance that the materials are reliable aids. In addition, the provider may wish to consider using external technical reviewers to confirm its understanding of new professional standards.~~

[101] Should be tailored to indicate a single significant deficiency, when applicable.

[102] When considered together, the deficiencies rise to the level of significant deficiencies. The significant deficiencies provided are examples for illustrative purposes only.

2. ~~Deficiency—~~The organization's policies and procedures require that a technical review of all quality control materials be performed by a qualified person other than the developer to ensure that the materials are reliable aids to assist users in conforming to the professional standards the materials purport to encompass. During our review, we noted that such a technical review was not performed on the *How To Perform Single Audits* and *How To Perform HUD Audits* manuals. As a result, these materials were not up-to-date or were inaccurate, and thus were not reliable aids.

   ~~Recommendation—The organization should remind its personnel of the importance of complying with its technical review policy. In addition, the organization may wish to implement other controls to ensure compliance with this policy.~~

Opinion

In our opinion, as a result of the deficiencies previously described, the system of quality control for the development and maintenance of the quality control materials of XYZ Organization was not suitably designed or complied with during the year ended December 31, 20XX, to provide the users of the materials with reasonable assurance that the materials are reliable aids. Also, in our opinion, the quality control materials previously referred to are not reliable aids and do not assist users in conforming with the components which are integral to the professional standards the materials purport to encompass at December 31, 20XX. Providers can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. XYZ Organization has received a review rating of *fail*.

ABC & Co.[103]

[103] The report should be signed in the name of the team captain's firm for firm-on-firm reviews or association formed review teams.

Timing of the Peer Review

17-1 *Question*—Paragraph .17 of the standards indicates that the peer review should be conducted within three to five months following the end of the year to be reviewed. Paragraphs .92 and .115 further explain the exit conference should occur after allowing the firm sufficient time to respond to MFC forms, FFC forms, deficiencies and significant deficiencies discussed at the closing meeting. The exit conference date should also occur prior to but no later than the review due date. How does this affect the timing of a peer review?

Interpretation—Peer reviews are ordinarily due 6 months after the firm's peer review year-end date. The team or review captain should take the review due date into consideration prior to accepting the peer review and during planning to ensure adequate time has been built into the peer review timeline to allow the firm sufficient time to assess appropriate responses to MFC forms, FFC forms, deficiencies, and significant deficiencies. In order to provide sufficient time to the firm, the peer review should be conducted within 3-5 months after the end of the year to be reviewed, ordinarily providing the reviewer and firm the last 30 days prior to the due date for this assessment and submission of the peer reviewer's materials, peer review report, and letter of response, if applicable, by the review due date.

Ordinarily, extensions will not be granted subsequent to commencement to allow the review team and firm more time to finalize peer review documents.

Planning Considerations

39-1 *Question*—Paragraph .39 of the standards notes that the team captain should evaluate the actions of the firm in response to the prior review report and FFC forms. What considerations should be made if the firm did not perform the actions noted in the prior review letter of response and FFC forms?

Interpretation—The team captain should consider whether the firm performed sufficient alternative actions after further assessment of the systemic cause. If sufficient alternative actions were performed, the alternative procedures and the reviewer's assessment of those procedures should be noted in the Summary Review Memorandum. However, if sufficient alternative actions were not performed, the team captain should gain an understanding from the firm about why the actions were not performed and consider whether there are deficiencies in other elements of quality control, such as leadership responsibilities for quality within the firm (the tone at the top). This evaluation should be documented in the Summary Review Memorandum.

Planning and Performing Compliance Tests ~~of Requirements of Voluntary Membership Organizations~~

54d-2 *Question*—Paragraph .54(d) discusses the peer reviewer's requirement in a System Review to review other evidential material, including evidence since the previous peer review, as appropriate. When is it appropriate to review evidential matter from prior to the peer review year?

Interpretation—In performing a review of a firm's system of quality control, a team captain will develop a plan for the nature and extent of testing relative to the firm's compliance with their quality control policies and procedures. If no events relative to those policies and procedures occurred during the peer review year, it may be necessary for a team captain to review evidential matter from prior to the peer review year.

For example, the firm may have accepted a new engagement in the year following the previous peer review but did not accept any during the current peer review year. In such a situation, the team captain should review evidential matter since the previous peer review year to evaluate the firm's compliance with its engagement acceptance quality control policies and procedures. If the team captain discusses the firm's procedures for acceptance of the new client and the firm indicates its only procedures were to review the predecessor auditor's workpapers, this may indicate there is a design matter in the firm's system of quality control related to acceptance and continuance. The team captain will then need to evaluate if there are any indicators of change to that policy since the last acceptance of an engagement and determine if the matter should be elevated to either an FFC or a deficiency in the report. If the team captain determines that the policy is designed appropriately and there is a compliance matter, it should be treated as any other compliance matter for actions during the peer review year.

Another example would be when the team captain reviews the monitoring and inspection results from the intervening periods to determine appropriate design and compliance of monitoring procedures. Looking at the intervening periods allows the team captain to evaluate whether the firm is properly communicating and remediating engagement and systemic issues identified.

Concluding on the Review of an Engagement

66-1 *Question*—Paragraphs .66–.67 and .109 of the standards requires the review team to conclude on the review of an engagement by determining whether the engagement was performed or reported on in conformity with applicable professional standards in all material respects. How should this conclusion be made?

Interpretation—The review team should use practice aids that document, for each engagement reviewed, whether anything came to the review team's attention that caused it to believe the following, as applicable:

a. The financial statements were not in conformity with GAAP in all material respects or, if applicable, with a special purpose framework and the auditor or accountant's report was not appropriately modified.

b. The firm did not perform or report on the engagement in all material respects in accordance with generally accepted auditing standards and other applicable standards; for example, *Government~~al~~ Auditing Standards*.

c. The firm did not perform or report on the engagement in all material respects in accordance with SSARS.

d. The firm did not perform or report on the engagement in all material respects in accordance with SSAEs or any other applicable standards not encompassed in the preceding.

In Engagement Reviews, these results should be considered by the review captain in determining the type of report to issue.

67-1 *Question*—Paragraphs .67 and .109 of the standards notes that the team captain or review captain should promptly inform the firm when an engagement is not performed or reported on in conformity with applicable professional standards in all material respects and remind the firm of its responsibilities under professional standards to take appropriate actions. How is this communication made? ~~and what other responsibilities does the team captain or review captain have in regard to the affected engagements?~~

Interpretation—If the reviewer concludes that an engagement is not performed or reported on in conformity with applicable professional standards in all material respects, the team captain or review captain should promptly inform an appropriate member of the reviewed firm on an MFC form. The team captain or review captain should remind the reviewed firm of its responsibilities under professional standards to take appropriate actions as addressed in AU-C section 560, *Subsequent Events and Subsequently Discovered Facts*, or SSARS No. 19, *Compilation and Review Engagements*, as applicable, or, if the firm's work does not support the report issued, as addressed in AU-C section 585, *Consideration of Omitted Procedures After the Report Release Date* (AICPA, *Professional Standards*). The reviewed firm should investigate the issue questioned by the review team and determine what timely action, if any, should be taken, including actions planned or taken to prevent unwarranted continued reliance on its previously issued reports. The reviewed firm should then advise the team captain or review captain of the results of its investigation, including parties consulted, and document ~~on~~ the ~~MFC form the~~ actions planned or taken or its reasons for concluding that no action is required as follows:

- In the firm's response to the MFC form

- In the firm's response to the FFC form, if applicable
- In the firm's letter of response to deficiencies and significant deficiencies identified in the report, if applicable

The firm is also expected to make a representation in its representation letter to the team or review captain confirming it will remediate nonconforming engagements as stated by the firm on its MFC forms, FFC forms, or letter of response, as applicable.

~~Reviewers or administering entities should not instruct reviewed firms to perform omitted procedures, reissue accounting or auditing reports, or have previously issued financial statements revised and reissued because those are decisions for the reviewed firm and its client to make. However, the administering entity can require the reviewed firms to make and document appropriate considerations regarding such engagements as a condition of acceptance of the peer review. The firm's response may affect other monitoring actions the administering entity's peer review committee may impose, including actions to verify that the reviewed firm adheres to the intentions indicated in its response.~~

~~If the reviewed firm has taken action, ordinarily the review team should review documentation of such actions (for example, omitted procedures performed, reissued report and financial statements, or notification to users to discontinue use of previously issued reports) and consider whether the action is appropriate. If the firm has not taken action, the review team should consider whether the planned actions are appropriate (genuine, comprehensive, and feasible).~~

67-2 *Question*—Paragraphs .67 and .109 of the standards note that the team captain or review captain should promptly inform the firm when an engagement is not performed or reported on in conformity with applicable professional standards in all material respects and remind the firm of its responsibilities under professional standards to take appropriate actions. What other responsibilities do the team and review captain have when nonconforming engagements are identified?

Interpretation—Reviewers or administering entities should not instruct firms to perform omitted procedures, reissue accounting or auditing reports, or have previously issued financial statements revised and reissued because those are decisions for the firm and its client to make. However, the administering entity can require the firms to make and document appropriate considerations regarding such engagements as a condition of acceptance of the peer review. The firm's response may affect other monitoring actions the administering entity's peer review committee may impose, including actions to verify that the firm adheres to the intentions indicated in its response.

If the firm has taken action, ordinarily the review team should review documentation of such actions (for example, omitted procedures performed,

reissued report and financial statements, or notification to users to discontinue use of previously issued reports) and consider whether the action is appropriate. If the firm has not taken action, the review team should consider whether the planned actions are appropriate (genuine, comprehensive, and feasible).

On a System Review, the team captain should consider expanding scope to determine the pervasiveness of the nonconforming engagements. The extent of the nonconforming engagements is considered when determining the systemic cause and whether the matter should be elevated to a finding, deficiency, or significant deficiency. Refer to paragraphs .68 and .84 of the standards for additional guidance on assessing when to expand scope and when matters may be isolated.

Aggregating and Systemically Evaluating Matters

79-1 *Question*—Paragraph .79 of the standards indicates that in the absence of findings or deficiencies in the engagements reviewed, the reviewer may still conclude that there are conditions in the design of the firm's system of quality control that could create a situation in which the firm would not have reasonable assurance of performing or reporting in conformity with applicable professional standards. When would a design matter or compliance with a functional area, by itself, result in a peer review rating of pass with deficiencies or fail?

Interpretation— A design matter, by itself, may result in a peer review rating of pass with deficiencies or fail when one or more conditions are present in the firm's system of quality control and the reviewer has concluded that the conditions could create a situation in which the firm would not have reasonable assurance of performing or reporting in conformity with applicable professional standards in one or more respects.

Examples may include but are not limited to the failure to establish or comply with policies and procedures designed to provide the firm with reasonable assurance that:

- The internal culture is based on recognition that quality is essential in performing engagements. This may be identified by firm leadership failure to have a quality control document, failure to appropriately respond to findings in a regulatory investigation, failure to have a timely peer review, and so on.
- The firm and its personnel comply with relevant ethical requirements. This may be identified by failure to obtain independence confirmations from all personnel, failure to inform personnel on a timely basis of changes to the list of clients and

related entities, failure to address potential breaches of independence, and so on.

- The firm will undertake or continue relationships and engagements only when the firm is competent to perform the engagements. This may be identified by failure to have policies and procedures in place to require evaluation of the nature of the services to be provided, evaluation of the firm's resources to provide the services, evaluation of the need to engage a third party to assist in new industries, and so on.
- The firm has sufficient personnel with the competence, capabilities, and commitment to ethical principles necessary to perform engagements in accordance with professional standards. This may be identified by failure to have policies and procedures requiring personnel to maintain a CPA license, comply with industry specific CPE requirements, ensure appropriate industry experience on engagement teams, and so on.
- The firm's compliance with all areas of the firm's system of quality control is effectively monitored. This may be identified by lack of monitoring of appropriate CPE for all firm personnel, lack of monitoring of functional areas in the firm's peer review year, failing to appropriately respond to issues identified during engagement inspections, and so on.

Determining the Systemic Cause ~~for a Finding in a System Review~~

83-1 *Question*—Paragraph .83 of the standards notes that when a review team is faced with an indication that a matter(s) could be a finding ~~or that the firm failed to perform or report in conformity with applicable professional standards in all material respects~~, the review team's first task in such circumstances, in collaboration with the firm, is to determine the systemic cause ~~of the finding or failure~~. Why?

Interpretation—The evaluation of a firm's system of quality control is the primary objective of a System Review and the basis for the peer review report.

As such, when a reviewer in a System Review discovers a matter, including an engagement that was not performed or reported in conformity with applicable professional standards in all material respects, he or she should avoid considering the type of report to issue until the ~~underlying~~ systemic cause of the matter (to determine if it rises to the level of a finding, deficiency or significant deficiency) is identified, where it is reasonably possible to do so.

Reviewers in a System Review must think of matters as symptoms of weaknesses in the firm's system of quality control. Further, reviewers, in

collaboration with the firm, must make a good faith effort to try to identify the ~~underlying~~ systemic cause for those matters to determine if they rise to the level of a finding. A finding has a systemic definition; a finding is one or more related matters that result from a *condition* in the reviewed firm's system of quality control or compliance with it such that there is more than a remote possibility that the reviewed firm would not perform or report in conformity with applicable professional standards. With a finding, the reviewer is considering more than just the "matter;" they are considering the condition (that is, systemic cause) that resulted in the matter(s) occurring. Otherwise said, the reviewer must determine why the matters occurred. Upon further evaluation, a finding may rise to a systemically oriented deficiency or significant deficiency.

~~Causes for one or more matters are only documented when one or more matters rise to the level of a finding or a deficiency or significant deficiency (and then are documented on a FFC form or in the report, respectively). Furthermore, because the cause may not ultimately be documented for all matters, the only way to determine if one or more matters rise to the level of a finding or higher, is to try to identify the underlying systemic cause.~~
~~One reliable method for identifying a matter's systemic cause is to require complete answers on all MFC forms, instead of merely a check mark for the "yes we agree" response. The reviewer may also survey firm personnel for causes of matters.~~

The system risks identified as part of the completion of the *Guidelines for Review of Quality Control Policies and Procedures* (Section 4500 and 4600) will be a helpful resource for reviewers in assessing the systemic cause. ~~Reviewers~~ The assessment of the systemic cause should consider that separate matters that are exactly the same may result from completely different quality control weaknesses in the firm.

To properly assess the systemic cause, reviewers should not accept "oversight" or "isolated" as the firm's response. The firm should provide sufficient detail for the reviewer to understand what caused the matter. For example, the failure to follow the firm's practice aid for a particular area may have been an isolated occurrence; however, failure to follow the practice aid would still be identified as the systemic cause resulting in the matter. Further guidance is provided in Interpretation 84-1 to assist reviewers in determining if the matter is isolated.

~~Without identifying and understanding the underlying cause(s), a reviewer cannot make meaningful recommendations that help reduce the likelihood of the repeat finding(s), deficiency(ies) or significant deficiency(ies) recurring (or findings that develop into deficiencies or significant deficiencies in the future).~~

~~Reviewers should not assume that the recommendation of the use of standard forms and checklists will improve a firm's system of quality control. Although forms and checklists are helpful in many circumstances, their use may not change behavior, improve performance or cure findings, deficiencies and significant deficiencies. For example, checklists will not help firms that lack overall knowledge of accounting and auditing matters or knowledge in the specific area in which the deficiency arose. Nor will standard checklists help firms in which policies and procedures for the review of engagements are routinely overridden.~~

~~Additional guidance on the systemic approach of a System Review is included in chapter 4 of PRP 3300, *AICPA Peer Review Program Report Acceptance Body Handbook.*~~

83-2 *Question*—For System Reviews and Engagement Reviews, what is considered a repeat finding on a finding for further consideration (FFC) form?

Interpretation—On System Reviews, a repeat finding is one or more related matters that result from a condition in the reviewed firm's system of quality control or compliance with it that is noted during the current review and also on a FFC form in the prior peer review. The review team should read the prior review documentation, including the report, letter of response and FFC forms, if applicable, and evaluate whether the firm's planned actions noted on those forms were implemented. If the firm's planned actions to remediate the prior review findings were implemented, and the same finding is occurring, the review team should determine the condition in, or compliance with, the firm's system of quality control that caused the current finding. If it is determined to be the same systemic cause, the FFC form should indicate that similar findings were noted in the prior review. The review team should also consider whether there are findings in other elements of quality control. If the prior remedial actions (corrective actions, implementation plans, or as discussed in the firm's response on the FFC form) appear to be effective, the finding may be caused by some other condition in, or compliance with, the firm's system of quality control. If the ~~underlying~~ systemic cause of the finding is different from that noted in the prior review, it would not be a repeat.
See section 3100, *Supplemental Guidance*, for an example of identifying repeat findings, deficiencies and significant deficiencies in a System Review.

On Engagement Reviews, a repeat is one in which the identified finding is substantially the same (that is, the same kind or very similar) as noted on a FFC form in the prior peer review as it relates to reporting, presentation, disclosure or documentation. For example, if a reviewer notes an engagement that had a disclosure or financial statement presentation finding on a FFC form in the prior peer review, the disclosure or financial statement presentation finding noted in the current review would need to be substantially the same disclosure or financial statement presentation finding to qualify as a repeat.

A firm that repeatedly receives peer reviews with consistent findings that are not corrected may be required to complete an implementation plan.

83-3 *Question*—Paragraph .83 of the standards notes the importance of determining the systemic cause of the identified findings ~~or failures~~ to determine whether they are systemic in nature. How do the results of regulatory or governmental oversight or inspection factor into this determination?

Interpretation—If similar issues were raised in both the regulatory or governmental oversight(s) and in the peer review, the review team should further understand the systemic causes identified by the reviewed firm and consider whether there may be a systemic issue related to the design of the system of quality control or compliance with it. ~~It may also be helpful when considering appropriate recommendations to understand remediation taken by the firm.~~ See Interpretations 40-1 and 40-2 for additional considerations.

Isolated Matters in a System Review

84-1 *Question*—Paragraph .84 refers to isolated matters in a System Review. What is an isolated matter and what further guidance is there to address isolated matters?

Interpretation—An isolated matter occurs when there is an incident (or limited incidents) of noncompliance with professional standards or the firm's quality control policies and procedures on one or more engagements (or aspect of a functional area) and the identical standards or policies and procedures were complied with on the remaining engagements or aspect of a functional area.

Reviewers should follow the guidance in paragraph .68, "Expansion of Scope," and paragraphs .84–.85, "Determining the Systemic Cause ~~for a Finding~~," of the standards. The reviewer needs to evaluate the pervasiveness of the issue, including expanding scope if necessary. In some instances the team captain should expand scope to other engagements or aspects of functional areas, and determine that such matters did not occur elsewhere, thus evidencing that the noncompliance with the firm's system of quality control was truly isolated. In these situations, team captains should focus on the ~~underlying~~ systemic cause of the matter when analyzing if it is isolated and may consider a key area approach when expanding scope to other engagements or aspects of functional areas to determine if the matter is isolated. The reviewer's ability to conclude a matter is isolated may be dependent on his or her ability to expand scope to engagements or aspects of functional areas that are classified by common characteristics such as, but not limited to, the industry, level of service, the practitioners in charge, or engagements that must be selected in a peer review.

The reviewer should consider that a single disclosure matter and a single documentation matter may be isolated when taken individually but they may have resulted from the same ~~underlying~~ systemic cause. They should further consider that an isolated matter may be materially significant in amount or nature or both.

Reviewers should document their consideration of an isolated matter and the conclusions reached in the MFC form. Team captains should document the same in the Summary Review Memorandum. The documentation should include the details of the matter noted, how the reviewer expanded scope, if applicable, and why the reviewer concluded the matter was isolated. The documentation should provide enough information for the administering entity's peer review committee to determine if the team captain's conclusion is appropriate.

Communicating Conclusions at the Closing Meeting and Exit Conference

91-1 *Question*—Paragraphs .91, .92 and .115 of the standards instruct~~s a team captain~~ peer reviewers on communicating conclusions at the closing meeting and exit conference~~ in a System Review~~. What other guidelines should be followed?

Interpretation—The ~~team captain~~peer reviewer should consider the need to have the team member(s) participate or be available for consultation (in person or via teleconference) ~~in~~ during the closing meeting or exit conference~~ or be available for consultation during the exit conference~~, especially when, in unusual circumstances, the team or review captain does not have the experience to review the industry of an engagement that was reviewed by the team member.

Furthermore, for System Reviews, the closing meeting and exit conference ~~is~~ are not the appropriate place or time to surprise the firm with the intention of issuing a *pass with deficiency* or *fail* ~~R~~report or to discuss any unresolved accounting and auditing issues. It is expected that the team captain will have an open means of communication with various levels of personnel leading up to the ~~exit conference~~closing meeting, having at a minimum and as applicable~~,~~:

- promptly informed them when an engagement is not performed or reported on in conformity with applicable professional standards,
- ~~having~~ discussed MFC and FFC forms including the systemic causes and related ~~recommendations~~ remedial actions of the firm for any matters, findings, deficiencies, and significant deficiencies in advance, and
- ~~having~~ followed up on open questions and issues.

The closing meeting should ordinarily occur at least 30 days prior to the firm's due date to allow sufficient time for the firm to determine appropriate remediation with respect to findings, deficiencies, and significant deficiencies, if applicable. The exit conference should be used as a time to communicate the final results of the peer review and should only be conducted after the peer reviewer has assessed the appropriateness of the firm's responses on the MFC forms, FFC forms, and letter of response, if applicable.

Notification and Submission of Peer Review Documentation to the Administering Entities by the Team Captain or Review Captain

94-1 Question—Paragraphs .94, .120, and .190 of the standards instruct a reviewer to see the interpretations for guidance on notification requirements and submission of peer review documentation to the administering entity. What materials should be submitted by the team captain or review captain, and when should they be submitted by?

Interpretation—The team captain or review captain should notify the administering entity that the review has been performed. ~~and should submit to that administering entity w~~Within 30 days of the exit conference date ~~in a System Review (or the review captain's discussions with the reviewed firm regarding the results of the review in an Engagement Review)~~ or by the firm's peer review due date, whichever date is earlier, ~~a copy of the report, and~~ the team captain should submit the following documentation ~~required by~~ the administering entity~~ies at a minimum (consider sending by an insured carrier or retaining or sending copies, or both):~~

For System and Engagement Reviews:

- Report~~,~~ and letter of response, if applicable ~~(reminder: The reviewer is not expected to delay submission of peer review documents to the administering entity for receipt or review of the letter of response from the firm)~~
- Summary Review Memorandum~~,~~ or Review Captain Summary, as applicable
- Engagement Summary Form (For Engagement Reviews)
- FFC forms, as applicable
- MFC forms, submitted electronically or hard copy, as applicable
- DMFC form, submitted electronically or hard copy, as applicable
- Firm's representation letter
- 22,100-Part A, Supplemental Checklist(s) for Review of Single Audit Act/A-133 Engagement(s) and engagement

profile(s) for A-133 engagements reviewed (if applicable) (for System Reviews)

~~Note that other working papers on these peer reviews are subject to oversight procedures and may be requested at a later date.~~

For all reviews administered by the National PRC, as applicable:

- ~~Committee-appointed review team Engagement Reviews~~
- ~~All System Reviews, Engagement Reviews, and quality control materials reviews administered by the National PRC~~
- ~~In addition to the preceding~~All of the documents required to be submitted for System Reviews and Engagement Reviews
- ~~, include all other working papers incorporated by reference, as applicable, including e~~Engagement questionnaires or checklists~~;~~
- ~~quality~~ Quality control documents and related practice aids~~;~~
- ~~staff~~ Staff and focus group interview forms~~, focus group, and other interview sessions;~~
- ~~planning~~ Planning documents~~;~~
- ~~and a~~Any other relevant documents~~.~~

Note that all peer review working papers are subject to oversight procedures and may be requested at a later date.

Peer review working papers may be submitted to the administering entity electronically.

Reporting on System and Engagement Reviews When a Report With a Peer Review Rating of *Pass With Deficiency* or *Fail* Is Issued

96n-1 *Question*—Paragraphs .96(n) and .122(n) of the standards instruct a team captain in a System Review (or review captain on an Engagement Review) to identify, for any deficiencies or significant deficiencies included in the report with a peer review rating of pass with deficiencies or fail, any that were also made in the report issued on the firm's previous peer review. What further guidance is available in regards to this requirement?

Interpretation—On System Reviews, a repeat is a deficiency or significant deficiency noted during the current review that was caused by the same system of quality control weakness noted in the prior review's report. The review team should read the prior report and letter of response and evaluate whether corrective actions discussed have been implemented to determine whether the systemic cause is the same. The deficiency or significant deficiency should note that "This deficiency [or significant deficiency, as applicable] was noted in the firm's previous peer review."

If the corrective actions have been implemented and the same deficiency or significant deficiency is occurring, the review team, in collaboration with the

firm, should determine the weakness in the firm's system of quality control that is causing the deficiency or significant deficiency to occur. In this case, if the prior corrective actions appear to be effective, the deficiency or significant deficiency may be caused by some other weakness in the firm's system of quality control. If the ~~underlying~~ systemic cause of the deficiency or significant deficiency is different from that reported in the prior review, it would not be a repeat.

The preceding also applies when the deficiency or significant deficiency noted during the current review was caused by the same system of quality control weakness noted on a FFC form in the prior review. The team captain should consider if the firm's planned actions to remediate the prior review findings were implemented, including implementation plans or those discussed in the firm's response on the FFC form. If the prior remedial actions appear to be effective, the current deficiency may be caused by some other weakness in or compliance with the firm's system of quality control. If the ~~underlying~~ systemic cause of the deficiency is different from that noted in the prior review, it would not be a repeat. If the ~~underlying~~ systemic cause is determined to be the same, under these circumstances, it would still be appropriate to use the same wording as previously described "This deficiency [or significant deficiency, as applicable] was noted in the firm's previous peer review." If the systemic cause is the same, the review team should also consider whether there are deficiencies in other elements of quality control.

See section 3100, Supplemental Guidance, for an example of identifying repeat findings, deficiencies and significant deficiencies in a System Review. On Engagement Reviews, a repeat is one in which the identified engagement deficiency or significant deficiency is substantially the same (that is, the same kind or very similar) as noted in the prior review's report as it relates to reporting, presentation, disclosure or documentation. For example, if a reviewer notes an engagement that had a disclosure or a financial statement presentation deficiency in a prior review's report, the disclosure or financial statement presentation deficiency noted in the current review would need to be substantially the same disclosure or financial statement presentation deficiency to qualify as a repeat.

The preceding also applies when the deficiency or significant deficiency noted during the current review was substantially the same as was noted on a FFC form in the prior review. Under these circumstances, it would still be appropriate to use the same wording as previously described: "This deficiency [or significant deficiency, as applicable] was noted in the firm's previous peer review."

For System Reviews and Engagement Reviews in which there are repeat deficiencies or significant deficiencies that have occurred on two or more prior

reviews the reviewer should state in the current report that, "this deficiency [or significant deficiency, as applicable] was noted on previous reviews."
A firm that repeatedly receives peer reviews with consistent deficiencies or significant deficiencies that are not corrected may be deemed as a firm refusing to cooperate. For such firms that fail to cooperate, the AICPA Peer Review Board may decide, pursuant to fair procedures that it has established, to appoint a hearing panel to consider whether the firm's enrollment in the AICPA peer review program should be terminated or some other action taken. Therefore, it is critical that peer reviewers appropriately identify the ~~underlying~~ systemic causes of deficiencies and significant deficiencies on System Reviews and that reporting on System and Engagement Reviews is appropriate.

~~96m~~96p-1 *Question*—Paragraphs .96(~~m~~p) and .122(~~m~~n) of the standards instruct ~~a team captain in a System Review (or review captain on an Engagement Review)~~ the peer reviewer to include, for reports with a peer review rating of pass with deficiency(ies) or fail, descriptions ~~(systemically written, in a System Review)~~ of the deficiencies or significant deficiencies~~ and the reviewing firm's recommendations~~. What is the treatment of FFCs, if any, when these reports are issued, and how are deficiencies treated for reports with a peer review rating of fail?

Interpretation—Any findings that are only raised to the level of a FFC remain in a FFC and are not included in a report with a peer review rating of pass with deficiency or fail.

A significant deficiency in a System Review is one or more deficiencies that the peer reviewer has concluded results from a condition in the reviewed firm's system of quality control or compliance with it such that the reviewed firm's system of quality control taken as a whole does not provide the reviewed firm with reasonable assurance of performing or reporting in conformity with applicable professional standards in all material respects. Such deficiencies are communicated in a report with a peer rating of fail. Therefore, this is a systemic approach to determining whether the deficiencies identified meet this significant deficiency threshold. If they do, then a report with a peer review rating of fail is issued and all of the deficiencies are considered significant deficiencies and are identified as such. Such a report would not have a section with "Significant Deficiencies Identified in the Firm's System of Quality Control" and another section for "Deficiencies Identified in the Firm's System of Quality Control," ~~as~~ because they would all be categorized as ~~Significant~~ significant ~~Deficiencies~~deficiencies.

A significant deficiency on an Engagement Review exists when the review captain concludes that deficiencies are evident on all of the engagements submitted for review. Such deficiencies are communicated in a report with a peer review rating of fail. Therefore, on an Engagement Review, all of the

engagements reviewed are considered concerning whether deficiencies were noted when determining if the significant deficiency threshold is met. If they do, then a report with a peer review rating with fail is issued and all of the deficiencies are considered significant deficiencies and are identified as such. Such a report would not have a section with "Significant Deficiencies Identified on the Firm's Conformity With Professional Standards on Engagements Reviewed" and another section for "Deficiencies Identified on the Firm's Conformity With Professional Standards on Engagements Reviewed, if applicable," ~~as~~ because they would all be categorized as ~~Significant~~ significant ~~Deficiencies~~deficiencies.

~~Submission of FFC Forms to the Administering Entities by the Team Captain or Review Captain~~ Firm Responses and Related Team or Review Captain Considerations

99-1 *Question*—Paragraphs .99, and .125 state that it is the firm's responsibility to identify the appropriate remediation of any findings, deficiencies and significant deficiencies and to appropriately respond. Should the team or review captain assist with this assessment?

Interpretation—Although it is ultimately the firm's responsibility, the team or review captain and firm should collaborate to determine the response. In a System Review, the response will address the appropriate systemic cause and remedial actions. The team captain should provide information about risks in the firm's system of quality control (as identified through the Guidelines for Review of Quality Control Policies and Procedures in Sections 4500 and 4600).

99-2 *Question*—Paragraphs .99 states that the firm's response should include remedial action and paragraph.98 states that the firm's response should be provided to the team captain as soon as practicable to allow the team captain sufficient time to assess the firm's response prior to the exit conference. How should the reviewed firm respond if it is unable to determine appropriate remedial actions prior to the exit conference?

Interpretation—If the reviewed firm is unable to determine appropriate remediation of weaknesses in its system of quality control and nonconforming engagements, if applicable, prior to the exit conference, the firm's response should indicate interim steps that have been taken and confirm its intent to remediate when an appropriate response is determined. In these situations, the RAB considering the review will ordinarily assign an implementation plan or corrective action for the firm to provide its final remediation.

~~97~~100-1 *Question*—Paragraphs .~~97~~ 100 and .126~~3~~ of the standards discuss the team captain or review captain's responsibility to review and~~,~~ evaluate~~, and comment on~~ the reviewed firm's responses on the FFC form and in the letter of response prior to ~~its~~ submission to the administering entity with the peer review working papers. What should be considered during that review?

Interpretation—The purpose of the firm's response on the FFC form and in the letter of response is for a firm to stipulate, in writing, the specific action(s) that will be taken to correct findings and deficiencies noted by the reviewer and, on a System Review, to enhance the current system of quality control. In a System Review, ~~T~~the description of the action(s) the firm has taken or will take should discuss remediation of findings and deficiencies in the system of quality control and nonconforming engagements, if applicable, to ensure prevention of recurrence of the finding, deficiency or significant deficiency ~~discussed in the report~~. For System and Engagement Reviews, ~~T~~the action(s) should be feasible, genuine, and comprehensive, addressing each of the requirements in paragraphs .99 and .125 ~~. The letter of response should not be vague or repetitive of the deficiency or significant deficiency in the report, because then it is difficult to determine if the planned action will be appropriately implemented to ensure prevention; or if the action is inappropriate for correcting the deficiency or significant deficiency.~~ The FFC form and letter of response should not be used as a place to indicate justification for the firm's actions that related to the deficiency or significant deficiency. If the firm's response is not deemed to be comprehensive, genuine, and feasible, the technical reviewer or RAB will request a revised response.

In a System Review, the team captain may consider failure to appropriately remediate findings and deficiencies in the system of quality control and nonconforming engagements, if applicable, as an indication of a tone at the top weakness that may result in a deficiency or significant deficiency.

~~**99-1**~~ ~~Question—Paragraphs .99 and .125 of the standards instruct a team captain or review captain to review and evaluate the firm's responses to all findings and recommendations not rising to the level of a deficiency or significant deficiency as reflected on the related FFC forms before they are submitted to the administering entity. When should the FFC forms be submitted to the administering entity and who should submit them?~~

~~Interpretation—Ordinarily, the FFC forms should be responded to by the reviewed firm during the peer review; for example, during or immediately following the exit conference (in a System Review) or before or immediately following the review captain's discussions with the reviewed firm regarding the results of the review (in an~~

~~Engagement Review). This would allow the team captain or review captain to assist the firm in developing its responses and obtaining the necessary signatures on the FFC forms and allow the team captain or review captain to review the responses at that time, all of which will expedite the process.~~

~~The reviewed firm's response should describe how the firm intends to implement the reviewer's recommendation (or alternative plan if the firm does not agree with the recommendation); the person(s) responsible for implementation; the timing of the implementation; and, if applicable, additional procedures to ensure that the finding is not repeated in the future. The team captain or review captain can provide assistance in ensuring that the responses are appropriate and comprehensive. However, it is also recognized that the reviewed firm may prefer to provide its final responses after it has had the opportunity to discuss them further internally, develop a plan of action, and more formally respond. In either case, the completed FFC forms should be submitted to the team captain or review captain no later than two weeks after the exit conference (in a System Review) or the review captain's discussions with the reviewed firm regarding the results of the review (in an Engagement Review), or by the peer review's due date, whichever is earlier. FFC forms are then submitted by the team captain or review captain with the applicable working papers to the administering entity. If the reviewed firm's response is not deemed to be comprehensive, genuine, and feasible, the technical reviewer or RAB will request a revised response.~~

Fulfilling Peer Review Committee and Report Acceptance Body Responsibilities

133a-1

Question—Paragraph .133 of the standards indicates that the committee is responsible for ensuring that peer reviews are presented to a RAB in a timely manner, ordinarily within 120 days of the later of receipt of the working papers and peer review report from the team captain or review captain or, if applicable, the report with a peer review rating of pass with deficiencies or fail and the related letter of response from the firm. What is meant by "ordinarily within 120 days"?

Interpretation—Timely acceptance of peer reviews is important because delays may affect both the firm and peer reviewers within the firm. However, there are circumstances in which delays are unavoidable, including the following:

a. Determination during technical review or presentation that an oversight should be performed
b. Submitted peer review documentation requires significant revisions
c. Additional inquiries of the firm or peer review team as a result of the technical review or presentation
d. Enhanced oversight procedures.

Publicizing Peer Review Information

146-3 *Question*—Paragraph .146 states that neither the administering entity nor the AICPA shall make the results of the review, or other information related to the acceptance or completion of the review, available to the public, except as authorized or permitted by the firm under certain circumstances. There are situations in which third parties, ordinarily licensing bodies, request information related to an ongoing peer review from an administering entity or the AICPA. What information may an administering entity or the AICPA provide when such requests are made?

Interpretation—When a firm has authorized the administering entity or the AICPA in writing to provide specific information (in addition to the information in Paragraph .146) to third parties, the following (or similar) types of objective information about the review may be provided, if known:

- The date the review is or was scheduled to take place
- The name of the reviewing firm, team captain or review captain
- If the fieldwork on the peer review has commenced
- The date the exit conference was expected to or did occur
- A copy of any extension approval letters,
- Whether the peer review working papers have been received by the administering entity
- Whether a must select engagement was included in the scope as required by the Standards
- If a technical review is in process
- Whether the review has been presented to a Report Acceptance Body (RAB)
- The date the review is expected to be presented to a RAB
- If the firm is going through fair procedures to determine whether it is cooperating with the peer review

Other written requests by the firm for the administering entity or AICPA to provide information or documents to a third party will be considered on a case by case basis by the administering entity or AICPA. However, neither the administering entity nor the AICPA will provide information that is subjective (due to different definitions/interpretations by third parties), even with firm authorization, such as the following:

- Stating solely that the review is "in process" or responding to an inquiry solely regarding what the "general status" of a peer review is.
- The peer review report rating prior to the peer review's acceptance
- Whether the firm, reviewing firm, team captain or review captain are cooperating (or not cooperating) with the AICPA or administering entity

- An indication of the quality or completeness of peer review working papers received by the administering entity
- Reasons why peer review working papers, implementation plans, or corrective actions are late
- Whether a firm is close to submitting documents or completing implementation plans or corrective actions
- Reasons for, or the likely outcome if the firm is going through fair procedures to determine whether it is cooperating with the AICPA or administering entity.

Paragraph .146 states that the firm should not publicize the results of the review or distribute copies of the peer review reports to its personnel, clients, or others until it has been advised that the report has been accepted (see interpretations) by the administering entity as meeting the requirements of the program. Where appropriate, the firm may discuss information in this Interpretation with third parties at its discretion as long as Paragraph.146 is complied with.

Firm Representations

208-1-1 *Question*—Paragraph .208(~~1~~7) (appendix B) of the standards advises that the firm is required to make specific representations but is not prohibited from making additional representations beyond the required representations, in its representation letter to the team captain or review captain. What parameters should be used in ~~expanding~~ tailoring the representation letter?
Interpretation—The representation letter is not intended to be onerous for the reviewed firm. Allowing reviewers to add or delete whatever they want to the representation letter would make it very difficult to maintain consistency in the program. In addition, this becomes a very important issue because a firm's failure to sign the representation letter may be considered noncooperation.

However, at a minimum the representation letter should comply with the spirit of the guidance, there is value to the reviewer of obtaining certain representations in writing. Thus, if during the review, something comes to the reviewer's attention whereby the reviewer believes the reviewed firm is providing contradicting or questionable information, the reviewer should investigate the matter further and may consider having the firm include the matter in the representation letter.

Reviewed firms and reviewers are not permitted to tailor the required representations unless otherwise stated in paragraph .208 (8) because these are considered the minimum applicable representations for both System and Engagement Reviews.

Exhibit 1

Example Timeline of Peer Review Process

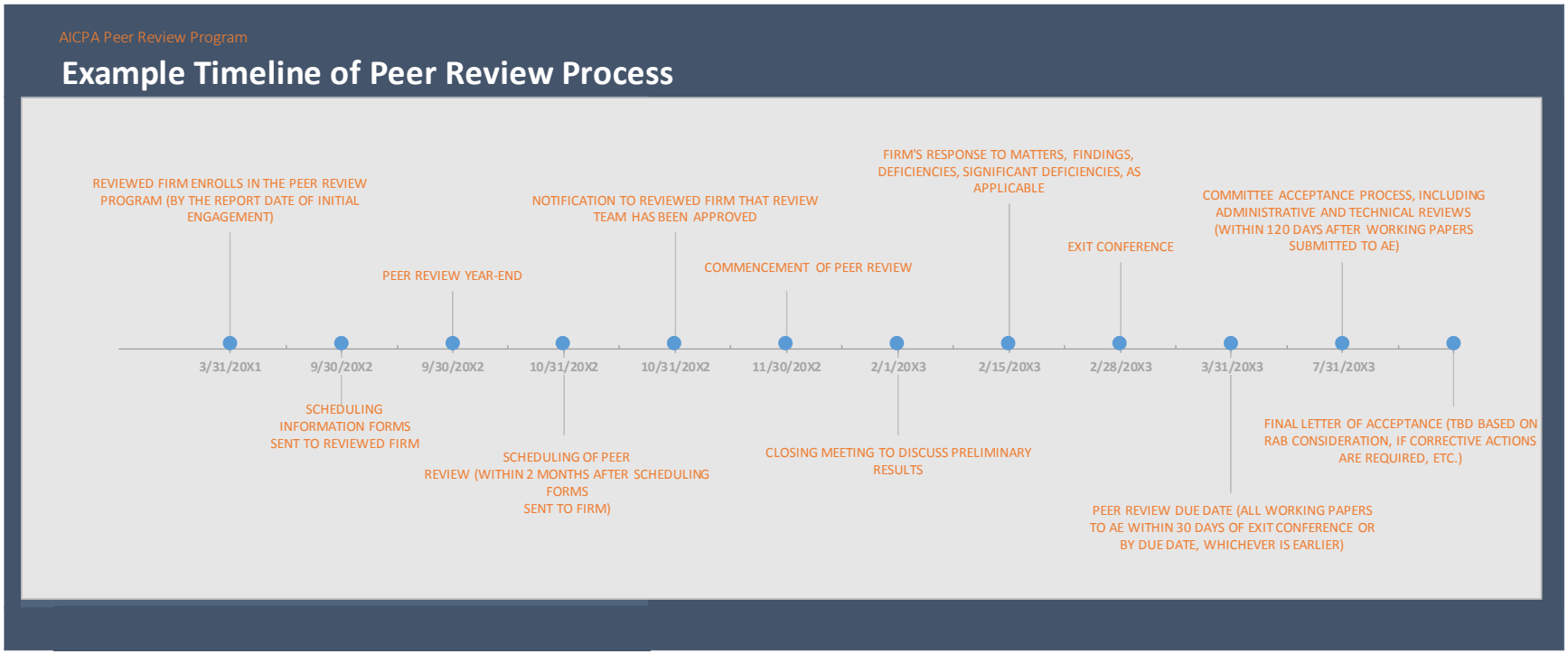

Exhibit 2

Revisions to Standards and Interpretations in Numerical Order

Standard	Related Topic (Refer to Explanatory Memorandum for Details)
.09	Nonconforming Engagements
.16 - .17	FFC and Report Guidance
.38	
.39	Enhanced Peer Review of the Firm's System of Quality Control
.44	
.53 - .54	
.66 - .67	Nonconforming Engagements
.68 - .72	Enhanced Peer Review of the Firm's System of Quality Control
.73 - .74	FFC and Report Guidance
.75 - .90	Enhanced Peer Review of the Firm's System of Quality Control
.91 - .101	FFC and Report Guidance
.109	Enhanced Peer Review of the Firm's System of Quality Control
.113	FFC and Report Guidance
.115 - .117	FFC and Report Guidance
.120 - .125	
.127	
.133	Transparency of Review Status
.139	FFC and Report Guidance
.142	
.146	Transparency of Review Status
.169	Enhanced Peer Review of the Firm's System of Quality Control
.178	FFC and Report Guidance
.179	Enhanced Peer Review of the Firm's System of Quality Control
.183	
.185	
.190	FFC and Report Guidance
.194 - .197	
.207	Appendix A - Summary Standards
.208	Appendix B - Firm Representation Letter
.209 - .226	FFC and Report Guidance (Report and LOR Illustrations)
Interpretation	**Related Topic (Refer to Explanatory Memorandum for Details)**
17-1	FFC and Report Guidance
39-1	Enhanced Peer Review of the Firm's System of Quality Control
54d-2	
66-1	Nonconforming Engagements
67-1 and 67-2	
79-1	Enhanced Peer Review of the Firm's System of Quality Control

Interpretation	Related Topic (Refer to Explanatory Memorandum for Details)
83-1 to 83-3	Enhanced Peer Review of the Firm's System of Quality Control
84-1	
91-1	FFC and Report Guidance
94-1	
96n-1 and 96p-1	
99-1 and 99-2	
100-1	
133a-1	Transparency of Review Status
146-3	
208-1-1	Appendix B - Firm Representation Letter

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Attachment 2

Business and Professions Code Section 5076

5076.

(a) In order to renew its registration in an active status or convert to an active status, a firm, as defined in Section 5035.1, shall have a peer review report of its accounting and auditing practice accepted by a board-recognized peer review program no less frequently than every three years.
(b) For purposes of this article, the following definitions apply:
(1) “Peer review” means a study, appraisal, or review conducted in accordance with professional standards of the professional work of a firm, and may include an evaluation of other factors in accordance with the requirements specified by the board in regulations. The peer review report shall be issued by an individual who has a valid and current license, certificate, or permit to practice public accountancy from this state or another state and is unaffiliated with the firm being reviewed.
(2) “Accounting and auditing practice” includes any services that were performed in the prior three years using professional standards defined by the board in regulations.
(c) The board shall adopt regulations as necessary to implement, interpret, and make specific the peer review requirements in this section, including, but not limited to, regulations specifying the requirements for board recognition of a peer review program, standards for administering a peer review, extensions of time for fulfilling the peer review requirement, exclusions from the peer review program, and document submission.
(d) Nothing in this section shall prohibit the board from initiating an investigation and imposing discipline against a firm or licensee, either as the result of a complaint that alleges violations of statutes, rules, or regulations, or from information contained in a peer review report received by the board.
(e) A firm issued a substandard peer review report, as defined by the board in regulation, shall submit a copy of that report to the board. The board shall establish in regulation the time period that a firm must submit the report to the board. This period shall not exceed 60 days from the time the report is accepted by a board-recognized peer review program provider to the date the report is submitted to the board.
(f) (1) A board-recognized peer review program provider shall file a copy with the board of all substandard peer review reports issued to California-licensed firms. The board shall establish in regulation the time period that a board-recognized peer review program provider shall file the report with the board. This period shall not exceed 60 days from the time the report is accepted by a board-recognized peer review program provider to the date the report is filed with the board. These reports may be filed with the board electronically.
(2) Nothing in this subdivision shall require a board-recognized peer review program provider, when administering peer reviews in another state, to violate the laws of that state.
(g) The board shall, by January 1, 2010, define a substandard peer review report in regulation.

(h) Any requirements imposed by a board-recognized peer review program on a firm in conjunction with the completion of a peer review shall be separate from, and in addition to, any action by the board pursuant to this section.
(i) Any report of a substandard peer review submitted to the board in conjunction with this section shall be collected for investigatory purposes.
(j) Nothing in this section affects the discovery or admissibility of evidence in a civil or criminal action.
(k) Nothing in this section requires any firm to become a member of any professional organization.
(l) A peer reviewer shall not disclose information concerning licensees or their clients obtained during a peer review, unless specifically authorized pursuant to this section, Section 5076.1, or regulations prescribed by the board.
(m) (1) By January 1, 2015, the board shall provide the Legislature and Governor with a report regarding the peer review requirements of this section that includes, without limitation:
(A) The number of peer review reports completed to date and the number of reports which were submitted to the board as required in subdivision (e).
(B) The number of enforcement actions that were initiated as a result of an investigation conducted pursuant to subdivision (i).
(C) The number of firms that were recommended to take corrective actions to improve their practice through the mandatory peer review process, and the number of firms that took corrective actions to improve their practice following recommendations resulting from the mandatory peer review process.
(D) The extent to which mandatory peer review of accounting firms enhances consumer protection.
(E) The cost impact on firms undergoing mandatory peer review and the cost impact of mandatory peer review on the firm's clients.
(F) A recommendation as to whether the mandatory peer review program should continue.
(G) The extent to which mandatory peer review of small firms or sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting enhances consumer protection.
(H) The impact of peer review required by this section on small firms and sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting.
(I) The impact of peer review required by this section on small businesses, nonprofit corporations, and other entities that utilize small firms or sole practitioners for the purposes of nondisclosure compiled financial statements prepared on an other comprehensive basis of accounting.
(J) A recommendation as to whether the preparation of nondisclosure compiled financial statements on an other comprehensive basis of accounting should continue to be a part of the mandatory peer review program.
(2) A report to the Legislature pursuant to this section shall be submitted in compliance with Section 9795 of the Government Code.
(Amended by Stats. 2012, Ch. 661, Sec. 5. Effective January 1, 2013.)

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Attachment 3

California Board of Accountancy Regulation Section 48

§ 48 Minimum Requirements for a Peer Review Program.

For a peer review program provider to receive Board recognition and be authorized to administer peer reviews in California, the peer review program provider shall submit evidence to the satisfaction of the Board that the peer review program is comprised of a set of standards for performing, reporting on, and administering peer reviews. A peer review program shall include the following components:

(a) Peer Review Types

A peer review program shall have a minimum of two types of peer reviews that include the following:

(1) For firms performing engagements under the Statements on Auditing Standards (SASs), Government Auditing Standards, examinations of prospective financial statements under the Statements on Standards on Attestation Engagements (SSAEs), or audits of non-Security Exchange Commission (SEC) issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB), the firm shall undergo a peer review designed to test the firm's system of quality control. The scope of the peer review shall be such that it provides a peer reviewer with a reasonable assurance that a firm's system of quality control was designed in accordance with professional standards and was complied with by a firm's personnel.

(2) For firms only performing engagements under the Statements on Standards for Accounting and Review Services (SSARS) or under Statements on Standards on Attestation Engagements (SSAEs) not encompassed in review performed under subsection (a)(1), the firm shall undergo a peer review designed to test a cross-section of a firm's engagements to assess whether the engagements were performed in conformity with the applicable professional standards.

(b) Peer Review Report Issuance

(1) For firms undergoing peer reviews pursuant to subsection (a)(1), one of the following three types of peer review reports shall be issued:

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

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

(C) A peer review report indicating that a peer reviewer or peer review team concluded that a firm's system of quality control is not suitably designed or complied with by the firm's personnel, and thus, does not provide the firm with reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.
(2) For firms undergoing peer reviews pursuant to subsection (a)(2), one of the following three types of peer review reports shall be issued:
(A) A peer review report indicating that a peer reviewer or peer review team concluded that there was no evidence which would cause the peer reviewer to believe that the engagements performed by the firm were not performed in conformity with applicable professional standards.
(B) A peer review report indicating that a peer reviewer or peer review team concluded that, with the exception of a certain deficiency or deficiencies, nothing would cause the peer reviewer to believe that the engagements performed by the firm and submitted for review were not performed in conformity with applicable professional standards. The deficiencies identified were such that the peer reviewer concluded they were material to the understanding of the report or financial statements or represented omission of critical procedures required by applicable professional standards.
(C) A peer review report indicating that a peer reviewer or peer review team concluded that the engagements reviewed were not performed and/or reported on in conformity with applicable professional standards. In issuing such report, the peer reviewer shall assess both the significance of the deficiencies identified and the pervasiveness of the deficiencies.
(c) Peer Reviewer Qualifications A peer review program shall include minimum qualifications for an individual to qualify as a peer reviewer. The qualifications shall, at a minimum, include the following:
(1) Have a valid and active license in good standing to practice public accounting issued by this state or other state.
(2) Be actively involved and practicing at a supervisory level in a firm's accounting and auditing practice.
(3) Maintain a currency of knowledge of the professional standards related to accounting and auditing, including those expressly related to the type or kind of practice to be reviewed.
(4) Provide the Board-recognized peer review program provider with his/her qualifications to be a reviewer, including recent industry experience.
(5) Be associated with a firm that has received a peer review report issued in accordance with subsection (b)(1)(A) or (b)(2)(A) of this section or has received a peer review rating of pass or unmodified as part of the American Institute of Certified Public Accountants Peer Review Program as part of the firm's last peer review.
(d) Planning and Performing Peer Reviews
A peer review program shall include minimum guidelines and/or standards for planning and performing peer reviews commensurate with the type of peer review being performed to include, but not limited to, the following:
(1) For peer reviews performed in accordance with subsection (a)(1) of this section, a peer review program's guidelines and/or standards shall include the following:
(A) Ensuring that prior to performing a peer review, a peer reviewer or a peer review team takes adequate steps in planning a peer review to include the following: (i) obtain the results of a firm's prior peer review (if applicable), (ii) obtain sufficient understanding of the nature and extent of a firm's accounting and auditing practice, (iii) obtain a sufficient understanding

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

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

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

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Attachment 4

California Board of Accountancy Regulation Section 48.1

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

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

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

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DATE

Attachment 5

Rachelle Drummond
Senior Technical Manager, AICPA Peer Review Program
American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, NC 27707-8110

RE: AICPA Exposure Draft on Standards for Performing and Reporting on Peer Reviews, Improving Transparency and Effectiveness of Peer Review, November 10, 2015

Dear Ms. Drummond:

On behalf of the California Board of Accountancy (CBA), I am pleased to submit our comments on the American Institute of Certified Public Accountants (AICPA) Exposure Draft on Standards for Performing and Reporting on Peer Reviews, Improving Transparency and Effectiveness of Peer Review (Exposure Draft).

The CBA supports improving the transparency and effectiveness of Peer Review to enhance the knowledge and competency of its licensees. The clarifications outlined in the Exposure Draft regarding the performance of reviews and reporting standards will improve the peer review process, which is consistent with the CBA's mission to protect consumers by ensuring only qualified licensees practice public accountancy.

The CBA is grateful for the opportunty to comment on this exposure draft.

Sincerely,

Katrina L. Salazar, CPA
President

c: Members, California Board of Accountancy
Patti Bowers, Executive Officer

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CBA Item V.K.
January 21-22, 2016

Discussion Regarding Possible Response to Little Hoover Commission Hearings to Review Occupational Licensing in California

Presented by: Matthew Stanley, Information and Planning Officer

Consumer Protection Objectives

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with an opportunity to comment on the Little Hoover Commission hearings regarding occupational licensing. The CBA's legislative mandate is to regulate the public accounting profession, primarily through its authority to license, with the protection of the public as its highest priority.

Action(s) Needed

The CBA will be asked to approve a proposed comment letter to the Little Hoover Commission supporting the CBA's continued role in regulating the public accounting profession.

Background

The Little Hoover Commission, formally known as the Milton Marks "Little Hoover" Commission on California State Government Organization and Economy (Commission), is an independent state oversight agency that was created in 1962. The Commission investigates state government operations and – through reports, recommendations and legislative proposals – promotes efficiency, economy and improved service. By law, the Commission is bipartisan, composed of five citizen members appointed by the Governor, four citizen members appointed by the Legislature, two Senators and two Assembly members.

The Commission selects study topics that come to its attention from citizens, legislators and other sources. The Commission's role differs in three distinct ways from other state and private-sector bodies that analyze state programs:

- Unlike fiscal or performance audits, the Commission's studies look beyond whether programs comply with existing requirements, instead exploring how programs could and should function in today's world.
- The Commission produces in-depth, well-documented reports that serve as a factual basis for crafting effective reform legislation.

- Based on its reports, the Commission follows through with legislation to implement its recommendations, building coalitions, testifying at hearings and providing technical support to policy makers.

Under the direction of a subcommittee of Commissioners, staff conducts research by bringing key players together for discussions, contacting experts, reviewing academic literature and interviewing those most closely affected by the targeted topic.

Based on preliminary research, the subcommittee identifies key issues and oversees the creation of public hearings to explore all sides of the issues in an open setting. The public hearings serve to inform the Commissioners and educate the legislators, the public and the media about the problem areas. The subcommittee develops findings and recommendations that focus on the key issues and forwards a draft report to the full Commission for its consideration. The Commission, as a whole, may make changes before adopting and releasing the final report.

The Commission works to implement its recommendations either through legislation or administrative changes. New hearings are held and progress reports are issued in the years following the initial report until the Commission's recommendations have been enacted or its concerns have been addressed.

In December 2015, CBA Members and the Executive Officer each received a letter (**Attachment 1**) from the Commission regarding its two upcoming public hearings regarding occupational licensing. The letter states that the focus of these hearings will be “on the impact of occupational licensing on upward mobility and opportunities for entrepreneurship and innovation for Californians, particularly those of modest means.” The Commission will also be examining the connection between licensing and the underground economy, a topic that it has studied as recently as 2015. Finally, it will be exploring “the balance between protecting consumers and enabling Californians to enter the occupation of their choice.”

Comments

It appears from the Commission’s letter that these public hearings are to determine whether any professions or vocations are over regulated, therefore posing a barrier to practice for certain individuals. While the Commission may be exploring a “balance” between protecting consumers and other priorities, the Accountancy Act, specifically Business and Professions Code section 5000.1, states that, “whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.”

Staff contacted the Commission and were informed that all Department of Consumer Affairs (DCA) boards and bureaus received similar letters. During the discussion, it became clear that they are not specifically targeting a particular license, but they are looking at whether occupational licensing is a barrier to entry into chosen professions

and whether occupational licensing regulations, at times, go beyond consumer protection.

Staff further inquired whether the Commission wants each DCA entity, including the CBA to testify at the hearings in person. The Commission responded that DCA Director Awet Kidane has been asked to speak; however, if any individual board or bureau wished to make a comment in writing, it was welcome to do so. This does not preclude the boards and bureaus from testifying if they wish to do so.

Finally, the Commission informed staff that the first hearing on February 4, 2016, would be a very academic review of basic economics and the economy, laying the foundation for the remainder of the study. It is anticipated that the March 30, 2016 hearing will be the one at which the Director of DCA will speak and more specific discussions will take place. The Commission recommended that any comment letters be submitted at least two to three weeks prior to that hearing. If the CBA determines it would like to have the CBA President or Executive Officer testify at a hearing, this would be the hearing where that would be most appropriate.

While it does not appear that the CPA license or the CBA are being specifically examined by the Commission during these hearings, staff have prepared a proposed comment letter (**Attachment 2**) should the CBA wish to comment to the Commission.

Should the CBA have any suggestions or changes for the comment letter, staff will incorporate them into the letter prior to submission. If the changes are substantial, the CBA may wish to delegate authority to the CBA President to approve the final letter prior to its submission to the Commission.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff recommend that the CBA adopt the proposed comment letter and direct staff to submit the comments to the Commission.

Attachments

1. Letter from the Little Hoover Commission
2. Proposed Comment Letter

Attachment 1

State of California

LITTLE HOOVER COMMISSION

Pedro Nava
Chairman

Loren Kaye
Vice Chairman

David Beier

Anthony Cannella
Senator

Jack Flanigan

Chad Mayes
Assemblymember

Don Perata

Sebastian Ridley-Thomas
Assemblymember

Richard Roth
Senator

David Schwarz

Jonathan Shapiro

Sumi Sousa

Carole D'Elia
Executive Director

December 11, 2015

Ms. Patti Bowers
Executive Officer, California Board of Accountancy
2000 Evergreen St., Suite 250
Sacramento, CA 95815

Dear Ms. Bowers:

The Little Hoover Commission has begun a review of occupational licensing in California. To commence its review, the Commission has scheduled a public hearing on **February 4, 2016, in Room 437 of the State Capitol in Sacramento.** The Commission plans a second hearing on this topic in March 2016 and also may decide to hold advisory meetings on the subject or other opportunities for public input.

The number of individuals who must meet government-established criteria to practice a given occupation has grown rapidly in the last half century. In the 1950s, fewer than five percent of workers nationwide were required to hold licenses to practice their professions; by 2008, that number had increased to 29 percent of workers nationwide, according to economists Morris Kleiner and Alan Kreuger. Approximately 21 percent of California's 19 million-member workforce is licensed. Proponents of occupational licensing maintain that these regulations are necessary to protect the health and safety of consumers. Critics contend that the regulations at times go beyond consumer protection and unjustifiably restrict competition.

The focus of the Commission's review is on the impact of occupational licensing on upward mobility and opportunities for entrepreneurship and innovation for Californians, particularly those of modest means. The Commission also will examine the impact of occupational licensing on the cost and availability of services provided by licensed practitioners to consumers. The Commission also will assess the connection between occupational licensing regulations and the underground economy. The Commission will explore the balance between protecting consumers and enabling Californians to enter the occupation of their choice.

Any recommendations that you or your staff could provide the Commission on this topic, as well as any experts of whom we should be aware, would be appreciated.

If you have any questions, please contact Carole D'Elia, executive director, or Krystal Beckham, project manager. They can be reached by phone at (916) 445-2125 or by email at carole.d'elia@lhc.ca.gov and krystal.beckham@lhc.ca.gov.

Sincerely,

Pedro Nava
Chairman

c: Members, California Board of Accountancy

CALIFORNIA BOARD OF ACCOUNTANCY

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Attachment 2

February 5, 2016

Pedro Nava, Chairman
Little Hoover Commission
925 L Street, Suite 805
Sacramento, CA 95814

Dear Chairman Nava:

The California Board of Accountancy (CBA) has reviewed your letter dated December 11, 2015, regarding the Little Hoover Commission's (Commission) review of occupational licensing in California.

From its inception in 1901, by statute the CBA has been charged with regulating the practice of public accounting. The original law prohibited anyone from falsely claiming to be a certified accountant, a mandate which still exists today. The CBA regulates over 100,000 licensees, the largest accounting licensee population in the nation. Accountants are licensed and regulated throughout the United States and the world.

The CBA regulates the accounting profession for the public interest by establishing and maintaining entry standards of qualification and conduct within the accounting profession through its regulatory, licensing, and enforcement responsibilities. The law requires the CBA to place the public interest as its highest priority. This is not only a legislative mandate, it is also the CBA's mission to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

Certified public accountants (CPA) need to be trusted by the public. If there is no trust, CPAs lose their legitimacy as protectors of public interest. Because of this trust, the accountancy profession has a wide impact on business interests both nationally and on a global scale. A report issued by a CPA engenders confidence in financial data that is used by professionals, businesses, and investors to make financial decisions that can directly impact the economy.

Much of that vital trust that the public places in a CPA is due to the fact that the individual has the qualifications needed to perform the services and that the CBA, through the enforcement process, will take appropriate action against those who violate the public trust. The required qualifications are established by the Legislature and verified through the CBA's licensure process. It is for these reasons that the CBA believes that the current licensing requirements are necessary to protect the public. Pursuant to Business and

Professions Code section 5000.1, the protection of the public, as the CBA's highest priority, must be a higher priority for the CBA than any potential impact on upward mobility and opportunities for entrepreneurship and innovation.

Thank you for the opportunity for the CBA to comment on the Commission's hearings regarding occupational licensing in California. If you have any questions or need any further information, the CBA stands ready to work with you. You may contact the CBA's Executive Officer, Patti Bowers, at (916) 561-1711 or by email at patti.bowers@cba.ca.gov.

Sincerely,

Katrina L. Salazar, CPA
President

c: Members, California Board of Accountancy
Patti Bowers, Executive Officer
Awet Kidane, Director, Department of Consumer Affairs

CBA AND COMMITTEE MEMBER ROSTER

Revised January 6, 2016

CBA MEMBERS

Katrina L. Salazar, CPA, President
Alicia Berhow, Vice-President
Michael M. Savoy, CPA, Secretary/Treasurer
Jose A. Campos, CPA
Herschel Elkins, Esq.
George Famalett, CPA
Larry Kaplan
Kay Ko
Leslie LaManna, CPA
Xochitl León
Jian Ou-Yang, CPA
Deidre Robinson
Mark Silverman, Esq.
Kathleen Wright, CPA
Vacant

Staff: Corey Riordan
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CBA Committees
CPC – Committee on Professional Conduct
EPOC – Enforcement Program Oversight Committee
LC – Legislative Committee
SPC – Strategic Planning Committee

Advisory Committees
EAC – Enforcement Advisory Committee
PROC – Peer Review Oversight Committee
MSG – Mobility Stakeholder Group
QC – Qualifications Committee

CBA COMMITTEES

CPC

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Jose A. Campos, CPA
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Dale Best, CPA
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Gary Caine, CPA
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Robert Lee, CPA
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CBA Item VII.A.
January 21-22, 2016

Discussion of the Governor's Budget

Presented by: Michael M. Savoy, CPA, Secretary/Treasurer

Consumer Protection Objectives

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with the Fiscal Year (FY) 2016-17 proposed Governor's budget and to identify upcoming changes for budget reporting at CBA meetings.

This agenda item is a necessary part of the CBA's normal course of business, and as such, it will assist the CBA in continuing its mission of consumer protection as mandated by statute in Business and Professions Code section 5000.1.

Action(s) Needed

No specific action is required on this agenda item.

Background

CBA's discussion of the Governor's Proposed Budget is prepared annually for presentation at the January CBA meeting.

Comments

Governor's Budget

On January 7, 2016, Governor Brown released California's proposed budget for FY 2016-17. The Legislature must pass the budget bills by June 15, 2016 and the Governor has 12 days to either sign the budget bills or return them to the Legislature. The budget becomes effective on July 1, 2016.

The CBA's proposed budget for FY 2016-17 is $14,833,000. This is an increase over current fiscal year budget authority, which is set at $14,449,000.

The difference in budget amounts between fiscal years is typical and takes into account several factors. The FY 2016-17 Budget includes the following adjustments:

- Adjustments to Retirement Benefits
- Worker's Compensation Benefits

- Pro-rata distributed costs (*including shared costs of additional Attorney General (AG) staffing*)
- Additional CBA Administrative clerical staffing authority for two (2) clerical positions
- Decreases in expenditure authority resulting from the expiration of five (5) limited-term CBA Enforcement Division positions:
    - two (2) Investigative CPA positions
    - two (2) Enforcement Division analytical positions
    - one (1) Enforcement Division clerical position.

CBA staff will be monitoring and analyzing any impacts the Governor's May Revision could have on the final CBA budget for FY 2016-17. This information will be presented to the CBA members at the July meeting.

The CBA submitted a budget change proposal (BCP) to request a staffing augmentation for the Administrative Division. The request is for two additional clerical positions to address increased workload and ensure good accounting practices are maintained in the Cashiering Office.

Additionally, in late December 2015, the CBA was informed by the Department of Consumer Affairs that two BCPs being pursued by the Department of Justice's (DOJ) AG's Office. Both of these proposals are focused on workload associated directly with the DCA's Boards, Bureaus, Committees and Commission and as a result, the cost of these proposals will be supported by these programs' special funds. The two proposals are as follows:

- $1.284 million to implement the AG enforcement reporting required by Senate Bill 467 (SB 467). This proposal is intended to support additional staff requested by the AG to implement the reporting provisions of SB 467, requiring the AG to submit a report on January 2018 and annually thereafter detailing enforcement statistics and metrics specific to matters referred to the AG by DCA programs. This proposal will be funded by all programs that have historically utilized the AG.

  <u>The CBA's share of the allocation for DOJ's SB 467 BCP: $31,000.</u>

- $1.373 million to augment DOJ's Attorney Staff for Public Protection and Consumer Protection Enforcement Initiative. This proposal seeks additional staffing for the AG's Licensing Section to support workload specific to DCA programs. This proposal will be funded by only those programs who utilize the AG's Licensing Section.

  <u>The CBA's share of the allocation for DOJ's Licensing Section BCP: $71,000.</u>

I will continue to keep the Board apprised of information as the Governor's proposed budget goes through the legislative process. Additionally, the CBA's mid-year financial statement will be presented at the March 2016 meeting.

Upcoming Changes to CBA Budget Reporting
Beginning with the March CBA meeting, members will be receiving revamped budget materials for the Budget Report, including the Quarterly Financial Statements. This is in response to member feedback, staff's desire to ensure members are receiving quality and informative budget-related information, and to ensure stakeholders can easily obtain the CBA's financial status. What members can expect is similar information, but the format for presentation will include various diagrams with narrative that supports the data.

Staff is also seeking input from members regarding any specific information or format that they believe would assist them in staying informed regarding the CBA's budget status.

Staff will be working closely with me on the development and presentation of the revised budget information.

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
Staff does not have a recommendation on this agenda item.

Attachment
None.

State of California
Department of Consumer Affairs

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

M e m o r a n d u m

To : CBA Members

Date : January 15, 2016

Telephone : (916) 561-1740
Facsimile : (916) 263-3674
E-mail : deanne.pearce@cba.ca.gov

From : Deanne Pearce
Assistant Executive Officer

Subject : CBA Agenda Item VIII.C. – Review and Approval of Proposed Changes to the California Board of Accountancy's Member Guidelines and Procedures Manual

Department of Consumer Affairs Legal Counsel, Kristy Schieldge, is suggesting the following changes for consideration by California Board of Accountancy (CBA) members for inclusion in the CBA Guidelines and Procedures Manual:

Section I. The California Board of Accountancy (Page 6)

Insert the following as the second to last bullet:

"Travel expense claims are reviewed internally by CBA staff for adherence to established travel guidelines and are subsequently approved by DCA's Deputy Director, Board & Bureau Relations."

Section III. Representations on Behalf of the CBA (Page 23)

Under subsection A., change the last sentence as follows:

"It should be noted that personal and business email accounts, if also used for CBA business, could be subject to subpoena or discovery in litigation."

Section V. Expense Reimbursement (Page 31)

Insert the following as the last bullet:

"CBA members shall have CBA President pre-approval for all travel and per diem reimbursement, except for regularly scheduled board and committee meetings to which a CBA member is assigned. CBA members will be reimbursed for per diem and travel expenses incurred while performing approved board business in accordance with State-mandated requirements and reimbursement criteria."

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CBA Item VIII.C.
January 21-22, 2016

Review and Approval of Proposed Changes to the California Board of Accountancy's Member Guidelines and Procedures Manual

Presented by: Deanne Pearce, Assistant Executive Officer

Consumer Protection Objectives

The purpose of this agenda item is to provide an overview of the updates made to the California Board of Accountancy (CBA) Member Guidelines and Procedures Manual (G&P Manual). Having clear guidelines and procedures assists the CBA in its primary role of consumer protection.

Action(s) Needed

The CBA will be asked to approve the January 2016 version of the G&P Manual.

Background

The G&P Manual is designed to serve as a reference guide regarding the functions of the CBA and its committees, roles of CBA members, CBA leadership and committee members, and procedures for CBA and committee meetings. The G&P Manual includes, but is not limited to, summarizing existing law and policy of the CBA as it relates to the functions of the board, roles of CBA members and CBA leadership, board committees and task forces, representations on behalf of the CBA, training, expense reimbursement and other helpful resources to assist members in better understanding the responsibilities of their appointment.

Comments

Edits to the G&P Manual are identified by underline and strikethrough. The following highlights the substantive edits made to the G&P Manual:

Section I – The California Board of Accountancy

- Update number of Certified Public Accountants and Accounting Firms regulated by the CBA representing the largest number of accounting professionals in the nation. (Page 1)

- Clarification that the CBA has the option of meeting in closed session to discuss the Executive Officer's performance appraisal. (Page 4)

- Modification to a roll call vote will be taken for each officer position nominee, starting in alphabetical order by the candidate's last name. (Page 5)

- Revised CBA Member Responsibilities and Duties – The President has delegated the review and approval of travel and per diem expenditures to the DCA management. The President is transferred the responsibility from the Secretary/Treasurer of interfacing with the CBA staff regarding internal audit matters affecting the CBA. (Pages 6 and 7)

- Clarification of the nature of appeals to the CBA by Applicants is limited to experience for CPA Licensure. (Page 9)

Section III – Representations on behalf of the CBA

- Clarification that personal and business email accounts, if also used for CBA business, could be subject to subpoena. (Page 23)

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
Staff recommend that the CBA adopt the January 2016 version of the CBA G&P Manual and welcome any suggestions or edits.

Attachment
CBA Member G&P Manual

Attachment

California Board of Accountancy

CBA Member

Guidelines and Procedures Manual

Updated
~~June 2015~~ January 2016

AMENDMENTS TO THE GUIDELINES AND PROCEDURES MANUAL
Formerly: BOARD OPERATIONS MANUAL

September 30, 1994
March 15, 1995
June 10, 1997
November 21, 1997
January 23, 1998
March 21, 1998
January 26, 2001
January 1, 2003
April 1, 2004

Revised and Restated
January, 2010

Amendments to the Guidelines and Procedures Manual
July 2012
January 2013
January 2014
January 2015
June 2015
January 2016

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SECTION I.

THE CALIFORNIA BOARD OF ACCOUNTANCY

Created in 1901, The California Board of Accountancy (CBA) licenses and regulates over ~~91,000~~ 92,500 ~~licensees~~ Certified Public Accountants and ~~5,000~~5,600 firms, the largest group of accounting professionals in the nation.

By authority of the California Accountancy Act, the CBA:

- Ensures that only candidates who meet certain qualifications are allowed to take the national Uniform Certified Public Accountant (CPA) Examination.
- Certifies, licenses and renews licenses of individual CPAs and Public Accountants (PAs).
- Registers accountancy partnerships and accountancy corporations.
- Takes disciplinary action against licensees for violation of CBA statutes and regulations.
- Monitors compliance with continuing education and peer review requirements.
- Reviews work products of CPAs, PAs and accountancy firms to ensure adherence to professional standards.

The CBA establishes and maintains entry-level standards of qualification and conduct within the accounting profession, primarily through its authority to license.

Through its Examination and Initial Licensure Programs, the CBA qualifies California candidates for the national Uniform CPA Examination (CPA Exam), certifies and licenses individual CPAs, and registers accountancy firms. The CBA's License Renewal and Continuing Competency Program focuses on license renewal, ensuring that licensees maintain a currency of professional knowledge to competently practice public accountancy.

Through its Practice Privilege program, the CBA oversees a no notice, no fee, no escape authority for out-of-state licensed CPAs who meet specific conditions to practice public accountancy in California. The CBA registers out-of-state accounting firms and for certain individuals who do not meet the criteria to practice with no notice or obtains a disqualifying condition while practicing, the CBA reviews pre-notification and cessation notifications from licensees to determine whether they can be granted continued practice rights. Just like a California license, a practice privilege may be revoked, suspended, or otherwise disciplined. In addition, a practice privilege may be administratively suspended pending an investigation by the CBA. To ensure that the consumers of California are protected under this new program, the CBA maintains a website with any public information in its possession about individuals exercising a practice privilege in California. In addition, it contains a search mechanism by which consumers can find current license status information on out-of-state licensees.

The objective of the CBA Enforcement Program is to protect consumers, minimize substandard practice, and rehabilitate and discipline licensees, as warranted. The CBA has the authority to discipline not only individuals, but firms as well. Enforcement activities include investigating complaints against persons practicing public accountancy without a license and taking disciplinary actions against licensees for violations of statutes and regulations. The CBA's Enforcement Program receives complaints from consumers, licensees, professional societies, law enforcement agencies, other government agencies, and internal referrals. While historically consumers and

internal referrals have been the main origin of complaints, licensees also have been a significant source, most often reporting unlicensed activity. CBA members and staff also regularly monitor the news media for information regarding licensees that may suggest violations of the Accountancy Act.

In addition, the program monitors compliance with continuing education and peer review requirements, and it actively reviews the work products of CPAs, PAs and accountancy firms to ensure compliance with appropriate professional standards.

A. MISSION AND VISION OF THE CBA.

The Mission of the California Board of Accountancy is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

The Vision of the California Board of Accountancy is that all consumers are well informed and receive quality accounting services from licensees they can trust.

B. COMPOSITION (Ref. Business & Professions Code §§ 5000 & 5001(b).

The CBA consists of 15 members, seven of whom must be certified public accountants, and eight of whom must be public members who are not licensees of the CBA.

The Governor appoints four of the public members and all of the licensee members with individuals representing a cross section of the accounting profession. The Senate Rules Committee and the Speaker of the Assembly each appoints two public members.

C. QUALIFICATIONS (Ref. Business & Professions Code §§ 5000.5 & 5001(a).

Each public member of the CBA must not:

- Be a current or former licensee of the CBA
- Be an immediate family member of a licensee
- Be currently or formerly employed by a public accounting firm, bookkeeping firm, or firm engaged in providing tax preparation as its primary business
- Have any financial interest in the business of a licensee

Each licensee member of the CBA must:

- Currently be engaged in the practice of public accountancy for a period of not less than five years preceding the date of their appointment, except for the educator position authorized by Section 5001(b)

All members of the CBA must:

- Currently be a citizen of the United States and a resident of California for at least five years preceding the date of their appointment

- Be of good character

- Take and subscribe to the Oath of Office and file the Oath with the Secretary of State

D. CBA MEMBER RESPONSIBILITIES AND DUTIES (Ref. Business & Professions Code § 5000.1)

1. Responsibilities.

The CBA members are responsible for carrying out the mission of the CBA as delineated in Section I.A. of this manual. As noted in the CBA Strategic Plan **(Appendix 1)**, protection of the public shall be the highest priority for the ~~California Board of Accountancy~~CBA in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount. In addition, members are to adhere to all statutory and regulatory requirements as well as all policies and procedures contained in this Guidelines and Procedures Manual.

2. Duties.

All members are to attend CBA meetings and volunteer to participate as CBA Liaison to at least one non-CBA member Committee and participate as a member of at least one of the following committees comprised of only CBA members:

- Legislative Committee

- Committee on Professional Conduct

- Enforcement Program Oversight Committee

- Strategic Planning Committee

- Other Committees and Task Forces

3. Mentoring.

The purpose of California Board of Accountancy (CBA) Mentor Guidelines is to assist new members in becoming familiar with the CBA structure, meetings, and present priorities.

When a new member is appointed to the CBA, a mentor shall be assigned by the CBA President and, when necessary, in consultation with the CBA Executive Officer. The mentor (which can be a former or current CBA member) will assist the new member in getting acclimated to his/her role on the CBA. This will include open discussion on any matter presently or previously discussed by the CBA (with the exception of closed session matters). This provides an opportunity for the new member to receive insight regarding the activities, history, and priorities of the CBA.

If the mentor is a current CBA member, s/he may wish to sit adjacent to the new member during his/her first CBA meeting and assist in providing guidance on the meeting materials and answer any procedural questions that may arise.

4. Executive Officer Evaluation.

Each November, members will complete an evaluation of the Executive Officer (EO). The CBA President will use the surveys to complete a written summary of the evaluations.~~and meet with the EO to discuss his/her performance.~~ The CBA has the option of meeting in closed session to discuss the Executive Officer's performance appraisal. The original evaluation is signed by the CBA President and EO and sent to the DCA Human Resources Office for placement in the EO's Official Personnel File.

In accordance with Government Code section 11126, the CBA may hold a closed session to consider complaints or charges brought against the EO or to consider the dismissal of the EO, unless the EO requests a public hearing. The CBA may deliberate on any decision to be reached on any of the aforementioned issues in a closed session. Any action taken must be publicly reported at a subsequent meeting. The CBA President should contact DCA Legal Counsel regarding proper compliance with Open Meeting Act requirements prior to considering any action.

E. TENURE (Ref. Business & Professions Code § 5002).

Each member is appointed for a term of four years and holds office until they are reappointed, a successor is appointed, or until one year has elapsed since the expiration of the term for which he/she was appointed, whichever occurs first.

No person shall serve more than two terms consecutively.

Vacancies must be filled by a person in the same capacity (public or licensee member) as the person being replaced.

The Governor must remove any licensee member whose permit to practice becomes void, revoked, or suspended.

Any member may, after an administrative hearing, be removed for neglect of duty or other just cause.

If a member is appointed to fill a vacant seat in what would be the middle of the previous member's term, the rest of that term does not count against the two term limit, as it is still defined as the previous member's term.

F. OFFICERS (Ref. Business & Professions Code §§ 5003, 5004 & 5007).

The officers of the CBA are President, Vice-President, and Secretary/Treasurer.

1. Election of Officers.

The process for the election of officers is as follows:

- At the September CBA meeting, the President shall inform members that the election of officers will be held at the November CBA meeting.

- Interested candidates are requested to prepare a one page written summary outlining their qualifications for the position for which they are applying, which will serve as a self nomination. Candidates are limited to being nominated for one officer position. The summary is to be sent to the Executive Analyst by a date determined by the Executive Officer and CBA President.

- The nominations shall be distributed as part of the agenda items for the November CBA meeting.

- At the November CBA meeting, the President shall ask if there are any additional nominations for the officer positions. Any member who is nominated may be given up to five minutes of floor time to describe why they are qualified for the position.

- After all nominations have been confirmed, the President will close nominations.

- The vote for officer positions shall be held in the following order: Secretary/Treasurer, Vice-President, and President.

- A ~~simple hand~~ <u>roll call</u> vote will be taken for each officer position nominee, starting in alphabetical order by the candidate's last name.

- Members can vote "Yes", "No", or abstain from the vote for each nominee.

- The first nominee to receive a majority vote will win the officer position.

- In the event none of the nominees receive a majority vote, the voting will continue until a majority vote is received. To assist in this process, the President may allow nominees to make a statement regarding their qualifications, within an established and reasonable time limit.

- The President, Vice-President, and Secretary/Treasurer serve one-year terms and may not serve more than two consecutive one-year terms. The newly elected President, Vice-President, and Secretary/Treasurer shall assume the duties of their respective offices at the conclusion of the annual meeting at which they were elected.

2. Vacancy.

   In the event of a vacancy of the Vice President or Secretary/Treasurer prior to the annual election of officers, the CBA President shall make an interim appointment to fill the vacancy effective until the next election cycle. In the event of a vacancy of the President, the Vice President shall become the president.

3. Duties.

   a. President.

The President shall perform general administrative duties, as well as the following:

- Preside over CBA meetings
- Approve the agenda and time schedule
- Appoint CBA members as Liaison to the Enforcement Advisory Committee (EAC) and Qualifications Committee (QC)
- Appoint CBA members to CBA committees and task forces
- Establish other CBA committees as needed
- Make decisions regarding CBA matters between meetings
- Coordinate the annual evaluation of the Executive Officer
- When necessary, make interim appointments to the EAC, Peer Review Oversight Committee (PROC) and QC committees, subject to ratification at the next CBA Meeting
- Monitor CBA Member attendance at CBA Meetings, and report issues to the Department of Consumer Affairs (DCA)
- Make interim appointments to the Vice-President and Secretary/Treasurer positions should they become vacant mid-term
- ~~Review and approve CBA member travel expenditures and per diem~~
- Interface with the ~~DCA's internal auditors~~ CBA staff regarding internal audit matters affecting the CBA. These matters include such issues as internal audit findings, requests for special reviews, and other related concerns or topics

b. Vice-President.

The Vice-President shall perform the following:

- Act in the absence of the President
- Review the EAC, PROC and QC committee members and recommend appointments and reappointments
- Perform any other duties as assigned by the CBA President
- Review and act upon time sensitive appeals to the CBA by Examination and Licensure candidates
- Serve as the CBA "Ambassador," performing and coordinating outreach on behalf of the CBA members

c. Secretary/Treasurer.

The Secretary/Treasurer shall perform the following:

- Act as Liaison to the staff of the CBA for fiscal/budgetary functions and routinely report to the CBA regarding relevant matters. This includes reviewing the quarterly and year-end financial statements, in concert with the President. After review, the Secretary/Treasurer presents the financial statement to the CBA

- ~~Interface with the DCA's internal auditors regarding internal audit matters affecting the CBA. These matters include such issues as internal audit findings, requests for special reviews, and other related concerns or topics~~

- Perform other duties as requested by the CBA President

G. MEETINGS (Ref. Business & Professions Code §§ 5016 & 5017).

All meetings of the CBA and its committees, subcommittees and task forces are subject to the Bagley-Keene Open Meeting Act. This Act is summarized in a document developed by the DCA, and includes statutory requirements for conducting Teleconference and/or Emergency Meetings. **(Appendix 2)**

1. Frequency.

   The CBA meets regularly during the year. The dates are normally established annually at the March meeting for the following calendar year.

2. Locations.

   The CBA chooses locations that are ADA compliant and easily accessible to the public, applicants, and licensees. Pursuant to Business and Professions Code section 101.7, the CBA must meet at least three times each calendar year, once in Northern California and once in Southern California to facilitate participation by the public and its licensees. The CBA also recognizes its responsibility regarding the public's concern for the judicious use of public funds when choosing meeting facilities and overnight accommodations.

3. Attendance.

   Members are expected to attend all scheduled meetings of the CBA. Regular attendance ensures current knowledge of procedures and policies as well as an equitable sharing of duties and responsibilities.

   Should a member miss two consecutive meetings, the CBA President may notify the Director of the DCA.

   Arrival and departure times of each member are recorded in the CBA minutes.

4. Agenda.

The CBA President, with the assistance of the Executive Officer, shall prepare the agenda and tentative time schedule. Any request not approved by the Executive Officer and CBA President shall be included in a standing agenda item, "Agenda Items for Future CBA Meetings," for consideration and vote by the full CBA.

Except where an accusation or statement of issues has been filed, and with reference to disclosure of enforcement matters, it shall be the policy of the CBA that, meeting notices or other public documents of the CBA and its committees shall, when necessary, identify enforcement matters solely by case or investigation number.

The agenda mailing list shall include CBA members, committee, and task force chairs and vice-chairs, as well as those parties who have requested to be notified.

5. Notice Requirements.

   The notice requirements defined by the Bagley-Keene Open Meeting Act are summarized in the guide provided by the DCA. **(Appendix 2)**

6. Closed Session.

   Closed sessions, if conducted by an Administrative Law Judge (ALJ), may be attended by CBA members only, unless otherwise invited by the ALJ to remain. Those individuals the CBA President deems appropriate as dictated by a need for their expertise may attend all other closed sessions.

   Matters that can be considered in closed session are defined by the Bagley-Keene Open Meeting Act.

7. Minutes.

   Preliminary draft minutes are prepared and distributed to the CBA President, DCA Legal Counsel, and CBA members prior to the subsequent meeting. Draft minutes are also available for public viewing via the CBA website. During the CBA meeting, any necessary corrections are incorporated into the minutes and are then moved for adoption.

   After adoption by the CBA, the minutes are signed by the CBA President and Secretary/Treasurer, bound by year, and retained in the CBA office as a public record of the CBA's activities. The minutes are also posted on the CBA website for at least three years.

8. Voting.

   A majority of the CBA shall constitute a quorum for the transaction of any business.

   a. Recording.

      In accordance with California Government Code section 11123, after each motion, a roll call will be taken by the Executive Analyst. Member's names will be called and each member will state their vote for the motion as yes, no, or abstain. Each member's vote for the action, or the abstention or recusal of each member attending

the meeting, will be recorded in the minutes. Those absent are recorded after every motion unless the member is shown as absent for the entire meeting.

Excerpts from minutes must be accompanied by the first two pages of the same minutes that list those in attendance.

Subsequent modification to these procedures may be needed, as deemed appropriate and in accordance with the provisions of the Bagley-Keene Open Meeting Act.

b. Abstentions.

A CBA member will abstain from voting on an issue if for any reason a conflict of interest is or may be perceived to be present.

Abstentions do not prevent a motion from carrying. For example, if seven members vote in favor of a motion, six members vote against, and two abstain, the motion would carry.

c. Mail Votes.

Mail votes are not permitted except in disciplinary matters. The CBA has 100 days from the receipt by the CBA of a proposed decision by an ALJ to adopt or non-adopt the decision (Section 11517 (c) (2) California Administrative Procedure Act). A mail vote may be taken at the direction of the CBA President.

9. Webcast. (Ref. Business and Professions Code § 5017.5)

All CBA meetings are recorded and Webcast live.

10. Adjournment.

The CBA has delegated the adjournment of the meeting to the CBA President and the respective committee chairs. The CBA President and committee chairs will adjourn the meeting in accordance with the Bagley-Keene Open Meeting Act. If adjournment of the meeting is immediately after closed session, the meeting will be reconvened into open session prior to adjournment.

H. APPEALS TO THE CBA.

Applicants, who are aggrieved by any action taken by a committee or staff of the CBA as it relates to experience for CPA Licensure, can submit an appeal. Appeals should be submitted a minimum of 20 working days prior to a CBA meeting to be considered. ~~In the event the appeal is related to qualifying for the Uniform CPA Examination or for CPA licensure, and the CBA does not have a meeting scheduled within a reasonable amount of time, then the Vice-President shall act on behalf of the CBA in rendering a decision on the appeal.~~

The CBA will not consider new information unless previously reviewed by the appropriate committee, subcommittee, task force, or staff.

Formal denials of licensure (Statement of Issues) will be handled in accordance with the appeals processes set forth in the Administrative Procedure Act (Government Code sections 11500 and following).

I. PETITION FOR REINSTATEMENT OR REDUCTION OF PENALTY.

Petitions must be received in a sufficient amount of time prior to any CBA meeting to allow processing and compiling of the information for CBA consideration. The CBA generally will hold a formal hearing, with an ALJ, to consider these matters. In some instances, the CBA may review only the written record and render a decision without a hearing. Only CBA members who are present for the entire hearing shall be permitted to vote.

J. PRESENTATIONS.

Individuals and/or groups wishing to make a formal presentation to the CBA are requested to notify the CBA office 20 working days prior to the meeting. This is not intended to preclude public comment on specific agenda items or on other general matters. If the CBA President approves the request and places the item on the agenda, presenters should provide any written material to supplement their presentations 14 days in advance of the meeting.

K. COMMITTEES AND TASK FORCES.

Committees and task forces, other than those created by statute, are established by the CBA President on behalf of the CBA. A CBA and committee roster is included as **(Appendix 3)**.

L. APPOINTMENTS TO THE EAC, PROC, QC, AND MSG.

New appointments and reappointments are made as needed, through the process outlined in the Committee Member Resource Guide. The Committee Member Resource Guide is located on ~~in the Publications section of~~ the CBA's website. Opportunities to participate on a CBA committee is noticed in the CBA's newsletter, **UPDATE**, and on the CBA website.

M. RESPONSIBILITY OF CBA MEMBER LIAISONS TO COMMITTEES AND TASK FORCES.

CBA members acting as Liaisons to committees, task forces, or CBA programs are responsible for keeping the CBA informed regarding emerging issues and recommendations made at the committee or task force level. In addition, the Liaison is to keep the committee or task force informed of CBA policies and assignments, and to make recommendations to the CBA regarding chair and vice-chair appointments.

When there is a southern and northern Liaison appointed to a committee, the Liaisons should communicate between meetings to ensure they are kept abreast of any committee issues. This can be facilitated by the CBA staff liaison to the committee. Liaisons should also consider participating in one Investigative Hearing (Enforcement Advisory Committee) or Applicant/Employer interview (Qualifications Committee) annually, to provide the members with a clear understanding of the committees' functions.

Finally, Liaisons assigned to the committees will evaluate committee chairs, vice-chairs, and members for whom they have specific knowledge of their performance, and report those evaluations to the President and Vice-President as required.

N. EXAMINATION, LICENSURE, AND LICENSE RENEWAL PROGRAMS

The information below is being provided for CBA members to reference as it contains a brief overview of the process to receive and maintain a license in California.

1. Uniform CPA Examination.

   The ~~national exam (Uniform~~ CPA Exam~~ination)~~ is administered throughout 55 jurisdictions, including the 50 states and the U.S. territories of District of Columbia, Guam, Puerto Rico, the Virgin Islands, and the Commonwealth of the Northern Mariana Islands.

   Staff has delegated authority to the National Association of State Boards of Accountancy (NASBA) for maintaining a national computerized CPA examination candidate database that stores information for the 55 jurisdictions on candidate's eligibility to test. The CBA qualifies candidates and provides oversight and policy/procedural direction.

   The examination is written and graded by the American Institute of Certified Public Accountants (AICPA).

   ~~An information booklet~~A handbook for examination applicants regarding requirements to sit for the ~~examination~~ CPA Exam and the CBA's policies and procedures for exam candidates requesting accommodations for disabilities and medical considerations ~~are~~is included in this manual as **Appendix 4**.

2. Initial Licensing.

   After passage of the CPA Exam, ~~examination,~~ and fulfillment of the requisite experience, an applicant may apply for licensure. Approximately 3,600 applications are received each year and the CBA licenses approximately 3,400 individuals and 200 firms annually.

   Applications are reviewed by staff, and if warranted, an employer may be asked to appear with work papers to substantiate the verification of experience (Form E) that was submitted on an applicant's behalf. This review is done by the QC. Individual applicants may also be required to appear before the QC to substantiate their experience if deemed necessary.

   ~~An information booklet~~A handbook regarding licensure requirements is included in this manual as **Appendix 5**.

3. License Renewal and Continuing Competency.

   Functions related to continuing education (CE) and the review of professional competence of licensees who practice public accountancy are included in the License Renewal and Continuing Competency Program. The primary function within the License Renewal and Continuing Competency Program is to ensure licensees have met California's renewal requirements.

   At the time of license renewal, licensees are required to submit the license renewal application (documenting 80 hours of qualifying CE), a peer review reporting form, and

remit the license renewal fee.

Additionally, licensees not previously fingerprinted for initial licensure or for whom the Department of Justice does not have an electronic record of the licensee's fingerprints must submit fingerprints for a state and federal level clearance if they are renewing in an active status and not actively serving in the military.

Two programs are used to monitor licensees' compliance with the CE requirements – the CE Worksheet Review Process and the CE Audit Program. With the CE Worksheet Review Process, staff review all licensees self-reported CE at the time of license renewal to ensure all CE requirements are met, while for the CE Audit Program, a licensee must submit substantiating documentation to demonstrate proof of completion for the reported CE.

The other CE-related program activities include approval of courses to qualify for the Regulatory Review requirement, and review of requests for extension of time or exemption from completion of CE.

~~An information booklet~~ A handbook for licensees is included in this manual as **Appendix 6**.

O. ENFORCEMENT PROGRAM.

The CBA receives and investigates approximately ~~1,000~~ 2,700 complaints each year. CBA members will routinely see three different types of enforcement action, including:

1. Default Decisions

   Default decisions are presented to the CBA whenever an accusation has been filed by the Executive Officer, and the named respondent has either failed to file a Notice of Defense, or failed to appear at a scheduled administrative hearing. The former is much more common, and default decisions occur in about ~~20~~15% of the matters brought before the CBA.

   Documents CBA members will receive with the agenda packets:
   - Accusation
   - Draft default decision
   - Transmittal memorandum that summarizes the causes for discipline and the CBA's costs invested in the case

   Adoption of a default decision results in the revocation of the CPA's license, but **will not** result in the imposition of cost recovery.

2. Stipulated Settlements.

   Stipulated settlements are presented to the CBA whenever an accusation has been filed by the Executive Officer and the parties involved on both sides agree to a draft stipulated settlement that they believe to be appropriate for CBA review and consideration. The Executive Officer, Chief of Enforcement, and Investigative CPA collaborate in preparing appropriate proposals.

Documents CBA members will receive with the agenda packets:

- Accusation
- Draft stipulated settlement
- Letter from the Deputy Attorney General that supports the settlement
- Transmittal memorandum that summarizes the causes for discipline and the CBA costs

Adoption will result in the imposition of whatever sanctions are reflected in the draft stipulated settlement. Non-adoption will result in either a revised draft stipulated settlement or the matter proceeding to administrative hearing.

CBA members are free to broadly discuss cases involving stipulated settlements with the Chief of Enforcement prior to taking action on a case. The CBA cannot unilaterally increase the discipline terms of a draft stipulated settlement, but it can provide guidance to the Chief of Enforcement regarding future settlement revisions.

Stipulated settlements occur in about ~~70~~75% of the matters brought before the CBA.

3. Proposed Decisions.

Proposed decisions are presented to the CBA after a contested accusation has proceeded through an administrative hearing and the administrative law judge has prepared a proposed decision.

Documents CBA members will receive with the agenda packets:

- Accusation
- Proposed decision
- Transmittal memorandum that summarizes the findings and proposed discipline reflected in the proposed decision

CBA members may ask DCA Legal Counsel procedural questions regarding matters that involve proposed decisions; but must otherwise take their action based upon "the record," which includes the accusation and the ALJ's proposed decision. Furthermore, the liaison Deputy Attorney General should not be present for the CBA's discussion of proposed decisions.

Adoption of the proposed decision will result in imposition of whatever sanctions are reflected in the proposed decision. Nonadoption would generally result in the CBA's later review of the hearing transcript and counsel's arguments and then the CBA making a decision after nonadopt. The CBA could also adopt a proposed decision but reduce the penalty proposed by an ALJ, or remand a case back to an ALJ for further hearing and the taking of additional evidence.

Proposed decisions occur in about 10% of the matters brought before the CBA.

Some factors to consider when regarding an ALJ's proposed decisions are:

a. Consider accepting an ALJ's proposed decision where:

i. The decision is based upon an assessment of the credibility of the witnesses.

ii. The law and ethical standards are interpreted correctly.

iii. The CBA is simply unhappy with the result but there are no legal problems with the decision.

iv. The costs of proceeding are so extreme in comparison with the severity of the offense and the probability of the success for the respondent is high.

v. The CBA does not approve the respondent's practices, but the prevailing standards at the time of the alleged violations did not prohibit such conduct.

b. Consider non-adopting an ALJ's proposed decision where:

i. The record reflects the ALJ clearly abused his or her discretion.

ii. The ALJ was clearly erroneous in his or her application of the relevant standard of practice for the issues in controversy at the administrative hearing.

iii. The ALJ was clearly erroneous in his or her interpretation of the licensing law and/or implementing regulations.

iv. The ALJ failed to interpret properly and/or to apply the appropriate ethical guidelines and standards to the specific facts of the case.

v. The ALJ failed to understand the significance of the testimony of respondent with respect to the likelihood of future danger to the public.

vi. The ALJ made the correct conclusions of law and properly applied ethical standards and rules of conduct, but the penalty is substantially less than is appropriate to protect the public.

P. CBA MEMBER CONFLICT OF INTEREST IN DISCIPLINARY MATTERS.

Individual CBA members should not vote and should not be present for discussions on any disciplinary matter in which they have a conflict of interest. CBA counsel should be contacted if you have a question of whether you have a conflict of interest in a particular case.

1. Investigative Consultants.

An Investigative Consultant is prohibited from working on any case where it is determined that he or she has a conflict of interest. CBA committee members may not be utilized in paid positions; e.g., investigative consultant or expert witness ($100 per day per diem excluded).

2. Conflict of Interest Disclosure Statement.

In disciplinary matters the conflict of interest disclosure statement used by the Enforcement Advisory Committee members should be used as a guide for determining

whether a CBA member should participate or vote in CBA deliberations. *Conflict of Interest information can be found in Section IV, beginning on page 26.*
In some instances the relationship or conflict is of such significance the member should not be present during the CBA's deliberations. In all other matters the same guidelines generally apply although the law and rules are less stringent.

If a CBA member believes there is a potential or perceived conflict, the CBA member is to disclose the facts to the full CBA and legal counsel to obtain a determination as to the level of participation permitted.

3. Exparte Communications.

   Exparte communications in disciplinary matters are strictly prohibited. Should information come to a member's attention that is not part of the administrative record or if contact is made by any of the participants, the member should immediately contact legal counsel for advice. A case may not be discussed with any person, including CBA members, other than at the CBA meeting when the matter is scheduled for discussion. A limited exception to this policy is when a member is acting in a Liaison capacity on one or more specific cases. If acting as a Liaison, the member may not vote or be present during CBA deliberations. If there are two or more Liaison members, at least one should attend each meeting.

SECTION II.

CBA COMMITTEES AND TASK FORCES

The intent of all committees is to serve in an advisory capacity to the CBA. The Enforcement Advisory, Peer Review Oversight, Qualifications Committees, and Mobility Stakeholder Group (MSG) are statutory in nature, meaning their use is written into the Accountancy Act. All other committees are standing in nature, and may be created or dissolved at the CBA's discretion.

Each standing committee and/or task force shall have a Chairperson. The Chairperson is designated by the CBA President, and is tasked with running the committee/task force meeting. The Chair opens and closes the meeting, and counts the vote. The Chair is also responsible for coordinating with staff the creation of the minutes, and the presentation of those minutes to the CBA. CBA members who wish to attend standing committee meetings, but are not a part of the committee, may do so. However, pursuant to the Bagley-Keene Open Meetings Act, if the CBA member's presence at the committee meeting would constitute a CBA quorum, they may make no comment, vote on any agenda item, or sit at the table with the committee.

Each year at the November CBA meeting, the President shall inform CBA members that if they wish to participate on a committee for the following year, they must submit written notice to the Executive Analyst. The Executive Analyst will then compile the list of interested parties, and supply it to the President in December. The President, at their discretion, will then make appointments to CBA committees effective the first of January, the following year.

Each statutory committee shall have a Chairperson and Vice Chairperson. Recommendations for each are made by the CBA Vice President and approved by the CBA. The Chairperson is tasked with running the committee meeting, open and closing the meeting, and counting the votes. The Chair is also responsible for coordinating with staff the creation of the minutes for approval by the committee and CBA. The Vice Chairperson assists the Chairperson, when necessary, and assumes the Chairperson's functions in his or her absence. Appointments to the MSG are made by the CBA President.

Statutory committees are advisory in nature and are not policy setting committees. Prior to any statutory committee discussing or taking action on a policy related issue, the Chairperson, Vice Chairperson, or other designee should present the issue before the CBA for input and direction.

A. STATUTORY COMMITTEES (Ref. Business & Professions Code §§ 5020, 5023, 5024, and 5096.21).

1. Enforcement Advisory Committee (EAC).

a. Purpose.

To assist the CBA in an advisory nature with its enforcement activities by:

- Serving in a technical advisory capacity to the Executive Officer and the Enforcement Program. The EAC members may participate in investigative hearings along with staff investigators; counsel from the Attorney General's Office and where appropriate, outside counsel.

- In an appropriate manner, consistent with the Administrative Procedure Act, reporting its findings from any investigation or hearing to the CBA, or upon direction of the CBA, to the Executive Officer.

- Reviewing open investigations upon request by Enforcement staff and providing technical assistance.

- Reviewing closed investigations and reporting its findings and recommendations to the CBA or upon direction of the CBA, to the Executive Officer.

- Making recommendations and forwarding reports to the CBA for action on any matter on which it is authorized by the CBA to consider.

b. Membership.

The EAC is comprised of up to 13 licensees.

c. Meetings/Minutes.

The EAC meets approximately four times annually, generally for one day each meeting. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

2. Peer Review Oversight Committee (PROC)

a. Purpose.

To act as an advisory committee and assist the CBA in its oversight of the Peer Review Program by:

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

- Ensuring that Board-recognized peer review program providers (Provider) administer peer reviews in accordance with the standards set forth in Title 16, California Code of Regulations Section 48:

    - Conduct an annual administrative site visit.
    - Attend peer review board meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
    - Attend peer review committee meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
    - Attend meetings conducted for the purposes of accepting peer review reports, as necessary but sufficient to evaluate and assess the effectiveness of the program.
    - Conduct reviews of peer review reports on a sample basis.
    - Attend, on a regular basis, peer reviewer training courses.

- Evaluating any *Application to Become A Board-recognized Peer Review Provider* and recommending approval or denial to the CBA.

- Referring to the CBA any Provider that fails to respond to any request.

- Collecting and analyzing statistical monitoring and reporting data from each Provider on an annual basis.

- Preparing an Annual Report to the CBA regarding the results of its oversight.

b. Membership.

The PROC is comprised of 7 licensees.

c. Meetings/Minutes.

The PROC meets approximately four times annually, generally for one day each meeting. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

3. Qualifications Committee (QC)

a. Purpose.

To act as an advisory committee and assist the CBA in its licensure activities by:

- Conducting work paper reviews of experience of applicants appearing before the committee.

- Interviewing employers that appear before the committee under the provision of Section 69, of the Accountancy Regulations.

- Making recommendations and forwarding reports to the CBA for action on any matter on which it is authorized to act.

b. Membership.

The QC is comprised of 16 licensees.

c. Meetings/Minutes.

The QC meets approximately four times annually, generally for one day each meeting. An additional Section 69 review may be conducted by QC members approximately one month prior to each committee meeting for those employers not in the geographic area of the upcoming QC meeting. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

4. Mobility Stakeholder Group.

a. Purpose.

To consider whether the provisions of the practice privilege law are consistent with the CBA's duty to protect the public, and whether the provisions of the practice privilege law satisfy the objectives of stakeholders of the accounting profession in this state, including consumers.

b. Membership.

- Two members of the CBA.
- Two representatives of the accounting profession.
- Two consumer representatives.
- One CBA enforcement staff.

c. Meetings/Minutes.

All meetings of the MSG are subject to the Bagley-Keene Open Meeting Act. The MSG chooses locations that are ADA compliant and easily accessible to the public, applicants, and licensees. The MSG will alternate its meeting locations between Northern California and Southern California to facilitate participation by the public and its licensees. The CBA also recognizes its responsibility regarding the public's concern for the judicious use of public funds when choosing meeting facilities and overnight accommodations. Minutes will be prepared from the meeting, and presented to the CBA for acceptance.

5. Other Committees.

The CBA may create and appoint other committees consisting of certified public accountants in good standing of this State or other qualified interested parties, who may but need not be members of the CBA for the purpose of making recommendations on such matters as may be specified by the CBA.

B. STANDING, AD HOC, and OTHER COMMITTEES/TASK FORCES.

1. Committee on Professional Conduct (CPC).

a. Purpose.

To assist the CBA in consideration of issues relating to professional conduct by:

- Considering and developing recommendations on issues that apply to the practice of public accountancy and affect consumers.

- Considering, formulating, and proposing policies and procedures related to emerging and unresolved issues.

- Reviewing selected exposure drafts and developing recommendations to present to the CBA.

b. Membership.

The CPC may be comprised of up to seven CBA members.

c. Meetings/Minutes.

The CPC generally meets before scheduled CBA meetings. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

2. Enforcement Program Oversight Committee (EPOC).

a. Purpose.

To assist the CBA in the consideration of issues relating to the Enforcement Program by:

- Reviewing and proposing revisions to the CBA's *Manual of Disciplinary Guidelines and Model Disciplinary Orders.*
- Providing oversight on enforcement goals and objectives.
- Recommending proposed legislative and/or regulatory changes related to the Enforcement Program.
- Performing an internal audit of a closed and finalized enforcement case when specific concerns are raised by the CBA in a final decision, in accordance with established guidelines **(Appendix 7).**
- Defining the responsibilities of the CBA member liaison to the Enforcement Advisory Committee.

b. Membership.

The EPOC may be comprised of up to seven CBA members.

c. Meetings/Minutes.

The EPOC generally meets before scheduled CBA meetings as deemed necessary. Meetings to review the CBA's Disciplinary Guidelines shall be held on a tri-annual basis. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

3. Legislative Committee (LC).

a. Purpose.

To assist the CBA in its activities by:

- Reviewing, recommending, and advancing legislation relating to consumer protection and the practice of public accountancy.

- Coordinating the need for and use of CBA members to testify before the Legislature.

b. Membership.

The LC may be comprised of up to seven CBA members.

c. Meetings/Minutes.

The LC generally meets before scheduled CBA meetings. The frequency of the meetings is determined by the urgency of the issue(s) at hand and as required by the Chair. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

4. Strategic Planning Committee (SPC).

a. Purpose.

To assist the CBA in the development and implementation of the CBA Strategic Plan by:

- Assisting with and overseeing the development of the CBA Strategic Plan on a triennial basis.

- Reviewing progress on completing goals and objectives outlined in the CBA Strategic Plan.

- Reporting updates to the CBA on a yearly basis, on the progress of the Strategic Plan.

b. Membership.

- The SPC may be comprised of up to seven CBA members.

c. Meetings/Minutes.

- The frequency of the meetings is at least once per year, or as required by the Chair. Minutes are prepared from the meeting and presented to the CBA for acceptance.

5. Task Forces.

Under the CBA's General Authority, the CBA may create Task forces, which are temporary and terminate at a prescribed time. Task forces may be comprised of CBA members, licensees, staff, and the general public. For a list of all current task forces, refer to the latest CBA and Committee roster. **(Appendix 3)**

6. National Committees.

The CBA encourages its members to participate in national committees, including committees of the American Institute of Certified Public Accountants (AICPA) and National Association of State Boards of Accountancy (NASBA). Members are presented with information on committee participation and an interest form each year during the March CBA meeting. **Appendix 8** includes a link to NASBA and AICPA national committees and information on participation.

SECTION III.

REPRESENTATIONS ON BEHALF OF THE CBA

A. USE OF CBA STATIONERY.

Only correspondence that is transmitted directly by the CBA office may be printed or written on CBA stationery. Any correspondence from a CBA, committee, or task force member requiring use of CBA stationery or California Board of Accountancy/Department of Consumer Affairs logo or emblem, should be transmitted to the CBA office for finalization and distribution. Any correspondence transmitted directly from a CBA, committee, or task force member must be printed or written on their personal, firm, or business stationery.

Members have the option of obtaining a CBA email account solely for the purpose of conducting CBA board-related business. Members obtaining a CBA email account are subject to the provisions identified in DCA Policy ISO 0501, regarding Acceptable Use of Information Technology Systems. A copy of the policy will be provided upon request for a CBA email account. It should be noted that personal and business email accounts, if also used for CBA business, could be subject to subpoena.

B. TESTIMONY BEFORE THE LEGISLATURE.

Primary responsibility for testifying before the Legislature is the responsibility of the Executive Officer and CBA President, or their designee, as delegated by the CBA. Members are also asked to participate as deemed necessary by the President.

C. PUBLIC AND MEDIA RELATIONS.

It is important that the consumers of California have information regarding the activities, responsibilities, and mission of the CBA. This information must be disseminated properly and responsibly. Information is conveyed to consumers, licensees, examination applicants, constituents, and other stakeholders by two mechanisms: responding to inquiries, and initiating the release or communication of information. Nearly all information to consumers and the general public is communicated through the Internet, e-mail, and the news media; other information is conveyed by professional organizations, such as consumer advocacy groups, other regulatory entities, and professional society publications.

It is the CBA's policy to provide the public with as much information as possible about its activities in a manner that is both objective and factual. For example, the CBA's tri-annual publication, **UPDATE**, and the CBA's website list disciplinary actions taken against licensees. This information provides the name and locality of the licensee, the license number, the cause for discipline, the effective date of discipline, and the code violation(s) that were cited in the findings.

The CBA's website also has a License Lookup feature. Consumers and licensees can check the status of California licensed individuals, partnerships, corporations, and out-of-state accounting firms registered in California. The License Lookup feature also provides ~~C~~consumers a link to search out-of-state licensed CPAs.

Statements to the News Media: To establish a foundation for accurate news coverage regarding CBA activities, statements to the news media by the Executive Officer, the CBA President, or their designee, are to be confined to matters of procedure and matters of fact already on the record. All information conveyed must be fact, not opinion. Editorializing or interpreting the facts of a situation is inappropriate and can lead to misunderstandings and misinformation.

When queried about matters under investigation, in which an Accusation has not been filed, it is the policy of the CBA for the spokesperson to state: "It would be premature to discuss any matter that may or may not be under investigation by the CBA."

D. NEWS RELEASES.

The CBA issues three categories of news releases:

- Declarations of disciplinary actions when the CBA deems such an action necessary or desirable

- Information about CBA actions, findings, or other facts or details related to matters in which the consumers of California are clearly involved

- Information about the CBA's policies, actions, activities, or programs which may affect the consumers of California

The authority for issuing news releases relating to routine CBA business and notice of disciplinary actions resides with the Executive Officer and CBA President, who decide jointly whether a news release is appropriate.

News releases, information in **UPDATE** and on the website reporting actions by the CBA during closed session relating to disciplinary cases, may not be released for a period of 30 days, pending appeal by the respondent. If a writ of mandate is filed within the 30 days, the disciplinary action will still be published unless a stay order is issued by the court. In all instances, the composition of the vote of CBA members in closed session is not a matter of public record.

The content of each news release will determine the course of review the document must take. The Executive Officer, in consultation with the CBA President, will identify those parties to review each news release and identify the responsible party to draft the news release. While legal counsel will review the material prior to dissemination, final review~~,~~ and authority to disseminate the news release is the charge of the CBA President~~,~~ or his or her designee.

E. RESPONDING TO INQUIRIES.

All technical, license, or disciplinary inquiries to a CBA, committee, or task force member from applicants, licensees, or members of the public should be referred to the Executive Officer. Contact of a CBA, committee, or task force member by a member of the news media should be referred to the Executive Officer.

~~Other inquiries may be received such as:~~

~~Public Records Act — permits the CBA to withhold disclosing information during a pending investigation.~~

F. SPEAKING ENGAGEMENTS.

CBA, committee, and task force members sometimes are requested to make presentations before various organizations regarding CBA business or activities. Such requests must be approved by the CBA President or the Executive Officer. A written list of topics the speaker intends to present must be provided prior to the presentation.

G. UPDATE (Reference Business and Professions Code section 5008).

The CBA issues a tri-annual periodical publication **UPDATE**. This publication serves as a communication link between the CBA, its licensee population, and other interested parties.

All articles and any information offered for submission to the **UPDATE** for publication should be submitted to the **UPDATE** staff managing editor. All material, including informational or instructive articles, notices, forms, proposed statutory or regulatory language, or any other information for publication should be presented in final form. Upon receipt, all material will be reviewed by the **UPDATE** staff, appropriate CBA division managers and the Executive Officer, and subsequently forwarded to ~~the and~~ DCA's Communications and Education Division, Legal Office and Executive Office for review before publication. Issues of **UPDATE** are also posted on the CBA's website.

SECTION IV.

BOARD MEMBER REQUIRED TRAINING AND FORMS

California law requires various training and forms be completed by those who are appointed to positions within State of California Government. The training and forms are necessary to ensure members are aware of, and adhere to, the applicable laws surrounding conflict of interest, ethics, sexual harassment prevention, and defensive driving.

In addition to the required training, the Department of Consumer Affairs also requires new members to attend a Board Member Orientation session.

A. CONFLICT OF INTEREST - GENERAL GUIDELINES.

The Political Reform Act of 1974 (Proposition 9), as it governs conflicts of interest, was primarily designed to prevent persons from financially benefiting by virtue of their official position.

This act requires state agencies to adopt a Conflict of Interest Code that outlines the specific responsibilities of CBA members and employees in that agency. There are two major aspects of the Political Reform Act included in the Conflict of Interest Code: one refers to disqualification, the other to financial disclosure. CBA members have responsibilities under each of these aspects which are separately discussed.

DCA also has an on-line resource center for board members where information regarding conflict of interest can found at:
http://www.dcaboardmembers.ca.gov/member_info/conflict_interest.shtml

1. Disqualification.

   Government Code Section 87100 sets forth the general prohibition: "No public official at any level of state or local government shall make, participate in making or in any way attempt to use his official position to influence a governmental decision in which he knows or has reason to know he has a financial interest."

   Any CBA member who has a financial interest must disqualify himself/herself from making or attempting to use his/her official position to influence the decision. The question of whether a CBA member has a financial interest that would present a legal conflict of interest is a complex one and must be decided on a case-by-case review of the particular facts involved. For more information on disqualifying yourself due to a possible conflict of interest, please refer to the Fair Political Practice Committee's manual, located on their website. http://www.fppc.ca.gov/index.php?id=37

2. Financial Disclosure.

   The Conflict of Interest Code also requires all CBA members to file annual financial disclosure statements. This is accomplished by submitting a Form 700 – Statement of Economic Interests **(Appendix 9)**. New CBA members are required to file a disclosure statement within 30 days after assuming office; or, if subject to Senate confirmation, 30

days after being appointed or nominated. Annual financial statements must be filed not later than April 1 of each year.

A "leaving office statement" must also be filed within 30 days after an affected CBA member or other official leaves office.

CBA members are not required to disclose all their financial interests. Government Code Section 87302(b) indicates when an item is reportable:

An investment, interest in real property, or income shall be made reportable by the Conflict of Interest Code if the business entity in which the investment is held, the interest in real property, or the income or source of income may foreseeably be affected materially by any decision made or participated in by the designated employee by virtue of his or her position.

To determine what investments, interests in property or income must be reported by a CBA member, reference should be made to the DCA's Conflict of Interest Code. Questions concerning particular financial situations and related requirements should be directed to the DCA's Legal Office. More information is also available on DCA's website, http://www.dca.ca.gov/publications/coi_regs.pdf

3. DCA's Policy: Incompatible Activities (Reference Government Code Section 19990).

   The following is a summary of the employment, activities, or enterprises, which might result in, or create the appearance of being inconsistent, incompatible, or in conflict with the duties of state officers:

   - Using the prestige or influence of a state office or employment for the officer's or employee's private gain or advantage, or the private gain or advantage of another.

   - Using state time, facilities, equipment, or supplies for the officer's or employee's private gain or advantage, or the private gain or advantage of another.

   - Using confidential information acquired by virtue of state employment for the officer's or employee's private gain or advantage, or the private gain or advantage of another.

   - Receiving or accepting money, or any other consideration, from anyone other than the state for the performance of an act which the officer or employee would be required or expected to render in the regular course or hours of his or her state employment or as a part of his or her duties as a state officer or employee.

   - Performance of an act in other than his or her capacity as a state officer or employee knowing that such an act may later be subject, directly or indirectly, to the control, inspection, review, audit, or enforcement by such officer or employee or the agency by which he or she is employed. [This, of course, would not preclude an "industry" member of a CBA or commission from performing the normal functions of his or her occupation.]

- Receiving or accepting, directly or indirectly, any gift, including money, any service, gratuity, favor, entertainment, hospitality, loan, or any other thing of value from anyone who is doing or is seeking to do business of any kind with the state or whose activities are regulated or controlled in any way by the state, under circumstances from which it reasonably could be inferred that the gift was intended to influence him or her in his or her official duties or was intended as a reward for any official action on his or her part.

- The aforementioned limitations do not attempt to specify every possible limitation on employee activity that might be determined and prescribed under the authority of Section 19990 of the Government Code. DCA's Incompatible Work Activities Policy and Procedure OHR 10-01 is included in **Appendix 10**. This policy acknowledgement is required when a member is initially appointed.

B. ETHICS TRAINING REQUIREMENT

With the passage of Assembly Bill 2179 (1998 Chapter 364), state appointees and employees in exempt positions are required to receive an ethics orientation within the first six months of their appointment and every two years thereafter. To comply with that directive you may either complete the interactive training on the website of the Office of the Attorney General or view an interactive video available upon request. Ethics training information may be found at: http://www.dcaboardmembers.ca.gov/training/ethics_orientation.shtml

C. SEXUAL HARASSMENT PREVENTION TRAINING

In accordance with the DCA Sexual Harassment Prevention (SHP) Policy (EEO 12-01), **(Appendix 11)** and to ensure compliance with Assembly Bill (AB) 1825 (Reyes, Chapter 933, Statutes of 2004), all DCA employees are required to receive biennial Sexual Harassment Prevention training. The training is mandatory for Rank and File Employees, Temporary Employees (Retired Annuitants, Proctors, Seasonal Employees, and Student Assistants), Managers, Supervisors, Board, Committee Members, and Commission Members. The SHP training titled *Preventing Harassment and Other EEO Issues at Work: It's All About Respect (AB 1825 Compliance)* offers real life scenarios and interactive question and answer segments. DCA requires that all employees complete Sexual Harassment Prevention Training within six months of appointment and in every odd calendar year. Training is offered via webinars or in a classroom.

D. DEFENSIVE DRIVERS TRAINING REQUIREMENT

Pursuant to the State Administrative Manual, all State employees, which includes Board and Committee Members, who drive a vehicle on official state business must complete the Department of General Services approved Defensive Driver Training (DDT) within the first six months of their appointment and every four years thereafter. Defensive Driver Training information may be found at:
http://www.dgs.ca.gov/orim/Programs/DDTOnlineTraining.aspx

E. BOARD MEMBER ORIENTATION TRAINING

Newly appointed and reappointed members are required to attend a Board Member Orientation session within one year of assuming office. The orientation covers the information member previously mentioned regarding required training, in addition to covering other topics that will ensure a members success, including an overview of DCA, the Bagley-Keene Open Meetings Act, the Discipline Process, and the Administrative Procedure Act. This training is in addition to a CBA specific orientation provided by CBA staff.

DCA also maintains a website which serves as a resource center for board members. The website link is provided in **Appendix 12**.

SECTION V.

EXPENSE REIMBURSEMENT

A. PER DIEM AND TRAVEL.

1. Board Member Travel

CBA staff is always available to assist members with any CBA-related travel arrangements including air or train transportation, car rental, and any lodging that is not associated with a board/committee meeting room block. If a CBA member chooses to coordinate their own travel arrangements, they should use CalTravelStore's online portal www.concur.com to book their travel. Member's Concur accounts will be setup by CBA staff using the member's personal email address and a temporary password, which will be sent to you via email by the CBA Board Relations Analyst. Prior to travel, members will need to update the temporary password and add any applicable information, including rewards/frequent flyer traveler information and TSA Pre ✓Known Traveler Number.

More information regarding CalTravelStore can be found at: http://www.caltravelstore.com.

CBA members are also encouraged to utilize the most economic source of transportation available. For example, if there is a shuttle from the airport to the hotel available, it is not fiscally responsible to rent a car or take a taxi. To ensure full reimbursement of travel costs, requests for using a less economical mode of transportation should be submitted prior to travel to the Board Relations Analyst.

2. Lodging for Board/Committee Meeting.

Approximately four weeks before CBA and Committee meetings, the Executive Analyst will send out a memorandum detailing the name and address of the chosen hotel where a room block has been setup for lodging. Each member must contact the hotel directly to secure a room reservation. CBA staff is available to assist CBA members in making travel reservations, or members are free to coordinate them on their own.

3. Reimbursement for Travel and Per Diem expenses.

All new CBA members are provided with an electronic copy of the Per Diem and Travel Expense Worksheet when they are appointed. A paper copy is also available at all meetings. **(Appendix 13)**. Please complete the worksheet, and return it to the CBA office as soon as possible following the CBA meeting. Staff cannot process your Per Diem and travel expense claim without it. A few key notes regarding the completion of the form:

- The form is actually two forms in one. The top section authorizes the payment of Per Diem of $100 per day; the bottom section is where CBA members claim expenses for reimbursement.

- Please make sure to complete the time section of the Travel Expense Claim. Breakfast, lunch, dinner, and incidental payments all correspond to the time the traveler left and arrived at travel headquarters.

- In order to complete your travel expense claim, you must submit the original copy of all receipts, with the exception of meals. This includes a copy of your airline itinerary and hotel receipt. Please make sure that the hotel receipt you submit has a zero balance. DCA will NOT pay any receipts that show a balance due.

- When requesting reimbursement for personal vehicle mileage, you must include where the trip originated from, where it ended, and the license plate number of the vehicle. For example, enter From: Home, 123 Green Street, Sacramento, CA 95815 To: CBA Office, 2000 Evergreen St., Sacramento, CA 95815.

Travel expenses are reimbursed in accordance with the policies found within the California Code of Regulations, Title 2 (Personnel Administration), Division 1 (Administrative Personnel), Chapter 3 (Department of Personnel Administration), Subchapter 1 (General Civil Service Rules), Article 2 (Travel Expenses), and employee Memoranda of Understanding (MOU).

The Department of Consumer Affairs has compiled a guide to assist in interpreting the various policies, which is what CBA staff use when processing travel expense claims. The DCA Travel Guide is provided as **Appendix 14**.

SECTION VI.

COMMONLY USED ACRONYMS

AAA	American Accounting Association
AB	Assembly Bill
AEO	Assistant Executive Officer
AG	Attorney General
AICPA	American Institute of Certified Public Accountants
ALD	Accountancy License Database
ALJ	Administrative Law Judge
APA	Administrative Procedure Act
BCSHA	Business, Consumer Services, and Housing Agency
BPC	Business and Professions Code
BreEZe	DCA's New Automated On-Line Licensing System
CA	Chartered Accountant
CAC	Compliance Assurance Committee (NASBA)
CalCPA	California Society of Certified Public Accountants
CalHR	California Department of Human Resources (Formerly State Personnel Board and Department of Personnel Administration)
CBA	California Board of Accountancy
CBT	Computer Based Testing
CCR	California Code of Regulations
CE	Continuing Education
CFE	Certified Fraud Examiner
CLEP	College Level Examination Program
CMA	Certified Management Accountant
CORI	Criminal Offender Record Information
CPA	Certified Public Accountant
CPAVerify	Centralized database of licensing professionals from participating jurisdictions
CPC	Committee on Professional Conduct
CPE	Continuing Professional Education
CPIL	Center for Public Interest Law
CSEA	California Society of Enrolled Agents
CTEC	California Tax Education Council
DA	District Attorney
DAG	Deputy Attorney General
DCA	Department of Consumer Affairs
DGS	Department of General Services
DOF	Department of Finance
DOI	Division of Investigation
DOL	Department of Labor
EA	Enrolled Agent
EAC	Enforcement Advisory Committee
EO	Executive Officer
EPOC	Enforcement Program Oversight Committee
ERSIA	The Employee Retirement Income Security Act of 1974
FAF	Financial Accounting Foundation
FASB	Financial Accounting Standards Board

FTB	Franchise Tax Board
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Accounting Standards
GAGAS	Generally Accepted Government Accounting Standards
GAO	Government Accounting Office
GASB	Governmental Accounting Standards Board
IASB	International Accounting Standards Board
ICPA	Investigative Certified Public Accountant
iExam	International Delivery of the Uniform CPA Exam
IFRS	International Financial Reporting Standards
IH	Investigative Hearing
IRS	Internal Revenue Service
LC	Legislative Committee
MOU	Memorandum of Understanding
MSG	Mobility Stakeholder Group
NASBA	National Association of State Boards of Accountancy
NPRC	National Peer Review Committee (AICPA)
OAHA	Office of Administrative Hearings
OAL	Office of Administrative Law
PA	Public Accountant
PCAOB	Public Company Accounting Oversight Board
PROC	Peer Review Oversight Committee
QC	Qualifications Committee
RAB	Report Acceptance Body (CalCPA)
SAS	Statement on Auditing Standards
SB	Senate Bill
SCA	Society of California Accountants
SCO	State Controller's Office
SEC	Securities and Exchange Commission
SSAEs	Statements on Standards for Attestation Engagements
SSARS	Statement on Standards for Accounting and Review Services
TEC	Travel Expense Claim

SECTION VII.

RESOURCE LIST

APPENDIX 1	CBA Strategic Plan http://www.dca.ca.gov/cba/publications/stratpln2013-2015.pdf
APPENDIX 2	DCA guide to the Bagley-Keene Open Meeting Act http://www.dca.ca.gov/publications/bagleykeene_meetingact.pdf
APPENDIX 3	CBA and Committee Roster http://www.dca.ca.gov/cba/board_info/commitroster.pdf
APPENDIX 4	Uniform CPA Examination Handbook http://www.dca.ca.gov/cba/publications/exambook.pdf
APPENDIX 5	CPA Licensing Applicant Handbook http://www.dca.ca.gov/cba/publications/applbook.pdf
APPENDIX 6	CPA License Renewal Handbook http://www.dca.ca.gov/cba/publications/applbook.pdf
APPENDIX 7	Guidelines for Performing an Internal Audit of a Closed and Finalized Enforcement Case (Attachment)
APPENDIX 8	NASBA and AICPA National Committees: http://www.nasba.org/mc/committees/ https://volunteers.aicpa.org/
APPENDIX 9	Form 700 – Statement of Economic Interests http://www.fppc.ca.gov/index.php?id=500/
APPENDIX 10	DCA's Incompatible Work Activities Policy and Procedure OHR 10-01 (Attachment)
APPENDIX 11	DCA's Sexual Harassment Prevention Policy EEO 12-01 (Attachment)
APPENDIX 12	DCA's Board Member Resource Center http://www.dcaboardmembers.ca.gov/index.shtml
APPENDIX 13	Per Diem and Travel Expense Worksheet with Travel Reimbursement Guidelines (Attachment)
APPENDIX 14	DCA Travel Guide (Attachment)

Communications and OUTREACH

www.cba.ca.gov January 2016

A New Look and Focus

The CBA's outreach report has a new look! CBA President Katrina L. Salazar, CPA, has made outreach one of the CBA's primary focal points for 2016. The purpose of this redesigned agenda item, designed to have the look and feel of a newsletter, is to highlight the importance of outreach and draw the attention of the reader.

A redesigned look is not the only change. Staff will be taking a more proactive approach and generally increasing the CBA's outreach and communications efforts. One of the ways outreach will be increased is through the use of videos. Staff will be reaching out to NASBA to develop short educational videos similar to the "Brainshark" videos NASBA has on its website. These videos can be hosted on the CBA's website or shared through YouTube or Vimeo.

In addition, CBA Members have expressed interest in developing a Speaker's Bank which would be comprised of presentations that would be available for various speaking engagements. Staff have already added two presentations to the Speaker's Bank, one regarding general CBA information and the other on exam and licensure requirements. Plans are already in place to add additional ones in the future.

Staff will be creating a calendar of CBA events and will attempt to schedule speaking opportunities in conjunction with CBA meetings, committee meetings, site visits, or other CBA-related events. One of the next items to be added to the Speaker's Bank, and potentially the first video, will be on How to Select a CPA.

Finally, staff will explore the use of radio and television for spreading the CBA's message of consumer protection.

SOCIAL MEDIA

3,092

1,893

1,732

124

Our Corner of the Web

The redesign of the CBA's website is continuing. Staff have added new features that will make the website more user friendly and a new look. Staff are still on pace to release the new website around the time of the move to the CBA's new office location. Once it is released, the adaptive technology being implemented will allow stakeholders to use the website on any screen size — from large wide-screen formats all the way down to cell phone sized screens.

Over the last few months, the website has played an important role in communicating the expiration of Pathways 1 and 2 for CPA licensure. The website will continue to be a vital part of communicating the CBA's message to stakeholders.

The CBA's License Lookup feature is one of the most used functions on the website. So far this fiscal year, through November 30, 2015, the California License Lookup has been accessed 541,748 times.

Outreach Events

The CBA has been active over the last few months with various outreach events. In November, staff went to California State University, Chico to talk about obtaining a CPA license with 40 students.

Also in November, President Salazar spoke to the Sacramento chapter of CalCPA, giving them an overview of the CBA and its functions and priorities. The presentation was well received, and staff have added it to the Speaker's Bank for future use.

In December, President Salazar was able to attend a gathering of accounting students at the University of Redlands. She spoke to approximately 35 students regarding the CBA's educational requirements and the process for obtaining a California CPA license.

Finally, On January 20, 2016, President Salazar will address CalCPA's Council meeting in Sacramento. With 150 of CalCPA's leaders from across the state, it will provide an excellent opportunity to share the CBA's mission and priorities for the coming year.

Conflict of Interest

With the increasing focus on outreach, and the increased involvement of CBA and Committee Members in that outreach, it is anticipated that Members may have more questions about Form 700 reporting requirements. Staff have prepared a Conflict of Interest Tip Sheet (**Attached**) that will generally apply to Members as they decide whether to incur reporting responsibilities. Because this is an extremely complex law, for more specific questions, Members should call DCA Legal's Ethics Officer or the Fair Political Practices Commission.

News Releases

November 23, 2015

California Board of Accountancy Elects New Officers

November 23, 2015

CBA Suspends CPA License of Former Oroville Mayor

November 24, 2015

CBA Welcomes New Board Member

December 30, 2015

Enforcement News Releases

January 6, 2016

Governor Reappoints Two CBA Members

E-News

E News Subscriptions	External	Internal	Total
Consumer Interest	4,516	65	4,581
Examination Applicant	2,946	50	2,996
Licensing Applicant	3,591	55	3,646
California Licensee	9,631	61	9,692
Out-Of-State Licensee	2,363	55	2,418
Statutory/Regulatory	7,806	71	7,877
CBA Meeting Information & Agenda Materials	3,697	52	3,749
Update Publication	7,428	34	7,462
Total Subscriptions	**41,978**	**443**	**42,421**
Total Subscribers	13,462	84	13,546

CALIFORNIA BOARD OF ACCOUNTANCY

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

Attachment

CBA Tip Sheet on Conflict of Interest Reporting Requirements

The Political Reform Act (Act) imposes limits on gifts, prohibits honoraria payments, and imposes limits and other restrictions on the receipt of travel payments and personal loans. Every year by April 1, the Fair Political Practices Commission (FPPC) requires certain government officials and employees who have been identified by their departments as required to report possible conflicts of interest to file a Statement of Economic Interests (Form 700) which allows the FPPC to monitor compliance with the Act. Failure to comply with the Act may, depending on the violation, result in anything from administrative fines to criminal prosecution. Members of the California Board of Accountancy (CBA) and its various Committees are required to annually file the Form 700 consistent with the Department of Consumer Affairs' (DCA) Conflict of Interest Code.

With the increasing focus on outreach, and the increased involvement of CBA/Committee Members (Members) in that outreach, it is anticipated that Members may have more questions about reporting requirements. The following is information that will generally apply to Members as they decide whether to accept gifts and the reporting responsibilities that accompany them. However, the Act is an extremely complex law, and it is recommended that members refer to the attached fact sheet provided by the FPPC or, for more specific questions, call DCA Legal's Ethics Officer or the FPPC. The FPPC contact information is on the cover of the attached Fact Sheet; however, the FPPC will only answer questions from you or your attorney. They will not answer questions posed on your behalf by CBA staff.

Gifts

A gift is any payment or other benefit provided to you that confers a personal benefit for which you do not provide goods or services of equal or greater value. Members are subject to two gift limits:

1. Members may not accept gifts of more than $10 in a calendar month from a registered state lobbyist or lobbying firm. "Lobbyist" would include individuals such as Jason Fox or Jonathan Ross, and "lobbying firm" would include firms such as KP Public Affairs.

2. Members may not accept gifts from certain other sources that exceed $460 in a calendar year or within 12 months prior to the time a decision involving the source of the gift is made. This limit, which is adjusted every odd-numbered year, only applies if the "other source" is one of the following:

- A business entity, professional association or individual where the business entity, professional association or individual's profession is regulated by or offers programs or courses qualifying for licensing or continuing education credit by the CBA.
- A business entity if, within the previous two years, the entity is of the type which has contracted with the CBA to provide goods or services.

"Other sources" would include, but not be limited to, applicants, licensees (individuals and firms), CalCPA, CE providers, colleges and universities, foreign credentials evaluation services, and any entity from which the CBA purchases goods and services, including the hotels where CBA and committee meetings are held.

A gift is reportable on the Form 700 if its fair market value is $50 or more. In addition, multiple gifts totaling $50 or more received from a single source during the reporting period must be reported.

There is a long list of exceptions to the gift limits provided in the FPPC Fact Sheet that Members should review prior to accepting or reporting a gift. Notable exceptions on this list include items that are returned or reimbursed within 30 days; gifts from close family members; informational materials; tickets or passes that are not used or provided to another person; and free admission, and food and nominal items which were available to all attendees, at an event **at which you make a speech** so long as the admission is provided by the person who organizes the event.

As an example, a Member is invited to speak at a CalCPA dinner event that costs $50 per ticket for attendees. Following the Member's presentation, CalCPA presents the Member with a $100 leather briefcase. The Member is allowed to attend the event for free and eat the meal and would not need to report this information on the Form 700, nor would it be subject to the $460 gift limit, because the Member gave a speech and the ticket was paid for by the organizer of the event and the food was available to all attendees.

However, the Member has three choices with the briefcase. Number one, return the briefcase within 30 days; number two, reimburse CalCPA within 30 days for the $100 cost; or number three, keep the gift and report its value on the Form 700. If the gift is kept and reported, it should be noted that the Member may only accept $360 more from CalCPA during that same year.

As another example, a Member attends an AICPA meeting as a member of the AICPA rather than the CBA or committee. The registration fee is paid by the AICPA. If the member does not have a speaking role at the meeting, the registration fee is a reportable gift.

Honoraria
An honorarium is a payment received for making a speech, publishing an article, or attending any public or private conference, convention, meeting, social event, meal or similar gathering. Members are prohibited from receiving honoraria payments from any of the specified sources of gifts listed above. Some limited exceptions apply, however, these can be very complex. Therefore, it is suggested that you contact DCA Legal's Ethics Officer or the FPPC regarding these matters.

Travel
Generally, travel expenses will be paid by the CBA when a Member is traveling on mission critical CBA business. However, when a Member receives a payment for his or her travel not paid for by the CBA, that payment is a reportable gift or income under the Act. This can include payments, advances, or reimbursements for travel, including actual transportation, parking and related lodging and subsistence. Certain payments for travel are excluded from the gift limits and honoraria prohibition; however, these are not very common and can be very complex. Therefore, it is suggested that you contact DCA Legal's Ethics Officer or the FPPC regarding these matters.

For example, CalCPA invites a Member who is an expert in tax issues to speak at a tax symposium regarding new tax laws. The Executive Officer determines that this is not a CBA mission critical event. The Member is permitted to attend the event and speak as an expert, but not as a representative of the CBA. In this case, if CalCPA were to reimburse the member for travel expenses, such reimbursement would be reportable on the Form 700 and may be subject to the applicable gift limits.

Loan Restrictions
While such an event is not likely to occur, the Act also prohibits Members from receiving any personal loan aggregating more than $250 from an official, employee, or consultant of, or from anyone who contracts with, the CBA. Under certain circumstances, a personal loan that is not being repaid or is being repaid below certain amounts may become a gift to the official who received it. Again, this is not very common and can be very complex; therefore, it is suggested that you contact DCA Legal's Ethics Officer or the FPPC regarding such matters.

Attachment
FPPC Fact Sheet

Limitations and Restrictions on Gifts, Honoraria, Travel and Loans

A Fact Sheet For

- Elected State Officers and Candidates for Elective State Office
- Members of State Boards and Commissions
- Designated Employees of State Government Agencies
- State Officials Who Manage Public Investments

California Fair Political Practices Commission

Toll-free advice line: 1 (866) ASK-FPPC
Email advice: advice@fppc.ca.gov
Web site: *www.fppc.ca.gov*

January 2015

Introduction

The Political Reform Act[1] (the -Act") imposes limits on gifts, prohibits honoraria payments[2] , and imposes limits and other restrictions on the receipt of travel payments and personal loans by the following state officials:

• Elected state officers, candidates for elective state office, and other state officials specified in Section 87200;[3]
• Members of state boards and commissions; and
• Designated employees of state agencies (i.e., officials and employees of state agencies who file statements of economic interests (Form 700) under their agency's conflict of interest code).

This fact sheet summarizes the major provisions of the Act concerning gifts, honoraria, travel, and loans. You should not, however, rely on the fact sheet alone to ensure compliance with the Act. If you have any questions, contact the Fair Political Practices Commission at (866) 275-3772 or advice@fppc.ca.gov or visit our website at www.fppc.ca.gov. Commission advice letters are available on our website.

Enforcement

Failure to comply with the laws related to gifts, honoraria, loans, and travel payments may, depending on the violation, result in criminal prosecution and substantial fines, or in administrative or civil monetary penalties for as much as $5,000 per violation or three times the amount illegally obtained. (See Sections 83116, 89520, 89521, 91000, 91004 and 91005.5.)

[1] The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18110 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

[2] The gift limit and honoraria prohibitions do not apply to judges (although they do apply to candidates for judicial office) or to any part-time member of the governing board of any public institution of higher education, unless the member is also an elected official. (Sections 89502 and 89503.)

[3] State officials specified in Section 87200 include elected state officers, candidates for elective state office, members of the Public Utilities Commission, Energy Resources Conservation and Development Commission, Fair Political Practices Commission, California Coastal Commission, and the High-Speed Rail Authority, and officials who manage public investments.

Gifts

Limitations

Elected state officers, candidates for elective state office, and other state agency officials and employees are subject to two gift limits:

1. Elected state officers, candidates for elective state office, and most legislative employees may not accept gifts aggregating to more than $10 in a calendar month either from or arranged by any single registered state lobbyist or lobbying firm. State agency officials, including board and commission members, officials who manage public investments, and employees, may not accept gifts aggregating to more than $10 in a calendar month either from or arranged by a single registered state lobbyist or lobbying firm if the lobbyist or firm is registered to lobby the official or employee's agency. (Sections 86201-86204.)

2. Gifts from any other single source may not exceed $460 (2015-2016 limit) in a calendar year. For officials and employees who file statements of economic interests (Form 700) under a state agency's conflict of interest code (~~"d~~esignated employees"), this limit applies only if the official or employee would be required to report income or gifts from that source on the Form 700, as outlined in the ~~"d~~isclosure category" portion of the agency's conflict of interest code. (Section 89503.)[4]

What is a "Gift"?

A ~~"g~~ift" is any payment or other benefit provided to you that confers a *personal* benefit for which you do not provide payment or services of equal or greater value. A gift includes a rebate or discount in the price of anything of value unless the rebate or discount is made in the regular course of business to members of the public. (Section 82028.) (See Regulation 18946 for valuation guidelines.)

Except as discussed below, you have ~~"r~~ceived" or ~~"a~~ccepted" a gift when you know you have actual possession of the gift or when you take any action exercising direction or control over the gift, including discarding the gift or turning it over to another person. This includes gifts that are accepted by someone else on the official's behalf and gifts made to others at the direction of the official. (Regulation 18941.)

Gifts to Family Members

Under certain circumstances, a gift to an official's family member* is considered a gift to the official. (Regulation 18943.) Anything given to a family member is presumed to be a gift to the official if: (1) there is no established relationship between the donor and the family member where it would generally be considered appropriate for the family member to receive the gift or; (2) the donor is someone who lobbies the official's agency, is involved in an action before the official's agency in which the official may foreseeably participate, or engages in business with the agency in which the official will foreseeably participate. (Wedding gifts are treated differently, see below.)

[4] Section 89503 provides for a biennial adjustment to the gift limit to reflect changes in the Consumer Price Index. For 2015-2016, the gift limit is $460. (Section 89503; Regulation 18940.2.) Gifts from a single source that aggregate to $50 or more must be disclosed and gifts aggregating to $460 or more received by an official during any 12-month period may subject the official to disqualification with respect to the source (Section 87103(e).) Designated employees should obtain a copy of their conflict of interest code from their agency. Some conflict of interest codes require very limited disclosure of income and gifts. Gifts from sources that are not required to be disclosed on your Form 700 are not subject to the $460 gift limit but still may subject you to disqualification.

*For purposes of this rule, an official's ‐family member" includes the official's spouse; registered domestic partner; any minor child of the official who the official can claim as a dependent for federal tax purposes; and a child of the official who is aged 18 to 23 years old, attends school, resides with the official when not attending school, and provides less than one-half of his or her own support.

Source of Gift

Under most circumstances, it is clear who the source of a gift is, but if the circumstances indicate that the gift is being provided by an intermediary, you must determine both the donor and the intermediary in reporting the gift. Regulation 18945 provides the rules for determining the source of the gift.

Gifts from Multiple Sources

In determining the cumulative value of any reportable gifts, separate gifts from an individual and an entity that the individual controls or where the individual directs the payment of the gift must be aggregated as one source in complying with the reporting and limit requirements. For example, separate gifts from J.R. Ewing and Ewing Oil Company would be treated as if from one source if J.R. owns more than a 50 percent interest in the company unless the making of the gift was determined by someone else in the company. In that case, the gift from Ewing Oil would be aggregated with any gifts made by that individual. (Regulation 18945.1.) Group gifts, where you received a single gift from multiple donors (such as a retirement gift from coworkers) need not be reported unless any person contributes $50 or more to the total cost of the gift. In that case, you would only report each of those persons. (Regulation 18945.2.)

Valuation of Gifts

The general rule for determining the value of a gift is to apply the fair market value at the time the gift is received. Fair market value can be determined by finding any local or Internet advertisement for the item. Special exceptions to the fair market value rule are contained in Regulations 18946.1 through 18946.5 covering admission to ticketed and invitation-only events, wedding gifts, attendance at nonprofit and political fundraisers, and air travel. (Regulation 18946.) For example, for ticketed events, the value is the face value of the ticket.

General Gift Exceptions

Form 700 Reporting	C/I § 87100	Honoraria Ban	$460 Gift Limit	Lobbyist $10 Limit
No	No	No	No	No

1. Items that are returned (unused) to the donor, or for which you reimburse the donor, within 30 days of receipt. (Section 82028(b)(2); Regulation 18941.)

2. Items that are donated (unused) to a non-profit, tax-exempt (501(c)(3)) organization in which the official (or immediate family member) does not hold a position, or to a government agency, within 30 days of receipt without claiming a deduction for tax purposes. (Section 82028(b)(2); Regulation 18941.)

3. Gifts from your spouse (or former spouse), child, parent, grandparent, grandchild, brother, sister, current or former parent-in-law, brother-in-law, sister-in-law, aunt, uncle, niece, nephew, or first cousin or the spouse of any such person, unless he or she is acting as an agent or intermediary for another person who is the true source of the gift. (Section 82028(b)(3); Regulation 18942(a)(3).) This exception includes great grandparents, great uncles and aunts, great nieces and nephews, and first cousins once removed.

4. Informational material provided to assist you in the performance of your official duties, including books, reports, pamphlets, calendars, periodicals, videotapes, or free admission or discounts to informational conferences or seminars.

“Informational material” may also include scale models, pictorial representations, maps, and other such items. However, if the item’s fair market value is more than $460, you have the burden of demonstrating that the item is informational. In addition, on-site demonstrations, tours, or inspections, including air flights over an area that is the subject of the information and designed specifically for public officials, are considered informational material. However, this exception does not apply to meals or lodging. Furthermore, the exception generally does not apply to transportation to the site, except for any portion of the transportation that is not commercially available. (Section 82028(b)(1); Regulations 18942(a)(1) and 18942.1.)

5. A devise or inheritance. (Section 82028(b)(5); Regulation 18942(a)(5).)

6. Campaign contributions to an official, including rebates or discounts received in connection with campaign activities (Section 82028(b)(4); Regulations 18942(a)(4), 18950(a) and 18950.3(a)), and permissible expenditures of campaign funds for campaign-related expenses, including payments for transportation, lodging or food (Regulations 18950(a) and 18950.3(b)), provided they comply and are properly reported in accordance with applicable campaign finance laws.

7. Personalized plaques and trophies with an individual value of less than $250. (Section 82028(b)(6); Regulation 18942(a)(6).)

8. Free admission to a ticketed event (including any benefits included in the price of the ticket such as a free meal) for the official and one guest at an event where the official performs a ceremonial role, such as throwing out the first pitch at a Dodgers’ game, so long as the official’s agency complies with the posting provisions set forth in Regulation 18944.1(d). (Regulation 18942(a)(13); Regulation 18942.3; also see discussion of Form 802 below under “Gifts Exceptions Requiring Alternate Reporting.”)

9. Free admission, and food and nominal items (such as a pen, pencil, mouse pad, note pad or similar item) available to all attendees, at the event at which the official makes a speech (as defined in Regulation 18950(b)(2)), so long as the admission is provided by the person who organizes the event. (Regulation 18942(a)(11).)

10. Benefits received as a guest attending a wedding reception where the benefits are the same as those received by the other guests at the reception. (Regulation 18942(a)(15).)

11. Bereavement offerings, such as flowers at a funeral received in memory of a close family member. (Regulation 18942(a)(16).)

12. Benefits received as an act of neighborliness such as the loan of an item, an occasional ride, or help with a repair where the act is consistent with polite behavior in a civilized society and would not normally be part of an economic transaction between like participants under similar circumstances. (Regulation 18942(a)(17).)

13. Two tickets for admission, for use by only the official and one guest, to attend a fundraiser for a campaign committee or candidate, or to a fundraiser for an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. The ticket(s) must be received from the organization or committee holding the fundraiser. (Regulation 18946.4.)

14. Passes or tickets that provide admission or access to facilities, goods, services, or other benefits (either on a one-time or repeated basis) that you do not use and do not give to another person. (Regulation 18946.1.)

15. Certain payments for travel as discussed below in the “Travel Payments Exceptions” section.

16. Subject to certain conditions, items provided to a government agency and used by officials in the agency for agency business. This may include passes or tickets to (see Regulation 18944.1) or payments for other types of items or activities (see Regulation 18944). An agency must disclose specified payments on a form provided by the FPPC and post the form on its website. (See discussion of Forms 801 and 802 below under ―Gift Exceptions Requiring Alternate Reporting.") Contact the FPPC for detailed information.

17. Leave credits (e.g., sick leave or vacation credits) received under a bona fide catastrophic or emergency leave program established by your employer and available to all employees in the same job classification or position. Donations of cash are gifts and are subject to limits and disclosure. (Regulation 18942(a)(9).)

18. Food, shelter, or similar assistance received in connection with a disaster relief program. The benefits must be received from a governmental agency or charity and must be available to the general public. (Regulation 18942(a)(10).)

19. Items awarded in an employee raffle received by the agency from an agency employee who is not acting as an intermediary for another donor. This exception applies when an agency holds an employee raffle and the item awarded in the raffle has been obtained with agency funds, or is otherwise an asset of the agency and not donated to the agency by a non-agency source. This exception does not apply to passes or tickets of the type described in Regulation 18944.1. (Regulation 18944.2(a) and (b).)

20. Items received by an employee during an employee gift exchange, so long as the items received are provided by another employee of the agency and the gifts are not substantially disproportionate in value. (Regulation 18944.2(c).)

Limited Gift Exceptions

Form 700 Reporting	C/I § 87100	Honoraria Ban	$460 Gift Limit	Lobbyist $10 Limit
No	No	No	No	Maybe

1. Gifts of hospitality including food, drink or occasional lodging that an official receives in an individual's home when the individual or a member of his or her family is present. (Regulation 18942(a)(7).) Such hospitality provided by a lobbyist is a gift unless the home hospitality is related to another purpose unconnected with the lobbyist's professional activities. Generally, this means functions like children's birthday parties, soccer team parties, neighborhood barbeques, etc., where other guests attend who are not part of the lobbying process. (Regulation 18942.2.)

2. Gifts commonly exchanged between an official and another individual (other than a lobbyist registered to lobby the official's agency) on holidays, birthdays, or similar occasions to the extent that the gifts exchanged are not substantially disproportionate in value. (Regulation 18942(a)(8)(A).)

3. Reciprocal exchanges between an official and another individual (other than a lobbyist registered to lobby the official's agency) that occur on an ongoing basis so long as the total value of payments received by the official within the calendar year is not substantially disproportionate to the amount paid by the official and no single payment is $460 or more. For example, if two people get together regularly for lunches and rotate picking up the lunch tab so that each pays approximately half the total value over the course of the calendar year, no gift need be reported. (Regulation 18942(a)(8)(B).)

4. Personal benefits commonly received from a dating partner. These gifts are not disclosable or limited but are subject to disqualification under the conflict of interest laws if the dating partner is a lobbyist or an individual who files lobbying reports and is registered to lobby the official's agency, or is an individual who otherwise has business before the official as set forth in Regulation 18942(a)(18)(D). (Regulation 18942(a)(18)(A).)

5. Acts of Human Compassion. Assistance, financial or otherwise, to offset family medical or living expenses that the official can no longer meet without private assistance because of an accident, illness, employment loss, death in the family, or other unexpected calamity; or to defray expenses associated with humanitarian efforts such as the adoption of an orphaned child, so long as the source of the donation is an individual who has a prior social relationship with the official of the type where it would be common to provide such assistance, or the payment is made without regard to official status under other circumstances in which it would be common to receive community outreach. (Regulation 18942 (a)(18)(B).) This exception does not apply if the person providing the benefit to the official is a lobbyist or an individual who files lobbying reports and is registered to lobby the official's agency, or is an individual who otherwise has business before the official as set forth in Regulation 18942(a)(18)(D).

6. Benefits received from a long-time personal friend where the gift is unrelated to the official's duties. The exception does not apply if the individual providing the benefit to the official is involved in some manner with business before the official. (Regulation 18942(a)(18)(C).) This exception does not apply if the person providing the benefit to the official is a lobbyist or an individual who files lobbying reports and is registered to lobby the official's agency, or is an individual who otherwise has business before the official as set forth in Regulation 18942(a)(18)(D).

7. Benefits received from an individual who is not a lobbyist registered to lobby the official's agency, where it is clear that the gift was made because of an existing personal or business relationship unrelated to the official's position and there is no evidence whatsoever at the time the gift is made that the official makes or participates in the type of governmental decisions that may have a reasonably foreseeable material financial effect on the individual who would otherwise be the source of the gift. (Regulation 18942(a)(19).)

Gift Exceptions Requiring Alternate Reporting

Form 700 Reporting	C/I § 87100	Honoraria Ban	$460 Gift Limit	Lobbyist $10 Limit
Yes- As Income	Yes	No	No	No

A prize or award received in a bona fide contest or competition, or game of chance. **Note: Unlike the other exceptions, payments that fall into this exception <u>must be reported as income if valued at $500 or more.</u>** To qualify for this exception the contest or competition must be unrelated to the official's duties. (Regulation 18942(a)(14).)

Reporting	C/I § 87100	Honoraria Ban	$460 Gift Limit	Lobbyist $10 Limit
Yes- On 801 or 802	No	No	No	No

The following exceptions are also applicable to payments made to a government agency that are used by officials in the agency under certain conditions to conduct agency business. These types of payments are not treated as gifts or income to the officials who use them, so long as the payments meet certain conditions and they are reported by the officials' agency. These reports must appear on either a Form 801 or Form 802, instead of the official reporting the items on a statement of economic interests (Form 700).

Form 801: This form covers gifts or donations made to an agency and used by one or more officials in the agency for agency business. This may include travel payments, reimbursements, or other uses by an official, but does not cover tickets or passes providing admission to an entertainment or sporting event, which are reported on the Form 802 (discussed below). If the payment meets the requirements of Regulations 18944 or 18950.1, the agency must report it on a Form 801 and the item is not reported on the individual's statement of economic interests (Form 700). (Regulations 18944 and 18950.1.)

Form 802: This form covers gifts or donations made to an agency that provide tickets or passes to an agency official for admission to an entertainment or sporting event. For the ticket or pass to be exempt from reporting on the individual's statement of economic interests (Form 700), the agency must have a written policy stating the public purpose for distribution of the tickets. The ticket or pass cannot be earmarked by the original source for use by a particular agency official and the agency must determine, in its sole discretion, which official may use the ticket or pass. (Regulation 18944.1.) The Form 802 is also used to report tickets provided for officials who perform a ceremonial role on behalf of the agency.

Reporting	C/I § 87100	Honoraria Ban	$460 Gift Limit	Lobbyist $10 Limit
Yes -Form 803 Behested Payment	No	No	No	No

Generally, payments made at the behest of an official that do not confer a personal benefit on an official such as those made by a third party to co-sponsor an event, or that are principally legislative, governmental or charitable in nature, are not gifts. However, when an elected officer or member of the Public Utilities Commission is making the behest, in some cases these payments may be considered "behested payments" under Section 82015(b)(2)(B)(iii) and (b)(3) and require disclosure by that elected officer or member.

Form 803: Behested payments are payments made principally for legislative, governmental, or charitable purposes. These payments are not for personal or campaign purposes. For example, an elected official may ask a third party to contribute funds to a school in his district, or to a job fair or health fair. Generally, a donation will be "made at the behest" if it is requested, solicited, or suggested by the elected officer or member of the Public Utilities Commission, or otherwise made to a person in cooperation, consultation, coordination with, or at the consent of, the elected officer or PUC member. This includes payments behested on behalf of the official by his or her agent or employee. A behested payment does not include payments to an official from a local, state, or federal government agency for use by the official to conduct agency business. For example, free parking provided by a governmental entity to an official for agency business is not a behested payment and is not subject to reporting. Behested payments totaling $5,000 or more from a single source in a calendar year must be disclosed by the official on a Form 803, which is filed with the official's agency within 30 days of the date of the payment(s). (Section 82015; Regulation 18215.3.)

Very Limited Gift Exception

Reporting	C/I § 87100	Honoraria Ban	$460 Gift Limit	Lobbyist $10 Limit
Yes - ½ value as gift	Yes	No	No	Yes

Wedding gifts are not subject to the $460 gift limit, but they are subject to the $10 lobbyist/lobbying firm gift limit. In addition, wedding gifts are reportable. However, for purposes of valuing wedding gifts, one-half of the value of each gift is attributable to each spouse. (Regulation 18946.3.)

Honoraria

The Prohibition

State officials specified in Section 87200 (see page 2) are prohibited from receiving any honoraria payments. Officials and employees of state agencies who file statements of economic interests (Form 700) under the agency's conflict of interest code ("designated employees") may not receive honoraria payments from any source if the employee would be required to report income or gifts from that source on the Form 700, as outlined in the "disclosure category" portion of the conflict of interest code. (Section 89502.)

What is an "Honorarium"?

An "honorarium" is any payment made in consideration for any speech given, article published, or attendance at any public or private conference, convention, meeting, social event, meal, or like gathering. An honorarium includes gift cards or any gift of more than nominal benefit provided in connection with an activity described above. An honorarium does not include items of nominal value such as a pen, pencil, note pad, or similar item. (Section 89501; Regulation 18932.4(e).)

A "speech given" means a public address, oration, or other form of oral presentation, including participation in a panel, seminar, or debate. (Regulation 18931.1.)

An "article published" means a nonfictional written work: 1) that is produced in connection with any activity other than the practice of a bona fide business, trade, or profession; and 2) that is published in a periodical, journal, newspaper, newsletter, magazine, pamphlet, or similar publication. (Regulation 18931.2.)

"Attendance" means being present during, making an appearance at, or serving as host or master of ceremonies for any public or private conference, convention, meeting, social event, meal, or like gathering. (Regulation 18931.3.)

The Act and Commission regulations provide certain exceptions to the prohibition on honoraria. (Section 89501(b); Regulations 18932 –18933.):

Honoraria Exceptions that also apply to gifts and income

1. An honorarium that you return (unused) to the donor or the donor's agent or intermediary within 30 days. (Section 89501(b); Regulation 18933.)

2. An honorarium that is delivered to the State Controller within 30 days for donation to the General Fund for which you do not claim a deduction for income tax purposes. (Section 89501(b); Regulation 18933.)

3. A payment that is not delivered to you but is made directly to a bona fide charitable, educational, civic, religious, or similar tax-exempt, non-profit organization. However:

- You may not make the donation a condition for your speech, article, or attendance;
- You may not claim the donation as a deduction for income tax purposes;
- You may not be identified to the non-profit organization in connection with the donation; and
- The donation may have no reasonably foreseeable financial effect on you or on any member of your immediate family. (Regulation 18932.5.)

4. A payment received from your spouse, child, parent, grandparent, grandchild, brother, sister, parent-in-law, brother-in-law, sister-in-law, nephew, niece, aunt, uncle, or first cousin, or the spouse of any such person. However, a payment that would be considered an honorarium is prohibited if one of these persons is acting as an agent or intermediary for someone else. (Regulation 18932.4(b).)

5. Any payment, unless specified otherwise, exempted under any of the —Gift Exceptions" listed above.

6. Payments received for a comedic, dramatic, musical, or other similar artistic performance, and payments received for the publication of books, plays, or screenplays. (Regulations 18931.1 and 18931.2.)

7. Reimbursements for reasonable travel expenses provided to you by a bona fide non-profit, tax-exempt (501(c)(3)) entity for which you provide equal or greater consideration. The payment would also be exempt from the definition of income under Section 82030(b)(2). (See discussion under —Travel Payments" below.)

Honoraria Exceptions where the payment may still be considered income (or gifts, if consideration of equal or greater value is not provided by the official)

1. Free admission, and refreshments and similar non-cash nominal benefits, provided to an official during the entire event at which he or she gives a speech, participates in a panel or provides a similar service, and in-California transportation and necessary lodging and subsistence provided directly in connection with the speech, panel or service, including meals and beverages on the day of the activity. (Regulation 18932.4(e).)

2. Income earned and payments for travel made in connection with personal services rendered by the official if the services are provided in connection with a bona fide business, trade, or profession — such as teaching, practicing law, medicine, insurance, real estate, banking, or building contracting — and the services are customarily provided in connection with the business, trade, or profession. (Section 89506(d)(3) and Regulations 18950(a) and 18950.2.)

This exception does not apply if the sole or predominant activity of the business, trade, or profession is making speeches. In addition, you must meet certain criteria to establish that you are conducting or in a bona fide business, trade, or profession (such as maintenance of business records, licensure, proof of teaching position) before a payment received for personal services which may meet the definition of honorarium would be considered earned income and not an honorarium. (Section 89501(b); Regulations 18932 –18932.3.) Earned income is required to be reported. Contact the FPPC for detailed information.

3. Travel payments provided to you by the State of California or by any state, local, or federal government agency which would be considered income and not a gift (i.e., payments for which you provide equal or greater consideration). (Section 89506(d)(2).) See discussion under —Travel Payments" below.

4. Certain payments for transportation, lodging, and subsistence are not considered honoraria but may be reportable as a gift or income and, if a gift, subject to the gift limit. (Sections 89501(c) and 89506.) See discussion under —Travel Payments" below.

Travel Payments Exceptions

Generally, when an official receives a payment (including reimbursement) for his or her travel, that payment is a reportable gift or income under the Act. The term ―travel payment" includes payments, advances, or reimbursements for travel, including actual transportation, parking and related lodging and subsistence. (Section 89506(a).)

If the payment is a gift, it is also normally subject to the Act's $460 gift limit and $10 lobbyist gift limit. If the payment is income, it may, in some cases, be an honorarium. And whether a payment is a gift or income, the official may be required to disqualify him or herself from any decision that will have a foreseeable materially financial effect on the source.

Certain Travel Payments are not a Gift, Income or Honorarium

Reporting	C/I § 87100	Honoraria Ban	$460 Gift Limit	Lobbyist $10 Limit
No	No	No	No	No

The following travel payments are not a gift, income or honorarium under the Act and Commission regulations and are thus not reportable, potentially disqualifying, or subject to any of the Act's gift limits or the honorarium ban.

1. A payment for travel from a source that is not reportable on the official's statement of economic interests (Form 700) based on the provisions of the conflict of interest code of the official's state agency.

2. A payment for travel from another state, local or federal government agency and related per diem expenses when the travel is for education, training or other inter-agency programs or purposes. (Regulation 18950(a) and (c)(2).)

3. A payment for travel provided to the official in a vehicle or aircraft owned by another official or agency when each official is traveling to or from the same location for an event as a representative of their respective offices. (Regulation 18950(a) and (c)(3).)

4. Travel payments provided to the official by any state, local, or federal government agency as part of the official's employment with that agency or provided to the official by a bona fide non-profit, tax-exempt (501(c)(3)) entity for which the official provides equal or greater consideration. (Section 82030(b)(2).) Any person who claims to have provided consideration has the burden of proving that the consideration received is of equal or greater value.

5. Travel for Official Agency Business (Regulation 18950.1). Certain payments made to an agency to cover the travel expenses of an employee who travels in the course of carrying out agency business are not gifts to the official because these payments do not provide a ―personal benefit" to the official. For this exception to apply, the agency must report the payment on a Form 801 and the amount and purpose for using the payments are restricted by the provisions set forth in Regulation 18950.1.

6. A payment for travel that constitutes a campaign contribution to an official (Sections 82015, 82028(b)(4); Regulations 18215, 18942(a)(4), 18950(a) and 18950.3(a)), and permissible expenditures of campaign funds for campaign-related travel (Regulations 18950(a) and 18950.3(b)), provided they comply and are properly reported in accordance with applicable campaign finance laws.

7. Payments made to a governmental entity for travel expenses that are required to fulfill the terms of a contract. Neither the governmental entity nor the public official has a reporting obligation because consideration has been provided. (Section 82028; *Ratto* Advice Letter, No. I-14-057.)

Certain Travel Payments are Reportable and may Subject the Official to Possible Conflicts of Interest, but are not Subject to the $460 Gift Limit or Honoraria Ban of the Act.

Reporting	C/I § 87100	Honoraria Ban	$460 Gift Limit	Lobbyist $10 Limit
Yes	Yes	No	No	Yes

1. Travel Subject to Section 89506(a). Any payments for actual transportation expenses and related lodging and subsistence that are made for a purpose reasonably related to: (1) A legislative or governmental purpose, or (2) An issue of state, national, or international policy so long as the travel is either

(a.) In connection with a speech given by the official and the lodging and subsistence expenses are limited to the day immediately preceding, the day of, and the day immediately following the speech and the travel is within the United States, or

(b.) Provided by a government agency or authority, (including a foreign government), a bona fide public or private educational institution as defined in Section 203 of the Revenue and Taxation Code, or a nonprofit organization that qualifies under Section 501(c)(3) of the Internal Revenue Code or a foreign organization that substantially satisfies the criteria of that section.

In addition to being reportable and creating a conflict of interest issue for the official, these payments are still subject to the $10 monthly limits on gifts from or arranged by lobbyists or lobbying firms.

Reporting	C/I § 87100	Honoraria Ban	$460 Gift Limit	Lobbyist $10 Limit
Yes - as Income	Yes	No	No	No

1. Payments for travel made in connection with personal services rendered by the official if the services are provided in connection with a bona fide business, trade, or profession — such as teaching, practicing law, medicine, insurance, real estate, banking, or building contracting — and the services are customarily provided in connection with the business, trade, or profession. (Section 89506(d)(3) and Regulations 18950(a) and 18950.2.) **These payments may be reportable as income to the official.**

Loans

Personal loans received by certain state officials are subject to limits and other restrictions, and in some circumstances, a personal loan that is not being repaid or is being repaid below certain amounts may become a gift to the official who received it.

Limitations on Loans from Agency Officials, Consultants, and Contractors

If you are an official specified in Section 87200 (see page 2) or you are exempt from the state civil service system pursuant to subdivisions (c), (d), (e), (f), or (g) of Section 4 of Article VII of the Constitution, you may not receive a personal loan that exceeds $250 at any given time from an officer, employee, member, or consultant of your government agency or an agency over which your agency exercises direction and control. (Section 87460(a) and (b).)

In addition, you may not receive a personal loan that exceeds $250 at any given time from any individual or entity that has a contract with your government agency or an agency over which your agency exercises direction and control. This limitation does not apply to loans received from banks or other financial institutions, and retail or credit card transactions, made in the normal course of business on terms available to members of the public without regard to your official status. (Section 87460(c) and (d).)

Loan Terms Applicable Only to Elected Officials

In addition to the limitations above, if you are an elected official, you may not receive a personal loan of $500 or more unless the loan is made in writing and clearly states the terms of the loan. The loan document must include the names of the parties to the loan agreement, as well as the date, amount, interest rate, and term of the loan. The loan document must also include the date or dates when payments are due and the amount of the payments. (Section 87461.)

The following loans are not subject to these limits and documentation requirements:

1. Loans received by an elected officer's or candidate's campaign committee.

2. Loans received from your spouse, child, parent, grandparent, brother, sister, parent-in-law, brother-in-law, sister-in-law, nephew, niece, aunt, uncle, or first cousin, or the spouse of any such person unless he or she is acting as an agent or intermediary for another person not covered by this exemption.

3. Loans made, or offered in writing, prior to January 1, 1998. (Sections 87460 and 87461.)

Loans as Gifts

Under the following circumstances, a personal loan received by **any** public official (elected and other officials specified in Section 87200, as well as any other state official or employee required to file statements of economic interests) may become a gift and subject to gift reporting and limitations:

1. If the loan has a defined date or dates for repayment and has not been repaid, the loan will become a gift when the statute of limitations for filing an action for default has expired.

2. If the loan has no defined date or dates for repayment, the loan will become a gift if it remains unpaid when one year has elapsed from the later of:

- The date the loan was made;
- The date the last payment of $100 or more was made on the loan; or
- The date upon which you have made payments aggregating to less than $250 during the previous 12 months. (Section 87462.)

The following loans will not become gifts:

1. A loan made to an elected officer's or candidate's campaign committee. This loan would, however, be a campaign contribution. Consult the FPPC campaign manual for state candidates (Manual 1) for more details.

2. A loan described above on which the creditor has taken reasonable action to collect the balance due.

3. A loan described above on which the creditor, based on reasonable business considerations, has not undertaken collection action. (However, except in a criminal action, the creditor has the burden of proving that the decision not to take collection action was based on reasonable business considerations.)

4. A loan made to an official who has filed for bankruptcy and the loan is ultimately discharged in bankruptcy.

5. A loan that would not be considered a gift as outlined earlier in this fact sheet (e.g., loans from certain family members). (Section 87462.)

California Board of Accountancy
Enforcement Activity Report

Report as of November 30, 2015

Complaints

Complaints/Records of Convictions	FY 2013/14	FY 2014/15	FY 2015/16 5 months of data
Received	3,255	2,702	1,052
Internal	*2,861*	*2,248*	*822*
Internal – Peer Review[1]	*1,892*	*449*	*118*
Internal – All Other	*969*	*1,799*	*704*
External	*394*	*454*	*230*
Assigned for Investigation	2,969	2,007	800
Closed – No Action	289	713	254
Average Days from Intake to Closure or Assignment for Investigation	4	4	3
Pending	0	0	1
Average Age of Pending Complaints (days)	0	0	0

[1] Peer Review internal complaints typically include investigation of failed peer review reports, failure to comply with peer review citations, filing an incorrect PR-1, or renewing a license without undergoing a peer review when a peer review is required. For FY 2013/14, these complaints included failures to respond during the initial peer review phase-in period (July 1, 2011 to July 1, 2013).

- The California Board of Accountancy (CBA) has received 1,052 complaints since the beginning of the new fiscal year, with 78 percent of these complaints being internal referrals.

- The top internal complaint continues to be conviction of a crime. The top external complaint is tax-related.

California Board of Accountancy
Enforcement Activity Report

Report as of November 30, 2015

Investigations

Investigations	FY 2013/14	FY 2014/15	FY 2015/16 5 months of data
Assigned	2,969	1,953	800
Internal	*2,628*	*1,579*	*583*
Internal – Peer Review[1]	*1,888*	*439*	*113*
Internal – All Other	*740*	*1,140*	*470*
External	*341*	*374*	*217*
Closed	2,669	1,773	765
Average Days to Close	74	167	181
Total Investigations Pending	825	1,081	1,175
0-6 Months	*472*	*639*	*558*
6-12 Months	*191*	*211*	*373*
12-18 Months	*111*	*120*	*111*
18-21 Months	*18*	*39*	*30*
21-24 Months	*22*	*33*	*43*
> 24 Months	*11*	*39*	*60*
Average Age of Open Cases (days)	202	222	245
Median Age of Open Cases (days)	153	126	196

[1] For FY 2013/14, these investigations included failures to respond to multiple CBA requests to file the required PR-1 as part of the initial peer review phase-in period that occurred between July 1, 2011 and July 1, 2013.

Chart A on Page 7 illustrates the percentage of open cases by length of time.

- The CBA has closed 765 assigned investigations since the beginning of the fiscal year.
- Since the last reporting cycles staff completed investigations on 23 cases that were 24 months or older.
- Presently, there are 60 investigations, including 37 carried over from the last report, that have been pending over 24 months. These cases are the most complex investigations requiring additional time to resolve. The status of the investigations are as follows:
  - One case has been referred for disciplinary action.
  - One case has an investigative report completed with a recommendation for a citation and fine.

- One case has a citation and fine being prepared.
- Three cases will be closed as of the next report.
- 12 cases have reports in review.
- 42 cases are under active investigation.

Discipline

Attorney General Referrals	**FY 2013/14**	**FY 2014/15**	**FY 2015/16** 5 months of data
Referrals	74	97	42
Accusations Filed	34	47	33
Statements of Issues Filed	8	9	1
Petitions for Revocation of Probation Filed	2	0	3
Closed	31	63	34
Via Stipulated Settlement	*21*	*55*	*21*
Via Proposed Decision	*4*	*2*	*0*
Via Default Decision	*6*	*6*	*13*
Discipline Pending	95	119	118
0-6 Months	*50*	*42*	*51*
6-12 Months	*15*	*40*	*34*
12-18 Months	*16*	*28*	*20*
18-21 Month	*7*	*4*	*6*
21-24 Months	*4*	*0*	*1*
> 24 Months	*3*	*5*	*6*

Chart B on Page 7 illustrates the percentage of cases pending at the AG's Office by length of time.

- There are six cases pending at the Attorney General's Office for more than 24 months. The current status of the cases are as follows:

  - A writ was filed with the California Superior Court in August 2012 following adoption of a proposed decision and denial of a Petition for Reconsideration in July 2012. A decision was issued on August 28, 2014 denying the writ of mandate. The stay previously issued was dissolved and the CBA's decision revoking the Petitioner's license became effective. The Petitioner immediately filed a Notice of Appeal with the Appellate Court seeking a stay of the decision. The motion requesting a trial was denied at a hearing on December 12, 2014. A ruling from the Court of Appeals is pending.
  - One case has a settlement conference that was set for November 30, 2015.

- One case has a hearing date set for May 2, 2016.
- Three cases have had accusations filed or amended.

Citations and Fines

Citations	FY 2013/14	FY 2014/15	FY 2015/16 5 months of data
Total Citations Issued	1,522[1]	348	144
Total Fines Assessed	$399,020	$119,387	$54,600
Fines Average	$702	$343	$379
Average number of days from receipt of a complaint to issuance of a citation	33	142	155
Top 3 Violations Resulting in Citation			
1:	Response to CBA Inquiry (Reg 52)	CE Basic Requirements (Reg 87)	CE Basic Requirements (Reg 87)
2:	CE Basic Requirements (Reg 87)	Response to CBA Inquiry (Reg 52)	Response to CBA Inquiry (Reg 52)
3:	Name of Firm (BPC 5060)	Name of Firm (BPC 5060)	Fingerprinting & Disclosure (Reg 37.5)

[1] For FY 2013/14, 1,481 citations were issued for failure to respond to multiple CBA requests to file the required PR-1 as part of the initial peer review phase-in period that occurred between July 1, 2011 and July 1, 2013.

- As noted in previous reports, the current year average for number of days to issue a citation is higher than the 2013/14 fiscal year due to the high volume and efficiency with which Peer Review (Failure to Respond) citations were issued.

- The fine amount assessed varies from $100 to $5,000 and is determined on a case-by-case basis. Factors that may increase or decrease the fine amount include aggravating or mitigating circumstances, and length of time the violation existed.

- Violation of the continuing education (CE) basic requirements, CBA Regulations section 87, is currently the most common reason for issuance of a citation.

California Board of Accountancy
Enforcement Activity Report

Report as of November 30, 2015

Probation Monitoring

Monitoring Activities	FY 2015/16 5 months of data
Number of Licensees on Probation as of Last Report	103
New Probationers	2
Total Number of Probationers	100
Out-of-State Probationers	7
Probation Orientations Held since Last Report	28

Criminal Offender Record Information (CORI)

CORI Fingerprints[1]	FY 2014/15	FY 2015/16 5 months of data
Notification Letters Sent	19,715	4,723
CORI Compliances Received	11,971	4,704
Non-Compliance Notifications Sent (Audit)	742	229

CORI Enforcement Cases	FY 2014/15	FY 2015/16 5 months of data
Received	624	264
Assigned for Investigation	185	162
Closed – No Action	439	102
Non-Compliance Citations and Fines Issued	45	48
Referred to the Attorney General's Office	14	12

[1] CORI-related activities that occurred in FY 2013/14 were previously reflected on the Licensing Activity Report.

- Effective January 1, 2014, all licensees renewing their license in active status are required to have fingerprints on file for the purpose of conducting a state and federal criminal offender record information background check.

- The fingerprint compliance rate has increased from 61 percent for fiscal year 2014/15 to 99.5 percent for the second quarter of the current fiscal year.

California Board of Accountancy
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Mobility

Enforcement Aspects of Mobility	FY 2014/15	FY 2015/16 5 months of data
Pre-Notification Forms Received	2	0
Cessation Event Forms Received	0	0
SEC Discipline Identified	27	22
PCAOB Discipline Identified	21	9
Out-of-State Accounting Firm Registrants That Reported Other Discipline	14	3
Complaints Against Practice Privilege Holders	11	3

Effective July 1, 2013, the CBA implemented a no notice, no fee practice privilege model in California. This table depicts the enforcement aspects of mobility, including the receipt and investigation of Practice Privilege Pre-Notification Forms and Notification of Cessation Event Forms.

- The complaints against practice privilege holders include practice without permit, discipline by other states/governmental agencies, and practice complaints.

- Staff sends letters to all CPAs who were disciplined by either the Securities and Exchange Commission or the Public Company Accounting Oversight Board to inform them that they must seek CBA authorization prior to practicing in California.

Division Highlights and Future Considerations

- The Discipline and Probation Monitoring (DPM) Unit has two vacant positions: one Associate Governmental Program Analyst (AGPA) and one Staff Services Analyst.

- The Criminal Offender Record Information (CORI) Investigation Unit has two vacant positions: one AGPA and one Office Technician (OT).

- The Investigations Unit has two vacant Investigative Certified Public Accountants Limited Term positions.

- The Enforcement Division has three vacant positions: two Student Assistants and one (OT).

California Board of Accountancy
Enforcement Activity Report

Report as of November 30, 2015

Chart A – Open Investigations as of November 30, 2015

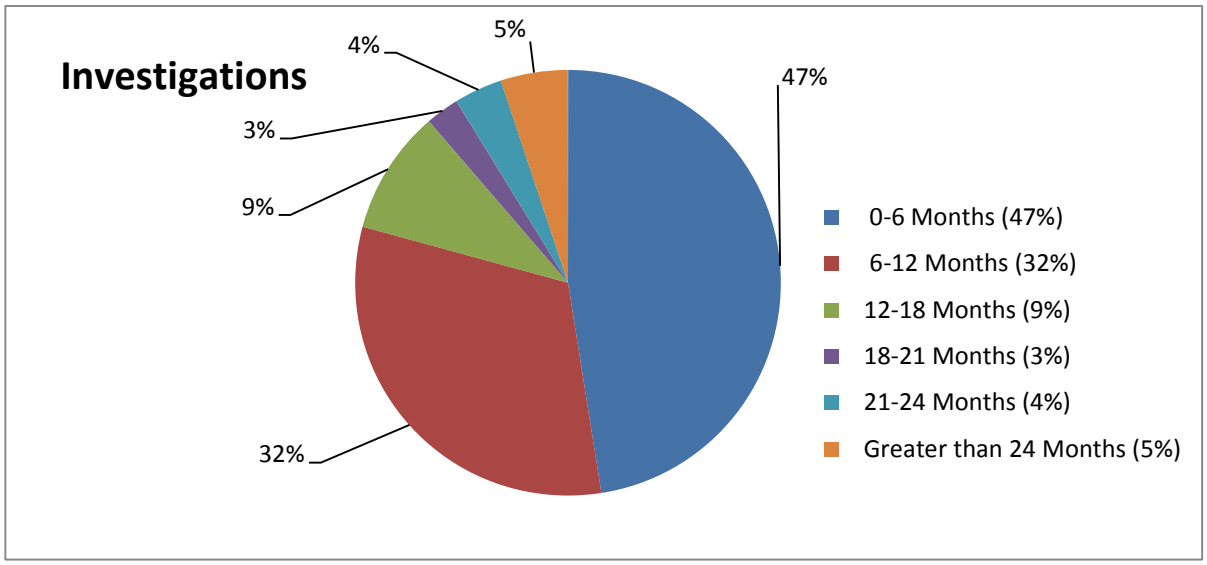
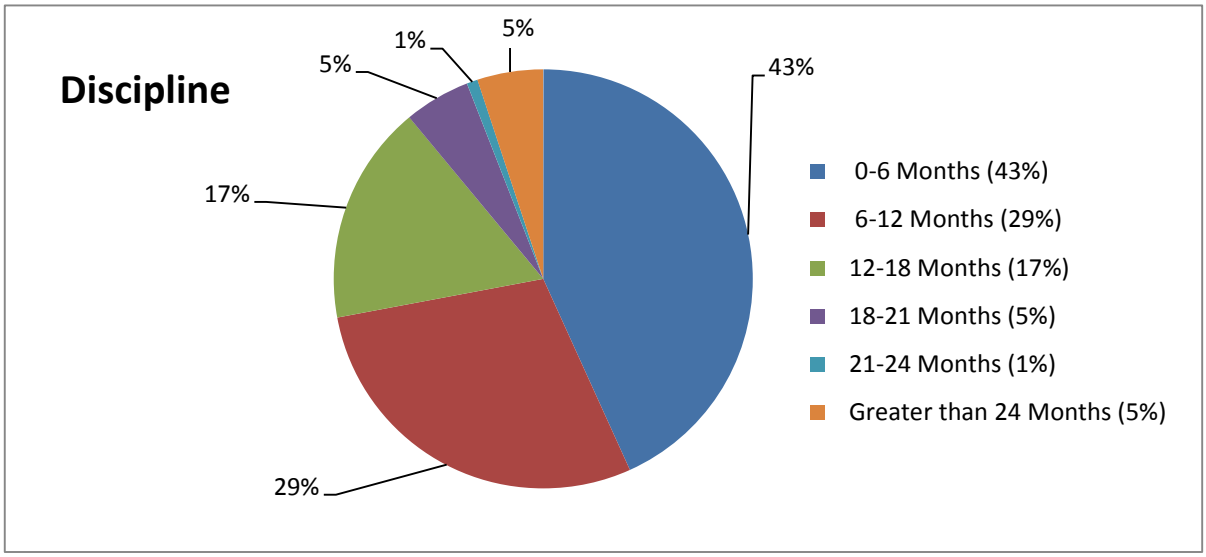


Chart B – Discipline Pending at the Attorney General Office as of November 30, 2015



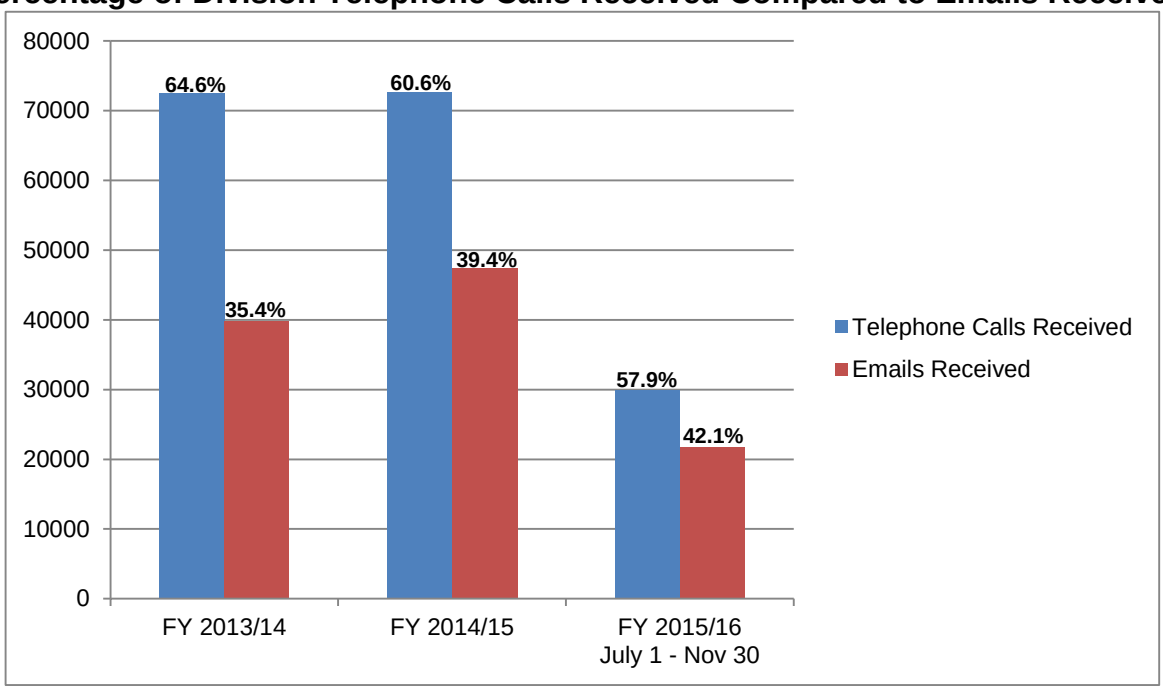
California Board of Accountancy
Licensing Activity Report
As of November 30, 2015

Contact with CBA Stakeholders

Telephone Calls Received	FY 2013/14	FY 2014/15	FY 2015/16 5 Months of Data
Examination Unit	18,815	22,809	8,017
Initial Licensing Unit	27,889	22,993	10,887
License Renewal and Continuing Competency Unit	25,172	26,449	10,824
Practice Privilege Unit	663	468	179

Emails Received	FY 2013/14	FY 2014/15	FY 2015/16 5 Months of Data
Examination Unit	10,867	13,121	5,925
Initial Licensing Unit	14,098	14,588	7,624
License Renewal and Continuing Competency Unit	14,488	19,258	8,002
Practice Privilege Unit	381	397	194

Percentage of Division Telephone Calls Received Compared to Emails Received



California Board of Accountancy
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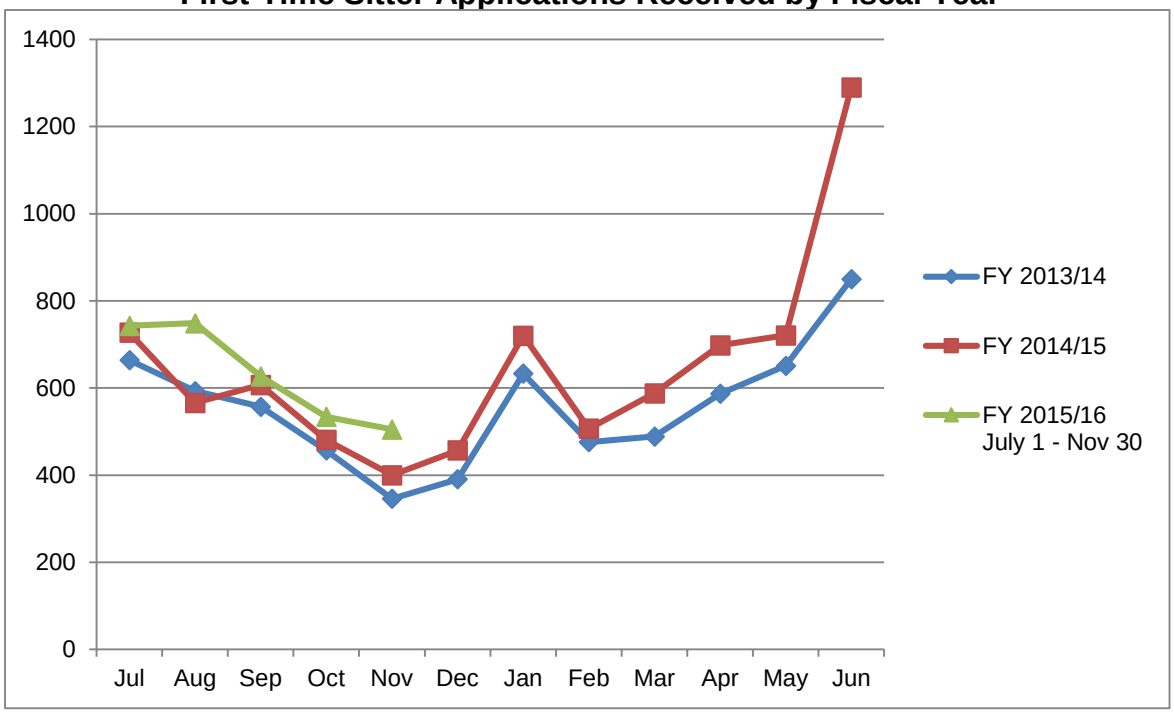
Examination Unit

- Prometric Site Visits have been authorized by NASBA for interested participants and staff is preparing authorization packets to be sent to the interested members in the coming month.

CPA Examination Applications	FY 2013/14	FY 2014/15	FY 2015/16 5 Months of Data
First-Time Sitter			
Total Received	6,661	7,762	3,158
Total Approved	6,720	6,451	3,891
Average Days to Process	20	29	28
Repeat Sitter			
Total Received	17,044	17,802	7,161
Total Approved	17,455	15,791	7,543
Average Days to Process	6	9	8

First-Time Sitter Applications Received by Fiscal Year



California Board of Accountancy
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CPA Examination Special Requests	FY 2013/14	FY 2014/15	FY 2015/16 5 Months of Data
Conditional Credit and Notice to Schedule Extensions			
Total Received	173	181	63
Total Completed	176	167	70
Average Days to Process	18	30	29
Educational Qualification Appeals			
Total Received	50	29	13
Total Completed	52	27	12
Average Days to Process	22	21	20
Special Accommodation Requests			
Total Received	172	194	78
Total Completed	178	182	82
Average Days to Process	12	18	16

Initial Licensing Unit

- The Initial Licensing Unit (ILU) recently filled its Seasonal Clerk position.
- ILU staff recently updated contents on the CBA website to reference acceptance of academia experience toward CPA licensure, and the expiration of previous pathways, which took effect January 1, 2016.

Individual License Applications	FY 2013/14	FY 2014/15	FY 2015/16 5 Months of Data
Certified Public Accountant			
Total Received	4,600	3,158	1,649
Total Approved	4,906	2,682	1,274
Average Days to Process	24	24	23

California Board of Accountancy
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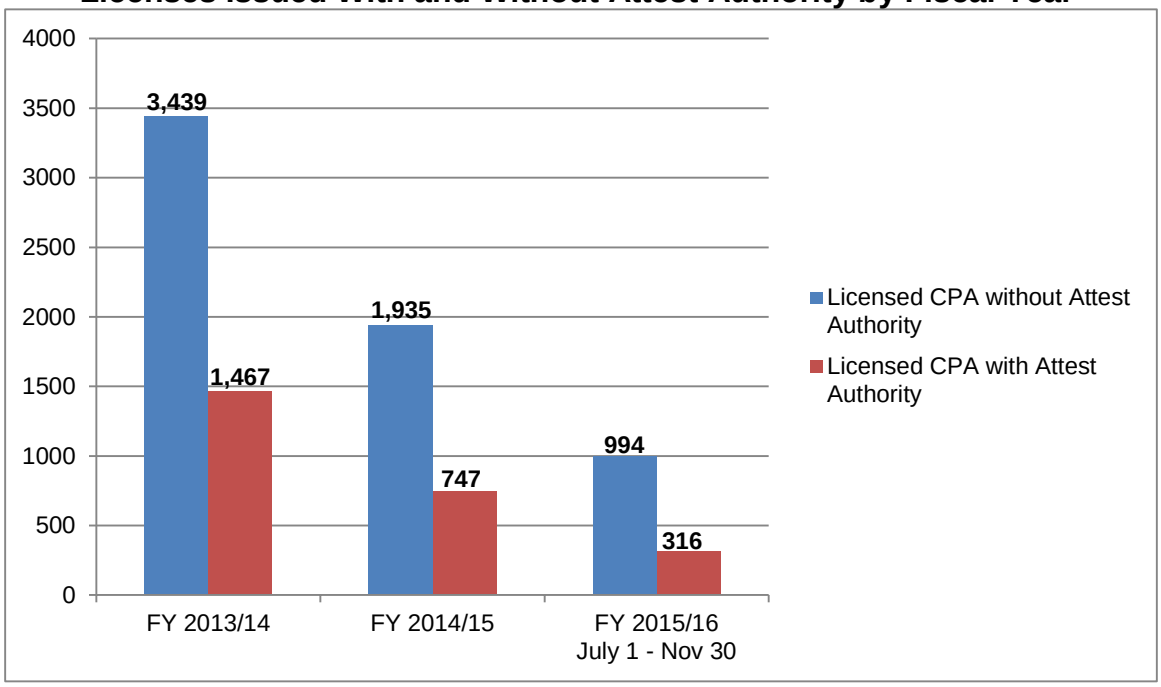
Method of Licensure*	FY 2013/14	FY 2014/15	FY 2015/16 5 Months of Data
Pathway 1 – attest	522	182	37
Pathway 1 – general	824	272	108
Pathway 2 – attest	928	320	98
Pathway 2 – general	2,560	921	320
New Requirements – attest**	17	245	181
New Requirements – general**	55	742	566

*Total Method of Licensure represents those applicants who were issued a license; refer to Total Approved
** Effective January 1, 2014, new educational requirements for CPA licensure took effect. Applicants who passed the Uniform CPA Examination prior to December 31, 2013, may continue to apply under previous Pathways 1 and 2 until December 31, 2015.

Licenses Issued With and Without Attest Authority by Fiscal Year



California Board of Accountancy
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Certification Requests	FY 2013/14	FY 2014/15	FY 2015/16 5 Months of Data
Total Received	1,039	1,051	437
Total Processed	972	1,042	403
Average Days to Process	22	20	21

Firm License Applications	FY 2013/14	FY 2014/15	FY 2015/16 5 Months of Data
Corporation			
Total Received	210	272	111
Total Approved	200	208	93
Average Days to Process	17	16	11
Partnership			
Total Received	91	92	42
Total Approved	92	76	32
Average Days to Process	17	16	11
Fictitious Name Permit			
Total Received	183	120	55
Total Approved	139	87	33
Average Days to Process	17	16	11

California Board of Accountancy
Licensing Activity Report
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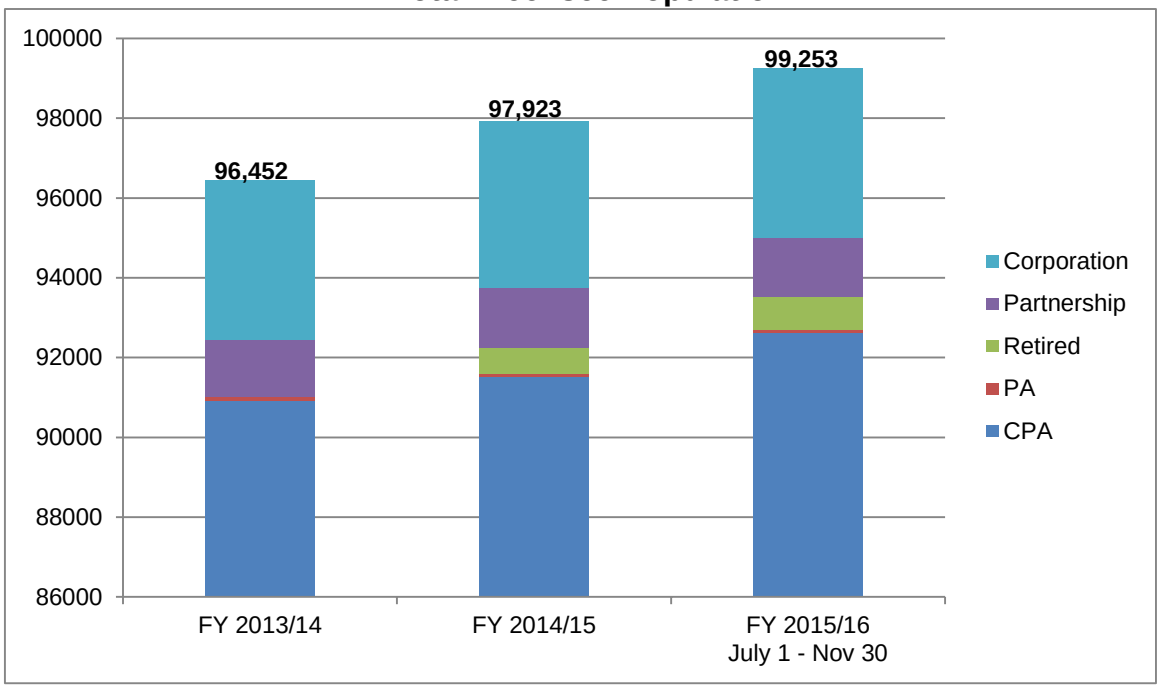
License Renewal and Continuing Competency Unit

- With the implementation of the Statement on Standards for Accounting and Review Services No. 21, the License Renewal and Continuing Competency Unit is reviewing renewal-related materials, including the License Renewal Handbook, to include information pertaining to preparation engagements.

Licensee Population by License Type	**FY 2013/14**	**FY 2014/15**	**FY 2015/16** 5 Months of Data
CPA	90,912	91,530	92,618
PA	85	64	63
Retired	-	660	834
Partnership	1,460	1,490	1,493
Corporation	3,995	4,179	4,245

Total Licensee Population



California Board of Accountancy
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License Renewal	FY 2013/14	FY 2014/15	FY 2015/16 5 Months of Data
Total Licenses Renewed			
Certified Public Accountant	39,164	40,122	17,935
Public Accountant	12	14	3
Corporation	1,526	1,500	641
Partnership	572	525	219
License Renewal Verification			
CPA/PA Applications Reviewed	39,605	34,199	19,239
Deficient Applications Identified	5,659	9,725	4,014
Compliance Responses Received	4,128	8,821	4,134
Outstanding Deficiencies	1,510	1,848	1,312
Top Three Renewal Deficiencies			
1:	Peer Review Form[1]	Peer Review Form[1]	Peer Review Form[1]
2:	Renewal Application[2]	Renewal Application[2]	Renewal Application[2]
3:	Ethics CE[3]	Ethics CE[3]	Ethics CE[3]

1 – Failure to submit/incomplete/filed on behalf of firm – peer review reporting form.
2 – Failure to submit/incomplete license renewal application.
3 – Failure to complete four hours of ethics continuing education.

License Renewal Related Activities	FY 2013/14	FY 2014/15	FY 2015/16 5 Months of Data
CE Audits			
Licensees Selected for Audit	855	900	375
Outstanding Audits	508	95	189
Compliance Letters Sent	347	1,297	278
Enforcement Referrals*			
	582	998	346

California Board of Accountancy
Licensing Activity Report
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Retired Status**	FY 2013/14	FY 2014/15	FY 2015/16 5 Months of Data
Applications Received	--	671	191
Applications Failing to Meet Minimum Qualifications	--	11	3
Applications Approved	--	660	174

* Enforcement Referrals include license renewal-related deficiencies such as CE, fingerprints, and peer review.
** Effective July 1, 2014 licensees may apply for retired status.

Practice Privilege Unit

Practice Privilege	FY 2013/14	FY 2014/15	FY 2015/16 5 Months of Data
Out-of-State Accounting Firm Registrations			
Approved	209	135	35
Pending Review	0	0	0
Pending Correction of Deficiencies	5	0	0
Enforcement Referrals	11	15	5

CALIFORNIA BOARD OF ACCOUNTANCY

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CPC Item II. January 21, 2016

CBA Item XII.A.2. January 21-22, 2016

Review of the Exemption/Extension Options from the Continuing Education Requirements

Presented by: Gina Sanchez, Chief, Licensing Division

Consumer Protection Objectives

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with information regarding its exemption/extension options from the continuing education (CE) requirements and how these options ensure consumer protection by affording licensees the opportunity to practice public accountancy while maintaining a currency of knowledge.

Action(s) Needed

No specific action is required on this agenda item.

Background

Recently, various CBA members have been posed with questions and inquiries from stakeholders regarding options available to licensees experiencing hardships in completing the required CE for license renewal. Inquiries received have addressed issues related to family and maternity leave. To provide members an opportunity to discuss the options available, staff are presenting the CBA options afforded to licensees experiencing a hardship in completing the required CE, as well as options offered by other boards and bureaus within the Department of Consumer Affairs (DCA), and other state boards of accountancy.

Comments

CBA Options Available to Licensees Experiencing a Hardship that Impacts Their Ability to Complete CE

The CBA recognizes that extenuating circumstances might exist that could impact the ability of a licensee to complete the requisite CE requirements. Business and Professions Code (BPC) section 5028 (**Attachment 1**) allows the CBA to make exceptions from the CE requirements and BPC section 462 (**Attachment 2**) allows the CBA to establish an inactive license status for licensees. In addition, BPC section 114.3 (**Attachment 3**) and BPC section 5070.2 (**Attachment 4**) offers a military waiver and military inactive status for qualified licensees. Below is an overview of each of these options presently available to licensees experiencing a hardship in completing the CE requirements.

Exemption/Extension Requests
CBA Regulations section 90 (**Attachment 5**) offers licensees the option to request an exemption from, or an extension of time to complete, the CE requirements. These requests must be accompanied by substantiating documentation. Extension requests are generally granted for one to six months beginning from the date of license expiration.

CE exemption/extension requests must fall under one of the following categories: (1) health reasons, (2) military service, or (3) other good cause. A reason of other good cause is broad by definition to encompass a variety of issues the licensee may have experienced, such as death of a family member or natural disasters.

For a licensee requesting an exemption/extension for health reasons, the request must be certified by a medical practitioner documenting the circumstances that prevented compliance. For a licensee submitting a request due to military service, the CBA generally receives paperwork from the Armed Forces noting the date on which he/she was called to active duty. Finally, for a licensee submitting a request on the basis of other good cause, the substantiating documents can range from a death certificate (for death of a family member) to evacuation notices (for natural disasters).

Requests for an exemption or extension are reviewed on a case-by-case basis. No exemption or extension is based solely because of age.

In addition to the aforementioned request types, CBA Regulations section 90 also allows for an extension of time (up to six months) for licensees to complete the Governmental Auditing, Accounting and Auditing, and Fraud CE subject matter requirements. This extension is for six months, with certain criteria needing to be met. First, licensees must have become subject to the requirement during the last six months of the two-year license renewal period, and second, licensees must have completed the full 80-hour requirement. Licensees may request this type of extension on the license renewal application.

During the time period in which an extension is granted to complete the remaining hours of CE, licensees have full practice rights to practice public accounting in California. Staff works collaboratively with licensees in order to achieve compliance with the CE requirements. Licensees who fail to comply with the CE requirements within the prescribed extension period are ineligible for future active license renewal until all CE requirements have been met. Additionally, licensees are referred to the CBA Enforcement Division for further review.

Renew in an Inactive Status
Licensees that are unable to meet the minimum CE requirements at the time of renewal or meet the criteria for an exemption/extension request have the option to renew in an inactive status (**Attachment 6**). Licensees are required to submit the renewal

application and applicable renewal fee but are not required to complete CE. During the period in which the license is in an inactive status, licensees may not practice public accountancy. Additionally, when using the CPA designation, licensees must place the term “inactive” after the designation or title.

Licensees may convert the license from inactive status to active status, upon completion of the required CE hours, at any time within the two-year license renewal period or may convert to active status at the time of the next license renewal.

CBA Military Waiver and Military Inactive License Options
Licensees called to active duty as member of the United States Armed Forces or the California National Guard have the option to apply to have their license placed in a military waiver license status or in a military inactive license status. To qualify for a military waiver license status or military inactive license status, licensees must submit written documentation substantiating active duty service, such as military orders or Leave and Earnings Statements. Licensees holding a license placed in a military waiver or military inactive license status are exempt from the renewal fees, peer review reporting, and CE requirements during the period in which the licensee is on active duty service.

During the time period in which a military waiver license is in effect, licensees may not engage in the practice of public accountancy, unless the service the licensees provide while on active duty includes the practice of public accountancy. In such cases, the license is placed in a military active status; however, licensees are not authorized to provide public accounting services to the general public. Licensees with a military inactive license status at no time may engage in the practice of public accountancy.

Licensees must notify the CBA upon discharge from active duty. To convert back to active status, licensees must remit the required renewal fee and comply with all CE and peer review reporting requirements.

<u>Other DCA Boards and Bureaus CE Exemption/Extension Options</u>
Staff reviewed the exemption/extension requirements of other DCA boards and bureaus to determine if their requirements were consistent with those offered by the CBA. The boards and bureaus researched include Board of Registered Nursing, Board of Psychology, Physician Assistant Board, and Bureau of Real Estate. Staff found that each offered some type of exemption or extension program for reasons of health, military service, or undue hardship. The Board of Registered Nursing and the Physician Assistant Board only offer exemptions to their CE requirements, while the Bureau of Real Estate only offers a 90-day extension of time for the licensee to comply with the outstanding CE requirements.

Other State Boards of Accountancy CE Exemption/Extension Options
Staff researched the exemption/extension requirements of other state boards of accountancy to determine how they address exemption/extension requests. The states researched include Arizona, Illinois, Nevada, Oregon, Texas, and Virginia. Research showed that each board had a program addressing exemptions, extensions, or both relating to CE requirements.

Nevada, Oregon, and Texas offer an exemption to their CE requirements, while Illinois offers an extension of time to complete the required CE. The remaining states offer either an exemption or extension of time to complete the CE requirements. Each board offers exemptions or extensions based on reasons of health, military service, or undue hardship.

In addition to these criteria, staff found that Nevada allows an exemption due to foreign residence and Arizona allows for financial hardship. Staff research indicates that the CBA's exemption/extension requirements appear to be consistent with other DCA boards and bureaus and other state Boards of Accountancy.

While CBA laws and rules allow licensees the opportunity to request an exemption or extension of time to complete the requisite CE requirements, the CBA remains diligent in enforcing its mission to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
Staff do not have a recommendation on this agenda item.

Attachments
1. Business and Professions Code section 5028
2. Business and Professions Code section 462
3. Business and Professions Code section 114.3
4. Business and Professions Code section 5070.2
5. CBA Regulations section 90 – Exceptions and Exemptions
6. CBA Regulations section 80 – Inactive License Status

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Attachment 1

Business and Professions Code Section 5028

5028 – Exceptions from Continuing Education Requirements
The board may, in accordance with the intent of this article, make exceptions from continuing education requirements for licensees not engaged in public practice, or for reasons of health, military service, or other good cause; provided, however, that if the licensee returns to the practice of public accounting he or she shall meet such continuing education requirements as the board may determine.

(Amended by Stats. 2009, Ch. 409, Sec. 1. Effective January 1, 2010.)

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Attachment 2

Business and Professions Code Section 462

462 – Inactive License

(a) Any of the boards, bureaus, commissions, or programs within the department may establish, by regulation, a system for an inactive category of licensure for persons who are not actively engaged in the practice of their profession or vocation.

(b) The regulation shall contain the following provisions:

(1) The holder of an inactive license issued pursuant to this section shall not engage in any activity for which a license is required.

(2) An inactive license issued pursuant to this section shall be renewed during the same time period in which an active license is renewed. The holder of an inactive license need not comply with any continuing education requirement for renewal of an active license.

(3) The renewal fee for a license in an active status shall apply also for a renewal of a license in an inactive status, unless a lesser renewal fee is specified by the board.

(4) In order for the holder of an inactive license issued pursuant to this section to restore his or her license to an active status, the holder of an inactive license shall comply with all the following:

(A) Pay the renewal fee.

(B) If the board requires completion of continuing education for renewal of an active license, complete continuing education equivalent to that required for renewal of an active license, unless a different requirement is specified by the board.

(c) This section shall not apply to any healing arts board as specified in Section 701.

(Added by Stats. 1994, Ch. 26, Sec. 14. Effective March 30, 1994.)

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Attachment 3

Business and Professions Code Section 114.3

114.3. – Military Waiver

(a) Notwithstanding any other provision of law, every board, as defined in Section 22, within the department shall waive the renewal fees, continuing education requirements, and other renewal requirements as determined by the board, if any are applicable, for any licensee or registrant called to active duty as a member of the United States Armed Forces or the California National Guard if all of the following requirements are met:

(1) The licensee or registrant possessed a current and valid license with the board at the time he or she was called to active duty.

(2) The renewal requirements are waived only for the period during which the licensee or registrant is on active duty service.

(3) Written documentation that substantiates the licensee or registrant's active duty service is provided to the board.

(b) (1) Except as specified in paragraph (2), the licensee or registrant shall not engage in any activities requiring a license during the period that the waivers provided by this section are in effect.

(2) If the licensee or registrant will provide services for which he or she is licensed while on active duty, the board shall convert the license status to military active and no private practice of any type shall be permitted.

(c) In order to engage in any activities for which he or she is licensed once discharged from active duty, the licensee or registrant shall meet all necessary renewal requirements as determined by the board within six months from the licensee's or registrant's date of discharge from active duty service.

(d) After a licensee or registrant receives notice of his or her discharge date, the licensee or registrant shall notify the board of his or her discharge from active duty within 60 days of receiving his or her notice of discharge.

(e) A board may adopt regulations to carry out the provisions of this section.

(f) This section shall not apply to any board that has a similar license renewal waiver process statutorily authorized for that board.

(Added by Stats. 2012, Ch. 742, Sec. 1. Effective January 1, 2013.)

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Attachment 4

Business and Professions Code Section 5070.2

5070.2. – Military Inactive Status

(a) (1) Beginning January 1, 2014, a holder of a permit may apply to have his or her permit placed in a military inactive status if the holder of a permit is engaged in, and provides sufficient evidence of, active duty as a member of the California National Guard or the United States Armed Forces.
(2) The board shall deny an applicant's application for a military inactive status permit if the permit issued pursuant to Section 5070 is canceled or if it is suspended, revoked, or otherwise punitively restricted by the board or subject to disciplinary action under this chapter.

(b) No holder of a permit in a military inactive status shall engage in any activity for which a permit is required.

(c) The holder of a permit in a military inactive status shall be exempt from all of the following:
(1) Payment of the biennial renewal fee described in subdivision (f) of Section 5134.
(2) The continuing education requirements of Section 5027.
(3) The peer review requirements of Section 5076.

(d) In order to convert a permit status from military inactive status prior to discharge from active duty as a member of the California National Guard or the United States Armed Forces, the holder of a permit in a military inactive status shall comply with all of the following requirements:
(1) Pay the current biennial renewal fee described in subdivision (f) of Section 5134.
(2) Meet continuing education requirements as prescribed by the board.
(3) Meet the peer review requirements as prescribed by the board.

(e) The holder of a permit in a military inactive status shall, within one year from his or her discharge from active duty as a member of the California National Guard or the United States Armed Forces, comply with all of the following requirements:
(1) Provide evidence to the board of the discharge date.
(2) Pay the current biennial renewal fee described in subdivision (f) of Section 5134.
(3) Meet continuing education requirements as prescribed by the board.
(4) Meet the peer review requirements as prescribed by the board.

(f) The board may adopt regulations as necessary to administer this section.

(Added by Stats. 2012, Ch. 411, Sec. 3. Effective January 1, 2013.)

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Attachment 5

CBA Regulations Section 90 – Exceptions and Exemptions

(a) A renewal applicant may be granted either an extension of time to complete continuing education requirements or an exception from continuing education requirements. Extensions or exceptions may be granted by the Board for the following causes:

(1) Reasons of health, certified by a medical doctor, which prevent compliance by the licensee;
(2) Service of the licensee on extended active duty with the Armed Forces of the United States;
(3) Other good cause.

(b) No extension or exception shall be made solely because of age.

(c) Willful failure of a licensee to complete applicable continuing education within a specified extension of time shall constitute cause for disciplinary action pursuant to section 5100(g) of the Accountancy Act.

(d) A renewal applicant who has met the requirement of Section 87(a) and becomes subject to continuing education pursuant to Section 87(c), (d) or (e) during the last 6 months of a two-year license renewal period shall be granted, upon request, an extension of time of up to 6 months in which to complete the continuing education required by Section 87(c), (d) or (e). Continuing education completed pursuant to this extension shall be part of the 80 hours of continuing education required under Section 87(a) for the next two-year renewal period. However, it shall not be part of the 24 hours of continuing education required under Section 87(c) or (d) or the 8 hours of continuing education required under Section 87(e) for the next two-year renewal period.

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Attachment 6

CBA Regulations Section 80 – Inactive License Status

(a) Upon application, a licensee may have his/her license placed in an inactive status.

(b) The holder of a license in an inactive status shall not engage in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code. This section does not prohibit a holder of a license in an inactive status from receiving a share of the net profits from a public accounting firm or other compensation from a public accounting firm, provided that the licensee does not otherwise engage in the practice of public accountancy.

(c) A license in an inactive status shall be renewed during the same time period in which a license in an active status is renewed. The renewal fee for a license in an inactive status shall be the same as the renewal fee for a license in an active status.

(d) The continuing education requirements described in Section 87 are not applicable at the time of renewal for a licensee renewing a license in an inactive status.

(e) At the time of renewal, the holder of a license in an inactive status may convert his/her license to an active status by paying the renewal fee and complying with the continuing education requirements as described in Section 87, with the exception of Section 87(a)(1). A minimum of 20 hours of continuing education shall be completed in the one-year period immediately preceding the time of renewal, 12 hours of which must be in technical subject areas described in Section 87(a)(2).

(f) The holder of a license in an inactive status may convert to an active status prior to the next renewal by meeting the continuing education requirements as described in Section 80.1.

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CPC Item III. January 21, 2016

CBA Item XII.A.3. January 21-22, 2016

Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Sections 80.1, 80.2, 87, and 87.1 – Continuing Education for Providing Preparation Engagements

Presented by: Gina Sanchez, Licensing Chief

Consumer Protection Objectives

The purpose of this agenda item is to provide an opportunity for the California Board of Accountancy (CBA) to adopt proposed changes to Title 16, California Code of Regulations Division 1 (CBA Regulations), sections 80.1, 80.2, 87, and 87.1 establishing the accounting and auditing (A&A), and fraud continuing education (CE) requirements for licensees, which as their highest level of service, perform only preparation engagements (with or without disclaimer reports).

Requiring licensees who perform this level of service to take required CE specific to preparation engagements or accounting and auditing assists the CBA in its mission of consumer protection by ensuring these licensees sustain their professional competency.

Action(s) Needed

The CBA will be asked to approve the proposed language for CBA Regulations sections 80.1, 80.2, 87, and 87.1.

Background

At the September 2015 CBA meeting, the CBA considered the impact of Statement on Standards for Accounting and Review Services (SSARS) 21 as it relates to the 24-hour A&A and four hour fraud CE requirements. The discussion concluded with the CBA requesting staff to provide more in-depth analysis on the history behind the changes to SSARS, the level of service that constitutes a preparation engagement, who relies on this type of engagement, and whether consideration was given regarding the impact to CE. Staff presented their analysis and findings to the Committee on Professional Conduct (CPC) at its November 2015 meeting.

At its November 2015 meeting, the CBA reviewed the additional information requested and after deliberations directed staff to bring forward specific regulatory language that would require licensees who, as their highest level of service, perform preparation engagements to complete eight hours of A&A CE and four hours of CE specifically related to the prevention, detection, and/or reporting of fraud affecting financial

statements. Since licensees who provide these services are excluded from peer review, focused CE on A&A and fraud will maintain a level of proficiency that assists in protecting consumers.

Comments

Staff have identified four sections of the CBA Regulations that require amendment to implement the eight hours of A&A CE and four hours of CE specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements.

Proposed amendments we offered in the attachments and are identified by underline and strikeout.

The changes to each section affected are outlined below:

- Section 80.1 – Conversion or Restoration to Active Status Prior to Renewal.
  Requires for conversion or restoration to active status prior to renewal, eight hours of CE in A&A for licensees who, as the highest level of service, provided preparation engagements in the prior two years. In addition, requires such licensees, to complete four hours of CE in fraud prevention, detection, and or reporting of fraud affecting financial statements.

- Section 80.2 – Continuing Education Requirements Following Conversion or Restoration to Active Status During the Renewal Period.
  Defines the prorated CE requirement following conversion or restoration to active status during the renewal period at two hours for each 20 hours of CE required for licensees who, as their highest level of service, provided preparation engagements. In addition, requires such licensees, to complete four hours of CE in fraud prevention, detection, and or reporting of fraud affecting financial statements.

- Section 87 – Basic Requirements.
  Establishes and defines the A&A CE requirements for licensees who, as the highest level of service, provided preparation engagements at eight hours of the 80 hours required every two years. In addition, requires such licensees, to complete the requirement of four hours of fraud prevention, detection, and or reporting of fraud affecting financial statements.

- Section 87.1 – Continuing Education Requirements for New Licensees.
  Defines the CE requirement and proration at two hours of A&A for each 20 hours of CE required for new licensees who, as the highest level of service, provided preparation engagements.

Staff welcome any changes to the proposed text that the CBA may wish to include.

Should the CBA approve the proposed regulatory language, it will also need to direct staff to initiate the rulemaking process.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff recommend the CBA approve the proposed regulatory language and direct staff to initiate the rulemaking process.

Attachment

Proposed Regulatory Language – CBA Regulations sections 80.1, 80.2, 87, and 87.1.

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Attachment

Proposed Regulatory Language – CBA Regulations Section 80.1, 80.2, 87, and 87.1

§ 80.1 Conversion or Restoration to Active Status Prior to Renewal.

(a) A licensee who has a license in an inactive or retired status may convert, or restore, the license to an active status prior to the next license expiration date by performing the following:
(1) Within the 24-month period prior to converting, or restoring, to an active status, complete 80 hours of continuing education credit as described in Section 87(a)(2) and (a)(3), including the Ethics Continuing Education Requirement described in Section 87(b). A minimum of 20 hours shall be completed in the one-year period immediately preceding conversion, or restoration, to an active status, with a minimum of 12 hours of the 20 required hours in technical subject areas described in Section 87(a)(2);
(2) complete the regulatory review course described in Section 87.8 if more than six years have elapsed since the licensee last completed the course;
(3) apply to the Board in writing requesting to convert the license to an active status; and
(4) complete any continuing education that is required pursuant to subsection (k) of Section 89.
(b) A licensee with a license in an inactive or retired status may not practice public accountancy until the Board approves the application for conversion, or restoration, of the license to an active status.
(c) A licensee who, during the 24 months prior to converting, or restoring, his/her license to an active status, planned, directed, or conducted substantial portions of field work, or reported on financial or compliance audits of a governmental agency shall complete 24 hours of continuing education in governmental auditing as described in Section 87(c) as part of the 80 hours of continuing education required to convert his/her license to an active status under subsection (a). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (d).
(d) A licensee who, during the 24 months prior to converting, or restoring, his/her license to an active status, planned, directed, or performed substantial portions of the work or reported on an audit, review, compilation, or attestation service shall complete 24 hours of continuing education in accounting and auditing as described

in Section 87(d) as part of the 80 hours of continuing education required to convert his/her license to an active status under subsection (a).
(e) A licensee who, during the 24 months prior to converting, or restoring, his/her license to an active status provided preparation engagements as his/her highest level of service shall complete eight hours of continuing education in courses described in Section 87(e) as part of the 80 hours of continuing education required to convert his/her license to an active status under subsection (a).
(~~e~~f) A licensee who must complete continuing education pursuant to subsections (c), (d), ~~and/~~or (~~d~~e) shall also complete an additional four hours of continuing education specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements as described in Section 87(~~e~~f). This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (c), (d). or (~~d~~e).

NOTE: Authority cited: Sections 462, 5010, 5027, and 5070.1, Business and Professions Code. Reference: Sections 462, 5027, 5028, and 5070.1, Business and Professions Code.

§ 80.2. Continuing Education Requirements Following Conversion or Restoration to Active Status During the Renewal Period.

(a) All continuing education required by this section must be completed on or after the date of conversion, or restoration, to active status.
(b) Once a license is converted, or restored, to an active status, the licensee must complete 20 hours of continuing education as described in Section 87(a)(2) and (a)(3) for each full six month period from the date of license status conversion to the next license expiration date in order to fulfill the continuing education requirement for license renewal. If the time period between the date of license status conversion and the next license expiration date is less than six full months, no continuing education is required for license renewal.
(c) Once a license is converted, or restored, to an active status, a licensee who engages in financial or compliance auditing of a governmental agency at any time between the date of license status conversion, or restoration, and the next license expiration date shall complete six hours of governmental auditing continuing education as part of each 20 hours of continuing education required under subsection (b). Continuing education in the areas of governmental accounting and auditing shall meet the requirements of Section 87(c). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (d).
(d) Once a license is converted, or restored, to an active status, a licensee who engages in audit, review, compilation, or attestation services at any time between the date of license status conversion, or restoration, and the license expiration date shall complete six hours of continuing education in accounting and auditing as part of each 20 hours of continuing education required under subsection (b). Continuing education in the areas of accounting and auditing shall meet the requirements of Section 87(d).
(e) Once a license is converted, or restored, to an active status, a licensee who provides preparation engagements as his/her highest level of service at any time between the date of license status conversion, or restoration, and the next license expiration date shall complete a minimum of two hours of continuing education in courses described in Section 87(e) as part of each 20 hours of continuing education required under subsection (b).
(~~e~~f) If a license expired as defined in Section 81(b)(2) after the expiration date immediately following conversion to active status, the licensee must complete an additional 20 hours of continuing education as described in Section 87(a)(2) and (a)(3) for each full six month period from the date of license expiration to the date on which the licensee applies for license renewal, up to a total of 80 hours of continuing education in order to renew. If the time period between the date the license expired and the date on which the licensee applies for license renewal is less than six full months, no additional continuing education is required for license renewal.
(1) All continuing education required by this section shall be completed in the two-year period immediately preceding the date on which the licensee applies for license renewal. If the date the licensee applies for license renewal is less than two years

from the date of license status conversion, all continuing education must be completed on or after the date of license status conversion.
(2) A licensee who is required to complete a total of 80 hours of continuing education pursuant to this subsection shall also complete, as a part of the 80 hours, the following: (A) Four hours of ethics education pursuant to Section 87(b).
(B) If the licensee is subject to the continuing education requirements of subsection (c), (d), or (~~d~~e), four hours of continuing education specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements. This continuing education shall not be part of the continuing education required by subsection (c), (d), or (~~d~~e).
(~~f~~g) Failure to Comply.
A licensee's willful failure to comply with the requirements of this section shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act.

NOTE: Authority cited: Sections 462, 5010, 5027, and 5070.1, Business and Professions Code. Reference: Sections 462, 5027, 5028, and 5070.1, Business and Professions Code.

§ 87. Basic Requirements.

(a) 80 Hours. As a condition for renewing a license in an active status, a licensee shall complete at least 80 hours of continuing education in the two-year period immediately preceding license expiration, and meet the reporting requirements described in Section
89(a). A licensee engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code is required to hold a license in an active status. No carryover of continuing education is permitted from one license renewal period to another.
(1) A licensee renewing a license in an active status, shall complete a minimum of 20 hours in each year of the two-year license renewal period, with a minimum of 12 hours of the required 20 hours in technical subject areas as described in subsection (a)(2).
(2) Licensees shall complete a minimum of 50 percent of the required continuing education hours in the following technical subject areas: accounting, auditing, fraud, taxation, consulting, financial planning, ethics as defined in subsection (b), regulatory review as defined in Section 87.8, computer and information technology (except for
word processing), and specialized industry or government practices that focus primarily upon the maintenance and/or enhancement of the public accounting skills and knowledge needed to competently practice public accounting.
(3) Licensees may claim no more than 50 percent of the required number of continuing education hours in the following non-technical subject areas: communication skills, word processing, sales, marketing, motivational techniques, negotiation skills, office management, practice management, and personnel management.
(4) Programs in the following subject areas are not acceptable continuing education: personal growth, self-realization, spirituality, personal health and/or fitness, sports and recreation, foreign languages and cultures and other subjects which will not contribute directly to the professional competence of the licensee.
(b) Ethics Continuing Education Requirement
A licensee renewing a license in an active status shall complete four hours of the 80 hours of continuing education required pursuant to subsection (a) in an ethics course. The course subject matter shall consist of one or more of the following areas: a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities; case-based instruction focusing on real-life situational learning; ethical dilemmas facing the accounting profession; or business ethics, ethical sensitivity, and consumer expectations. Programs in the following subject areas are not acceptable toward meeting this requirement: sexual harassment, workplace harassment, or workplace violence. Courses must be a minimum of one hour as described in Section 88.2.
(c) Government Auditing Continuing Education Requirement.
A licensee who engages in planning, directing, conducting substantial portions of field work, or reporting on financial or compliance audits of a governmental agency shall complete 24 hours of the 80 hours required pursuant to subsection (a) in the

areas of governmental accounting, auditing or related subjects. This continuing education shall be completed in the same two-year license renewal period as the report is issued. A governmental agency is defined as any department, office, commission, authority, board, government-owned corporation, or other independent establishment of any branch of federal, state or local government. Related subjects are those which maintain or enhance the licensee's knowledge of governmental operations, laws, regulations or reports; any special requirements of governmental agencies; subjects related to the specific or unique environment in which the audited entity operates; and other auditing subjects which may be appropriate to government auditing engagements. A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (d).

(d) Accounting and Auditing Continuing Education Requirement.

A licensee who engages in planning, directing, performing substantial portions of the work, or reporting on an audit, review, compilation, or attestation service, shall complete 24 hours of the 80 hours of continuing education required pursuant to subsection (a) in the course subject matter pertaining to financial statement preparation and/or reporting (whether such statements are prepared on the basis of generally accepted accounting principles or other comprehensive bases of accounting), auditing, reviews, compilations, industry accounting, attestation services, or assurance services. This continuing education shall be completed in the same two-year license renewal period as the report is issued. ~~If no report is issued because the financial statements are not intended for use by third parties, the continuing education shall be completed in the same two-year license renewal period as the financial statements are submitted to the client.~~

(e) Accounting and Auditing Continuing Education Requirement for When Providing Preparation Engagements as Highest Level of Service.

A licensee who provided preparation engagements as his/her highest level of service shall complete eight hours of the 80 hours of continuing education required pursuant to subsection (a) in preparation engagements or accounting and auditing as described in Section 87(d).

(~~e~~f) A licensee who must complete continuing education pursuant to subsections (c), (d), ~~and/~~or (~~d~~e) of this section shall also complete an additional four hours of continuing education specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements. This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (c), (d), or (~~d~~e).

(~~f~~g) Failure to Comply.

A licensee's willful failure to comply with the requirements of this section shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act.

Note: Authority cited: Sections 5010 and 5027, Business and Professions Code. Reference: Sections 5026, 5027, 5028 and 5051, Business and professions Code.

§ 87.1. Continuing Education Requirements for New Licensees.

(a) All continuing education must be completed on or after the date the initial license was issued.
(b) Once a license is issued, the licensee must complete 20 hours of continuing education as described in Section 87(a)(2) and (a)(3) for each full six month period from the date the initial license was issued to the first license expiration date in order to fulfill the continuing education requirement for license renewal. If the time period between the date the initial license was issued and the first license expiration date is less than six full months, no continuing education is required for license renewal.
(c) A licensee who is required to complete a total of 80 hours of continuing education pursuant to subsection (b) shall also complete four hours of ethics education pursuant to Section 87(b).
(d) Once a license is issued, a licensee who engages in financial or compliance auditing of a governmental agency at any time between the date the initial license was issued and the first license expiration date shall complete six hours of governmental auditing continuing education as part of each 20 hours of continuing education required under subsection (b). Continuing education in the areas of governmental accounting and auditing shall meet the requirements of Section 87(c). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (e).
(e) Once a license is issued, a licensee who engages in audit, review, compilation, or attestation services at any time between the date the initial license was issued and the first license expiration date shall complete six hours of continuing education in accounting and auditing as part of each 20 hours of continuing education required under subsection (b). Continuing ~~Education~~ education in the areas of accounting and auditing shall meet the requirements of Section 87(d).
(f) Once a license is issued, a licensee who provided preparation engagements as his/her highest level of service at any time between the date the initial license was issued and the first license expiration date shall complete a minimum of two hours of continuing education in courses described in Section 87(e) as part of each 20 hours of continuing education required under subsection (b).
(~~f~~g) A licensee who is required to complete a total of 80 hours of continuing education pursuant to this section and must complete continuing education pursuant to subsection (d), (e), or (~~e~~f) shall also complete an additional four hours of continuing education specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements. This continuing education shall be part of the total hours of continuing education required by this section, but shall not be part of the continuing education required by subsection (d), (e) or (~~e~~f).
(~~g~~h) If an initial license expires as defined in Section 81(b)(2), the licensee must complete an additional 20 hours of continuing education as described in Section 87(a)(2) and (a)(3) for each full six month period from the date of license expiration to the date on which the licensee applies for license renewal, up to a total of 80 hours of continuing education. If the time period between the date the license expired and the date on which the licensee applies for license renewal is less than six full months, no additional continuing education is required for license renewal.

(~~h~~i) All continuing education required by this section shall be completed in the two-year period immediately preceding the date on which the licensee applies for license renewal. If the date on which the licensee applies for license renewal is less than two years from the date the initial license was issued, all continuing education must be completed on or after the date the initial license was issued.
(~~i~~j) Failure to Comply.
A licensee's willful failure to comply with the requirements of this section shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act.

NOTE: Authority cited: Sections 5010 and 5027, Business and Professions Code. Reference: Section 5028, Business and Professions Code.

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LC Item II. January 21, 2016
CBA Item XII.B.2. January 21-22, 2016

Overview of the California Legislative and Regulatory Process and the Legislative Committee's Role

Presented by: Nooshin Movassaghi, Legislative Analyst

Consumer Protection Objectives

The purpose of this agenda item is to present information regarding the legislative and regulatory process and the Legislative Committee's (LC) role. This agenda item provides resources to asssit the California Board of Accountancy (CBA) members' role in consumer protection.

Action(s) Needed

No specific action is required on this agenda item.

Background

One of the main roles of the LC is to assist the CBA in its activities by reviewing, recommending, and advancing legislation relating to consumer protection and the practice of public accountancy.

Comments

To ensure effective advancement of legislation that is of interest to the CBA, staff introduced the following steps to ensure legislative best practice at the January 2015 Board meeting:

1. *Staff Tools for Identifying, Tracking, and Monitoring Legislation* – Capitol Track and Leginfo are two websites used for tracking legislation.
2. *Enhanced Communication Efforts* – Staff are continuously in contact with bill authors and their legislative staff, legislative committee staff, other boards and bureaus, the Department of Consumer Affairs (DCA) Division of Legislative & Regulatory Review, and stakeholders.
3. *Staff Reporting and Keeping the CBA in the Legislative Loop* - The CBA Legislative Analyst provides regular updates at CBA meetings on pertinent bills, and facilitates discussions between CBA meetings with legislators and bill authors regarding questions, concerns, and CBA positions. If necessary, staff may also initiate a special meeting, between regularly scheduled meetings, so the CBA can take immediate action on pertinent bills, if desired.

Attachment 1, Overview of the Legislative Process, provides information on all necessary steps for a bill to become law in California, as well as considerations the CBA may wish to keep in mind as it discusses legislation.

Attachment 2, Considerations for Taking Positions on Legislation, is meant to assist the CBA when determining the best position to take regarding proposed legislation. As the LC and CBA review proposed legislation, it may be helpful to make reference to these considerations.

Attachment 3, Overview of the Regulatory Process, is an overview of the activities associated with making regulatory amendments or additions. The regulatory process created by the Legislature is complex. The process ensures public participation when state agencies develop or modify regulations.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachments

1. Overview of the Legislative Process
2. Considerations for Taking Positions on Legislation
3. Overview of the Regulatory Process

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Attachment 1

Overview of the Legislative Process

The process of government by which bills are considered, and laws enacted by the California State Legislature, is commonly referred to as the legislative process. The Legislature maintains a legislative calendar governing the introduction and processing of the legislative measures during its two-year regular session. A bill must pass both houses, the Senate and Assembly, and be signed by the Governor before it can become law. Once law, it is still subject to judicial review.

The Legislative Process Step-by-Step

Idea
All legislation begins with an idea. Ideas can arise from many different sources, including the California Board of Accountancy (CBA). When the CBA develops an idea, it is analyzed internally, draft statutory language is prepared and later presented to the CBA. Upon the CBA's approval, staff then seeks an author.

Author
A legislator often acts as the vehicle for an idea to be carried through the legislative process as a bill. When choosing a legislator, it is important to do so carefully. Staff takes into consideration the legislator's background, party, voting history, policy interests, committee membership, and how the idea relates to the legislator's constituents.

Introduction
Bills are introduced and read on the house floor (Assembly or Senate) between January and February. No bill may be acted upon until 30 day after the bill's introduction.

Committee Hearings
Bills go before the Rules Committee of the house of origin where it is assigned to a policy committee for its first hearing. The majority of bills related to the CBA are expected to be sent to the Committee on Business and Professions in the Assembly, or the Business, Professions, and Economic Development Committee in the Senate. Bills that require the expenditure of funds must also be heard in the fiscal committees: Assembly Appropriations or Senate Appropriations.

Committee staff prepares bill analyses to be available for the public, which generally summarize the bill's background, what it does, fiscal/economic impact, support and opposition, and other information the staff deem necessary.

During the committee hearings, bills are presented by the author or a representative of the author, and after the bill is discussed among committee members, it becomes open for public comment. If the bill is of particular interest to the CBA, members and staff

may wish to take this opportunity to comment on the bill and to highlight concerns or support for the bill.

Second and Third Reading
Bills passed by committees are read a second time on the floor in the house of origin and then assigned to a third reading. While the bill is on the floor, discussion is restricted to legislators who reside in that house. Bills that require an appropriation or that take effect immediately, generally require 27 votes in the Senate and 54 votes in the Assembly to be passed. Other bills generally require 21 in the Senate and 41 in the Assembly.

Once the bill is approved by the house of origin, it proceeds to the other house where the procedure is repeated.

Resolution of Difference
If a bill is amended in the second house, it must go back to the house of origin for concurrence, which is agreement on the amendments. If agreement cannot be reached, the bill is referred to a two house conference committee to resolve differences. Three members of the committee are from the Senate and three are from the Assembly. If a compromise is reached, the bill is returned to both houses for a vote.

Governor
Once both houses approve the bill, it goes before the Governor. The Governor has three options: sign, veto, or do nothing. If the Governor signs the bill, it goes into effect. if the Governor does nothing to the bill within 30 days, it will go into effect without his or her signature. If the Governor issues a veto, the veto can be overridden by a two-thirds vote in both houses.

California Law
If the bill is an urgency measure, it will go into effect immediately after it is signed or allowed to go into law. If the bill is not an urgency measure, it will go into effect January 1st the following year, unless otherwise specified in the bill.

Considerations for Sponsoring a Legislative Agenda

When putting together a legislative agenda, there are several factors that must be considered. The following is a discussion of the major factors the CBA faces when it considers sponsoring legislation.

DCA Involvement
The Department of Consumer Affairs (DCA) can be a valuable ally in the legislative process. DCA can offer assistance to the CBA by both assuring the approved language is clear and accomplishes the desired result, and by political influence. When DCA takes a position on a bill, it is called an “approved position.” Since DCA is a department of the executive branch, it cannot take a position without the Governor’s approval.

Participation
CBA members play a significant role in advancing the CBA’s legislative agenda. The legislature often relies on the professional expertise from the industry to gain a stronger sense of the issue. CBA members wishing to contact members of the legislature should

involve CBA staff. CBA staff will schedule an appointment and work to ensure you are properly prepared for the discussion.

Beware of Interactions
Some bills do not do well when introduced with other bills. Legislative consultants have indicated the CBA needs to carefully consider what bills it introduces. Certain unpopular bills can have a negative impact on good bills. A good bill can easily die due to its association, real or perceived, with an unpopular bill.

Be Willing to Compromise
Throughout the legislative process, various committees and legislators may seek to amend bills. It is important to note that the bill introduced is often amended during the legislative process prior to being signed by the Governor.

Additionally, while the CBA may sponsor a given bill, it is not the author. Frequently, the author will defer to the sponsor of a bill when deciding whether or not to accept an amendment. However, that is not always the case. If an author takes an amendment that the CBA does not like, it has three options.

1. The first option is to accept the amendment. It may not be exactly what the CBA would like, but may be workable.

2. The second option is to ask the author to amend the bill back to an acceptable form. This can be very tricky. Once an author accepts an amendment from a committee or another member, the intent of that amendment must be maintained or the author could be seen by fellow legislators as going back on their word. This is certain death for the bill. Therefore, in amending the bill again to make it more palatable to CBA, the author must maintain the intent of the original amendment. If that intent is entirely unacceptable to the CBA, there is only one remaining option.

3. The final option is to remove sponsorship of the bill. The CBA has no power to stop the author from going forward with the bill if they so choose, but it is not required to continue its sponsorship. It may issue a letter of opposition if appropriate.

Some Bills Just Die
In the end, it must be realized that sometimes bills die due to fiscal impacts and factors outside the CBA's control, despite CBA members' and staff's best efforts.

2016 Tentative Legislative Calendar
Lastly, members may wish to review the calendar provided on the following pages for more information regarding important legislative dates.

2016 TENTATIVE LEGISLATIVE CALENDAR

COMPILED BY THE OFFICE OF THE SECRETARY OF THE SENATE
10/7/2015

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

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

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

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

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

DEADLINES

Jan. 1 Statutes take effect (Art. IV, Sec. 8(c)).

Jan. 4 Legislature **reconvenes** (J.R. 51(a)(4)).

Jan. 10 Budget must be submitted by Governor (Art. IV, Sec. 12 (a)).

Jan. 15 Last day for **policy committees** to hear and report to Fiscal Committees fiscal bills introduced in their house in the odd-numbered year. (J.R. 61(b)(1)).

Jan. 18 Martin Luther King, Jr. Day observed.

Jan. 22 Last day for any committee to hear and report to the **Floor** bills introduced in their house in 2015 (J.R. 61(b)(2)). Last day to submit **bill requests** to the Office of Legislative Counsel.

Jan. 31 Last day for each house to **pass bills introduced in that house in the** odd-numbered year (J.R. 61(b)(3)), (Art. IV, Sec. 10(c)).

Feb. 15 Presidents' day observed.

Feb. 19 Last day for bills to be **introduced** (J.R. 61(b)(4), (J.R. 54(a)).

Mar. 17 **Spring Recess** begins upon adjournment (J.R. 51(b)(1)).

Mar. 28 Legislature reconvenes from **Spring Recess** (J.R. 51(b)(1))

Apr. 1 Cesar Chavez Day Observed.

Apr. 22 Last day for **policy committees** to hear and report to Fiscal Committees **fiscal bills** introduced in their house (J.R. 61(b)(5)).

May 6 Last day for **policy committees** to hear and report to the Floor **nonfiscal** bills introduced in their house (J.R. 61(b)(6)).

May 13 Last day for **policy committees** to meet prior to June 6 (J.R. 61(b)(7)).

May 27 Last day for **fiscal committees** to hear and report to the Floor bills introduced in their house (J.R. 61 (b)(8)). Last day for **fiscal committees** to meet prior to June 6 (J.R. 61 (b)(9)).

May 30 Memorial Day observed

May 31 - June 3 **Floor Session only**. No committee may meet for any purpose (J.R. 61(b)(10)).

*Holiday schedule subject to Senate Rules committee approval

2016 TENTATIVE LEGISLATIVE CALENDAR

COMPILED BY THE OFFICE OF THE SECRETARY OF THE SENATE
10/7/2015

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

June 3 Last day for each house to pass bills introduced in that house (J.R. 61(b)(11)).

June 6 Committee meetings may resume (J.R. 61(b)(12)).

June 15 Budget Bill must be passed by **midnight** (Art. IV, Sec. 12(e)(3)).

June 30 Last day for a legislative measure to qualify for the Nov. 8 General election ballot (Elections Code Sec. 9040).

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

July 1 Last day for **policy committees** to meet and report bills (J.R. 61(b)(13)). **Summer Recess** begins upon adjournment provided the Budget Bill has been passed (J.R. 51(b)(2)).

July 4 Independence Day observed.

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

Aug. 1 Legislature reconvenes from **Summer Recess** (J.R. 51(b)(2)).

Aug. 12 Last day for **fiscal committees** to meet and report bills (J.R. 61(b)(14)).

Aug. 15 - 31 Floor Session only. No committees may meet for any purpose (J.R. 61(b)(15)).

Aug. 19 Last day to **amend** on the Floor (J.R. 61(b)(16)).

Aug. 31 Last day for **each house to pass bills**, except bills that take effect immediately or bills in Extraordinary Session (Art. IV, Sec. 10(e)), (J.R. 61(b)(17)).
Final Recess begins upon adjournment (J.R. 51(b)(3)).

IMPORTANT DATES OCCURRING DURING FINAL RECESS

2016

Sept. 30	Last day for Governor to sign or veto bills passed by the Legislature before Sept. 1 and in the Governor's possession on or after Sept. 1 (Art. IV, Sec.10(b)(2)).
Nov. 8	General Election.
Nov. 30	Adjournment *Sine Die* at midnight (Art. IV, Sec. 3(a)).
Dec. 5	12 Noon convening of the 2017-18 Regular Session (Art. IV, Sec. 3(a)).

2017

Jan. 1	Statutes take effect (Art. IV, Sec. 8(c)).

*Holiday schedule subject to Senate Rules committee approval

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Attachment 2

Considerations for Taking Positions on Legislation

As new bills are introduced or amended in the Legislature, the California Board of Accountancy (CBA) may take a variety of possible positions, which are outlined below. Introduced legislation rarely passes through the legislative process without amendment; and those amendments may change the CBA's position. Should the CBA take one of the positions outlined below on a bill, staff will track the legislation and update the CBA regarding developments and amendments. This process will allow the CBA to update its position throughout the legislative session.

Positions the CBA May Take:

Sponsor:

The CBA is the sponsor of a bill, meaning the CBA participated in the development of the legislation and advocates its passage.

Support:

CBA supports the bill as written, and sends a letter of support to interested legislators. If the CBA considers the bill's passage crucial, increased communication with legislators to include involving the CBA will be initiated.

Support if Amended:

The CBA supports the concept of the bill, but it would need a modification to obtain the CBA's full support. This position would be communicated to legislators along with the suggested amendment. If the CBA's amendment is accepted without further significant amendments, the CBA's position will be changed automatically to support the bill, and a letter reflecting this new position will be sent to legislators.

Neutral:

The bill in question affects the CBA's interests in some way, but the CBA does not have a position one way or the other. This position may be communicated to interested legislators if the CBA chooses.

Oppose unless Amended:

The CBA opposes the bill as presently written, but if the bill were modified as requested by the CBA, the CBA would no longer be opposed. If the CBA's amendment is accepted without other significant amendments, a letter will be sent withdrawing the CBA's opposition. Further, the CBA may choose at a later

time to take a Neutral, or Support position. This position will be communicated to interested legislators along with the suggested amendment.

Oppose:

The CBA opposes the bill. There are no reasonable amendments that would change the CBA's position. The CBA would send a letter of opposition to interested legislators and may consider lobbying against the bill, if it's considered crucial to the CBA.

Watch:

The bill may develop into an item of interest for the CBA. While it is not presently something the CBA wishes to take a position on, staff will continue to follow the bill and update the CBA on developments and status.

Discontinue Following:

The bill has changed in such a way that it is no longer of interest to the CBA. Staff would no longer monitor or provide updates on this bill.

Throughout the legislative process, staff will track the bills that the CBA takes a position on, and will continue to examine other legislation and amendments that may cause other bills to become of interest to the CBA.

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Attachment 3

Overview of the Regulatory Process

What Is the Regulatory Process?

The regulatory process was created by the Legislature to ensure public participation when state agencies develop regulations. While the regulatory process can be complex, the full regulatory process is presented in graphic form on the last page of this attachment which can assist in understanding the sequence of actions.

What is a Regulation?
A regulation is necessary in order to implement, interpret, or make specific the law enforced by a state agency or to govern its procedure. A regulation has the full force of law.

From where does the authority for rulemaking come?
The Constitution, adopted and amended by the people, established the Legislative, Executive and Judicial branches and gave each their own separate powers. The Legislature's responsibility is to make law, and the Executive's is to enforce the law. However, the statutes created by the Legislature need, from time to time, additional clarity or specificity. Rather than bog the Legislature down in the minutiae, it chose to delegate the writing of these details to those who are tasked with enforcing the rules, the Executive branch.

Specifically in the case of the California Board of Accountancy (CBA), the Legislature created, and amends, the Accountancy Act. Section 5010 of the Accountancy Act reads as follows:

> The board may adopt, repeal, or amend such regulations as may be reasonably necessary and expedient for the orderly conduct of its affairs and for the administration of this chapter. The regulations shall be adopted in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

This delegation of authority from the Legislature is what permits the CBA to engage in the regulatory process. That process, as referred to in Section 5010, is spelled out in Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, otherwise known as the Administrative Procedures Act (APA). The purpose of the APA is to provide the public with a meaningful opportunity to participate in the adoption of regulations by state agencies and to ensure the creation of an

adequate record for the public and judicial review. The Office of Administrative Law (OAL) is charged with ensuring that agencies comply with the APA.

Pre-Notice Steps

The rulemaking process starts with an idea by a CBA member or a concept in the law that needs to be clarified. The CBA typically discusses how to approach the issue and whether or not a rulemaking is needed. When the CBA votes to initiate a rulemaking, four documents must be created: the Proposed Regulatory Language, the Notice of Proposed Action, the Initial Statement of Reasons, and the Economic/Fiscal Impact Statement.

The Proposed Regulatory Language
Typically, the regulatory language is prepared by CBA staff for presentation at a CBA meeting. During the meeting, the CBA comments on the proposed language and makes any changes it determines necessary. The proposed language always takes the form of strikethrough (text being deleted from regulations) and underline (text added to the regulations) in order to further the purpose of the APA in providing the public a meaningful opportunity to participate.

The Notice of Proposed Action (Notice)
The Notice is an announcement to the public that the agency is undertaking a rulemaking and an invitation to participate in the process. The Notice lists the time and place of the public hearing on the regulations and provides contact information for those who wish to submit written comments.

In addition, the Notice provides an Informative Digest/Policy Statement Overview which lays out the scope of the rulemaking. Specifically, it identifies current law and how the proposed changes will affect that law.

The Initial Statement of Reasons (ISR)
The purpose of the ISR is to explain to the public why an agency is making the changes it is proposing. It is the most important document in the rulemaking record as it establishes necessity.

When OAL reviews a rulemaking record, it is looking for six standards established in the APA: authority, reference, consistency, clarity, non-duplication, and necessity. Authority and reference are found in the proposed language and identify the code sections that give the agency rulemaking authority and identify which sections are being "implemented, interpreted, or made specific." Consistency and clarity are determined by OAL as they decide whether the proposal does or does not violate or contradict the law, and whether the proposal is easily understood with no further interpretation needed. Non-duplication means that agencies are not allowed to copy statutory code sections into their regulations as it is unnecessary and could be confusing to the public. The final standard is necessity, and it is the most important and most complicated to determine.

The ISR must, for each proposed adoption, amendment or repeal, identify the specific purpose of it, the problem it is meant to address, and the agency's rationale for why it is necessary to carry out the described purpose. The ISR also identifies any studies, reports, or other documents an agency may have relied upon in coming to its conclusions.

Finally, the ISR must describe reasonable alternatives to the proposal and why each was rejected.

The Economic/Fiscal Impact Statement (Form 399)
While the Proposed Regulatory Language allows the public to see the changes being made and the ISR tells them why it is being done, the Form 399 tells the public what the changes will cost. The economic impact portion assesses the cost and benefits to private individuals and businesses. The fiscal impact portion identifies the cost to the state agency. The Form 399 must be reviewed and signed by the Department of Consumer Affairs (DCA), the Secretary of the Business, Consumer Services, and Housing Agency (BCSHA), and the Department of Finance (DOF). It is the review of this document that commonly takes the most time to complete in the regulatory process.

Starting the Regulatory Clock

Publishing the Notice
The APA gives agencies one year to submit the rulemaking package to OAL for review. That one year clock starts the day the Notice is published by OAL; this is known as opening the rulemaking record. This publication also starts the 45-day public comment period.

On or before the date of publication, the agency must send the Notice to the following:

- OAL for publication,
- Any interested parties that have requested to be notified of rulemakings, and,
- Posting the rulemaking materials on the agency's website.

Again, this provides the public with an opportunity to participate in the rulemaking process. Following publication, a member of the public may submit comments to the agency in any way they choose. The agency must then consider and respond to each comment.

The Public Hearing
The public hearing on the proposal, which was identified in the Notice, must be scheduled no sooner than 45 days after the publication of the Notice, but can be any time after the 45 days. At the public hearing, additional public comments are received either orally or in writing. While the CBA has chosen to hold these public hearings at CBA meetings, this is not a requirement as long as the CBA members are presented with, and consider, all the comments received prior to adopting a proposal.

Adoption of the Proposal
Following the public hearing and consideration of all public comments, the agency is authorized to do one of two things assuming it wishes to proceed. First, it may adopt the proposal with no changes and move forward with the regulatory process to the Final Statement of Reasons (FSR). Second, it may request changes to the proposal, and authorize the proposal's adoption following a 15-Day Notice of Modified Text (15 day Notice) if no adverse comments are received. Typically, this is the final stage for input by CBA members during the rulemaking process due to the fact that adverse comments during the 15 day period are very rare for the CBA. However, it has occurred, and when it does, such comments will be returned to the CBA for its further consideration and possibly even a second 15-Day Notice.

Finalizing the Regulatory Package

15-Day Notice of Modified Text
Assuming that changes are made, the first thing an agency must do is make sure that the changes are within the original scope of the rulemaking as outlined by the Notice. If they are, the agency must prepare the modified text and a 15-Day Notice for public consumption. These must be sent out to the following:

- Anyone who made comments on the original proposal,
- Anyone who requested to be informed of changes to the proposal, and
- Posting the rulemaking materials on the agency's website.

This is a smaller group than those who receive the original Notice, and there is no public hearing on these changes. The public has 15 days to comment, and the comments must pertain to the changes only rather than the original proposal. If substantive or adverse comments are received, they must be considered by the agency prior to the proposal moving forward.

Final Statement of Reasons
Once the public participation phase of the process is complete, an agency can begin to finalize its rulemaking by preparing an FSR. The FSR updates the ISR and provides any reasoning (necessity) for changes that were made to the original proposal.

In addition, the FSR is where the agency responds to any comments that were received from the public. Each comment (and several similar comments can be grouped together) must be responded to by the agency in the form of accepting or rejecting the comment. If a comment is rejected, adequate reasons must be provided in the FSR for rejecting the comment. If a comment is accepted, it is usually through a change that was made to the original proposal.

The Approval Process

Once the CBA finalizes a rulemaking package, it is required to submit it for review to DCA. The Director has 30 days to review the file, but others within DCA, such as Legal

and Budget Offices, are not given a time limit, and this DCA review can take up to two months or more depending on the subject and complexity of the proposed changes.

Following its review, DCA sends the file to BCSHA for the Secretary's review and signature on the Form 399. Again, there is no time limit provided in the law, but BCSHA typically takes less than two weeks to review CBA files. BCSHA has requested that CBA files be presented to the Secretary no less than three months prior to the one year deadline for submission to OAL.

BCSHA returns the file to DCA which then submits it to DOF for its signature on the Form 399. Although DOF has no timeline in law, it has stated that its goal is 30 days or less for approval. However, according to DOF, with DCA files, this often times takes up to 3 months or more due to the volume of files from DCA.

After DOF signs the Form 399, it returns the file to DCA which then returns it to the CBA. The CBA then officially closes the file, which is simply putting the current date on the cover sheet, and submits the file to OAL for its approval.

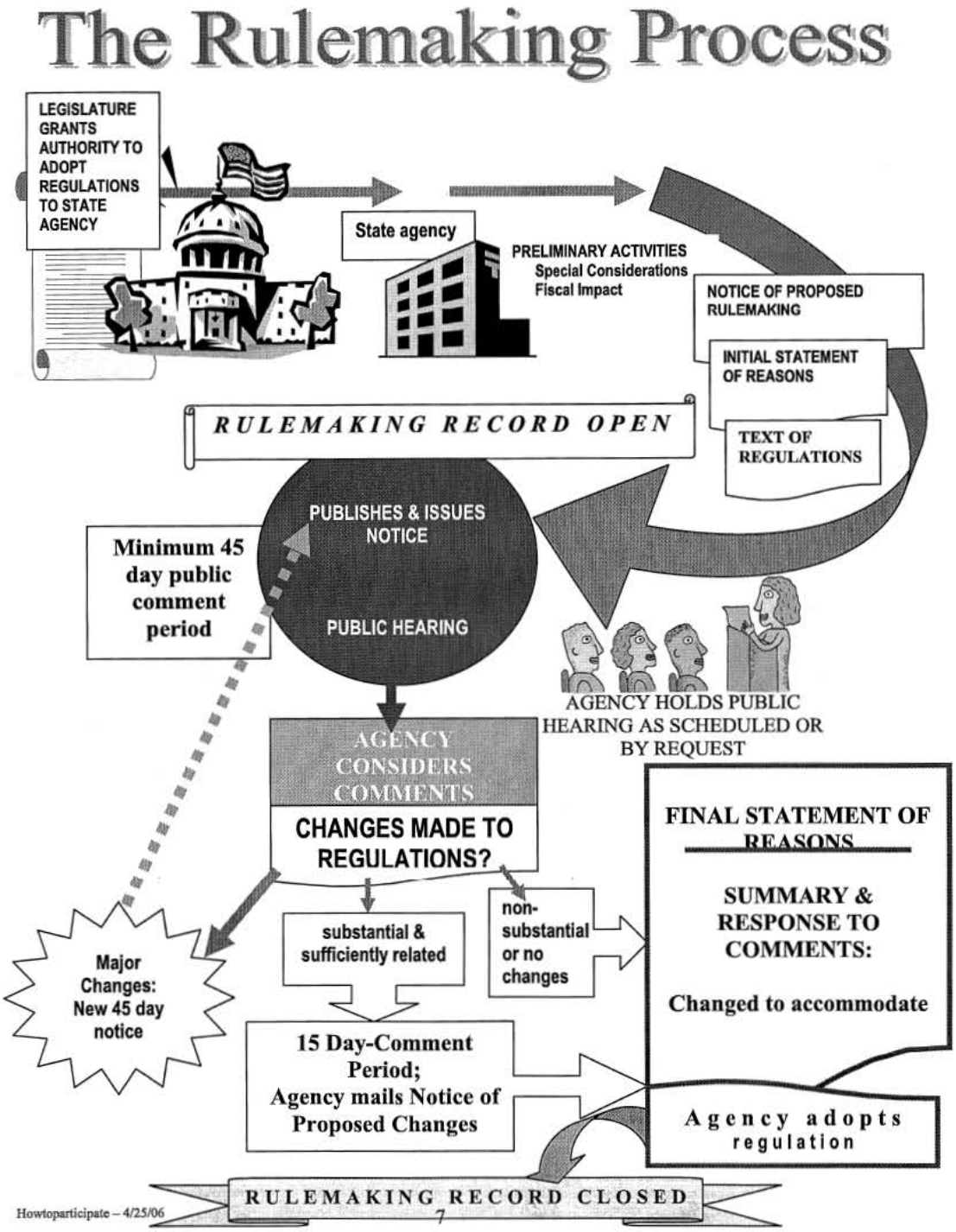
Once it is submitted, OAL has 30 working days to take action on the file. This usually means 40-45 calendar days depending on state holidays. As was stated earlier, OAL is reviewing the file for six things, authority, reference, consistency, clarity, non-duplication, and necessity. In addition, they are also checking to ensure that the APA process was followed. The OAL may then either approve or disapprove the file. If it is disapproved, it is returned to the agency. The agency may then do a 15-Day Notice to fix the file and resubmit it within 120 days, or it may restart the entire process with a new Notice. In addition, there is provision for an agency to appeal the OAL decision to the Governor, but this is very rarely done.

If OAL approves the file, it submits it to the Secretary of State for printing in the California Code of Regulations (CCR). The date that OAL submits it to the Secretary of State determines the effective date of the new regulation unless a later date is requested by the agency. Regulations become effective on a quarterly basis based on the following:

- January 1 if the regulation is filed on September 1 to November 30, inclusive.
- April 1 if the regulation is filed on December 1 to February 29, inclusive.
- July 1 if the regulation is filed on March 1 to May 31, inclusive.
- October 1 if the regulation is filed on June 1 to August 31, inclusive.

It is important to note that "effective" means that the regulation has been printed in the CCR and is now a part of the law. A regulation could be "operative" on a date that is later than its effective date. An example of this would be the CBA's fingerprinting regulations, which was effective (printed in the CCR) in January 2013. This regulation was not operative until January 1, 2014. This was because the operative date was a part of the regulation itself.

Once the regulation is printed in the CCR it is becomes law and concludes the regulatory process. Although the rulemaking process may be complicated, the chart below provides members with essential steps in the rulemaking process.



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LC Item III. January 21, 2016

CBA Item XII.B.3. January 21-22, 2016

Update on Previously Approved Legislative Proposals Regarding Ethics Study Requirement and Expedited Rulemaking Authority for Practice Privilege Program

Presented by: Nooshin Movassaghi, Legislative Analyst

Consumer Protection Objectives

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with information regarding proposed language for inclusion in the Legislature's annual omnibus bill. These proposals protect consumers by ensuring licensing applicants are taking appropriate ethics courses and provide the CBA with emergency rulemaking authority to remove states from the no notice, no fee practice privilege program.

Action(s) Needed

These proposals were previously approved by the CBA and do not require specific action. This item provides information to the new Legislative Committee (LC) membership regarding omnibus proposals submitted to the Legislature in early January.

Background

Every year, typically in December, the Senate Committee on Business, Professions and Economic Development (BP&ED), requests that all Department of Consumer Affairs boards and bureaus submit ideas for inclusion in its annual omnibus legislation. Omnibus legislation, contrary to most bills presented before the Legislature, proposes a mix of changes to a variety of existing statutes or subjects in a singular legislative package. Proposals included in the omnibus bill must not be controversial or contain new programs.

In 2015, the CBA approved two proposals to amend Business and Professions Code (BPC) sections 5094.3 and 5096.21(a), and directed staff to initiate the legislative process regarding these changes. These proposals create more flexibility to the ethics subjects educational requirement (BPC section 5094.3), and provide the CBA the statutory authority to expedite any potential rulemaking (pursuant to BPC section 5096.21(a)). Staff prepared and submitted these two items to the Senate BP&ED for consideration into the annual omnibus bill.

Comments

The first proposal (**Attachment 1**) involves BPC 5094.3, which would add flexibility to the ethics study requirement by changing "courses containing the following terms in the course title" to "the following subjects relating to ethics." This change does not expand the disciplines in which the ethics education can be earned. Many of California's colleges and universities have made changes to their course titles to assist their students in complying with the existing ethics requirement which became effective on January 1, 2014. However, the requirement of specific terms in the course title may be too restrictive for applicants that received their college education outside of California or prior to the law becoming effective. In order to create flexibility, the CBA voted to amend the requirement related to the specific course titles.

The second proposal (**Attachment 2**) involves BPC section 5096.21(a) which would provide statutory authority for the CBA to undertake an emergency rulemaking to remove a state from the no notice, no fee practice privilege program and avoid a delay in protecting the public from a licensee from said state.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachments

1. Proposed Amendments to BPC section 5094.3 – Ethics Study Requirements
2. Proposed Amendments to BPC section 5096.21(a) – Emergency Rulemaking

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Attachment 1

Proposed Amendments to BPC Section 5094.3 – Ethics Study Requirements

5094.3
(a) An applicant for licensure as a certified public accountant shall, to the satisfaction of the board, provide documentation of the completion of 10 semester units or 15 quarter units of ethics study, as set forth in paragraph (2) of subdivision (b) of Section 5093, in the manner prescribed in this section.
(b) (1) Between January 1, 2014, and December 31, 2016, inclusive, an applicant shall complete 10 semester units or 15 quarter units in courses described in subdivisions (d), (e), and (f).
(2) Beginning January 1, 2017, an applicant shall complete 10 semester units or 15 quarter units in courses described in subdivisions (c), (d), (e), and (f).
(c) A minimum of three semester units or four quarter units in courses at an upper division level or higher devoted to accounting ethics or accountants' professional responsibilities, unless the course was completed at a community college, in which case it need not be completed at the upper division level or higher.
(d) Between January 1, 2014, and December 31, 2016, inclusive, a maximum of 10 semester units or 15 quarter units, and on and after January 1, 2017, a maximum of 7 semester units or 11 quarter units, in ~~courses containing the following terms in the course title~~ the following subjects relating to ethics:
(1) Business, government, and society.
(2) Business law.
(3) Corporate governance.
(4) Corporate social responsibility.
(5) Ethics.
(6) Fraud.
(7) Human resources management.
(8) Business leadership.
(9) Legal environment of business.
(10) Management of organizations.
(11) Morals.
(12) Organizational behavior.
(13) Professional responsibilities.
(14) Auditing.
(e) (1) A maximum of three semester units or four quarter units in courses taken in the following disciplines:
(A) Philosophy.
(B) Religion.
(C) Theology.

(2) To qualify under this subdivision, the course title shall contain one or more of the terms “introduction,” “introductory,” “general,” “fundamentals of,” “principles,” “foundation of,” or “survey of,” or have the name of the discipline as the sole name of the course title.

(f) A maximum of one semester unit of ethics study for completion of a course specific to financial statement audits.

(g) An applicant who has successfully passed the examination requirement specified under Section 5082 on or before December 31, 2013, is exempt from this section unless the applicant fails to obtain the qualifying experience as specified in Section 5092 or 5093 on or before December 31, 2015.

(Amended by Stats. 2013, Ch. 474, Sec. 4. Effective October 1, 2013.)

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Attachment 2

Proposed Amendments to BPC Section 5096.21(a) – Emergency Rulemaking

5096.21(a) (1) On and after January 1, 2016, if the board determines, through a majority vote of the board at a regularly scheduled meeting, that allowing individuals from a particular state to practice in this state pursuant to a practice privilege as described in Section 5096, violates the board's duty to protect the public, pursuant to Section 5000.1, the board shall require, by regulation, out-of-state individuals licensed from that state, as a condition to exercising a practice privilege in this state, to file the notification form and pay the applicable fees as required by former Section 5096, as added by Chapter 921 of the Statutes of 2004, and regulations adopted thereunder.
(2) The board may adopt emergency regulations in accordance with the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) to implement subdivision (a). The adoption of the regulations shall be deemed an emergency and necessary for the immediate preservation of the public peace, health, safety, or general welfare for purposes of Sections 11346.1 and 11349.6 of the Government Code.

(b) The board shall, at minimum, consider the following factors in making the determination required by subdivision (a):
(1) Whether the state timely and adequately addresses enforcement referrals made by the board to the accountancy regulatory board of that state, or otherwise fails to respond to requests the board deems necessary to meet its obligations under this article.
(2) Whether the state makes the disciplinary history of its licensees publicly available through the Internet in a manner that allows the board to adequately link consumers to an Internet Web site to obtain information that was previously made available to consumers about individuals from the state prior to January 1, 2013, through the notification form.
(3) Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.

(c) Notwithstanding subdivision (a), if (1) the National Association of State Boards of Accountancy (NASBA) adopts enforcement best practices guidelines, (2) the board, upon a majority vote at a regularly scheduled board meeting, issues a finding after a public hearing that those practices meet or exceed the board's own enforcement practices, (3) a state has in place and is operating pursuant to enforcement practices substantially equivalent to the best practices guidelines, and (4) disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the board to link consumers to an Internet Web site to obtain information at least equal to the information that was previously available to consumers through the practice

privilege form filed by out-of-state licensees pursuant to former Section 5096, as added by Chapter 921 of the Statutes of 2004, no practice privilege form shall be required to be filed by any licensee of that state as required by subdivision (a), nor shall the board be required to report on that state to the Legislature as required by subdivision (d).

(d) (1) The board shall report to the relevant policy committees of the Legislature, the director, and the public, upon request, preliminary determinations made pursuant to this section no later than July 1, 2015. The board shall, prior to January 1, 2016, and thereafter as it deems appropriate, review its determinations made pursuant to subdivision (b) to ensure that it is in compliance with this section. (2) This subdivision shall become inoperative on July 1, 2017, pursuant to Section 10231.5 of the Government Code.

(e) On or before July 1, 2014, the board shall convene a stakeholder group consisting of members of the board, board enforcement staff, and representatives of the accounting profession and consumer representatives to consider whether the provisions of this article are consistent with the board's duty to protect the public consistent with Section 5000.1, and whether the provisions of this article satisfy the objectives of stakeholders of the accounting profession in this state, including consumers. The group, at its first meeting, shall adopt policies and procedures relative to how it will conduct its business, including, but not limited to, policies and procedures addressing periodic reporting of its findings to the board.

(f) On or before January 1, 2018, the board shall prepare a report to be provided to the relevant policy committees of the Legislature, the director, and the public, upon request, that, at minimum, explains in detail all of the following:
(1) How the board has implemented this article and whether implementation is complete.
(2) Whether this article is, in the opinion of the board, more, less, or equivalent in the protection it affords the public than its predecessor article.
(3) Describes how other state boards of accountancy have addressed referrals to those boards from the board, the timeframe in which those referrals were addressed, and the outcome of investigations conducted by those boards.

(g) This section shall remain in effect only until January 1, 2019, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2019, deletes or extends that date.

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MSG Item II. January 21, 2016

CBA Item XII.C.2. January 21-22, 2016

Mobility Stakeholder Group Decision Matrix and Stakeholder Objectives

Presented by: Written Report Only

Consumer Protection Objectives

The purpose of this agenda item is to provide the Mobility Stakeholder Group (MSG) with its decision matrix (**Attachment 1**) and stakeholder objectives (**Attachment 2**). The decision matrix and stakeholder objectives are intended to ensure that the MSG is considering whether the provisions of the California practice privilege law "satisfy the objectives of stakeholders of the accounting profession in this state, including consumers."

Action(s) Needed

No specific action is required on this agenda item.

Background

At its March 2014 meeting, staff presented the MSG with a plan to maintain a decision matrix in order to track decisions made by the MSG. The purpose for the decision matrix was to assist the MSG and staff in determining what activities have been accomplished and what decisions still remain for discussion.

In addition, the MSG is charged with considering whether the provisions of the California practice privilege law "satisfy the objectives of stakeholders of the accounting profession in this state, including consumers." At its July 2014 meeting, the MSG established two stakeholder objectives and requested that they be provided at future meetings in order that the MSG may continue to revise and add to them as needed.

Comments

Staff will continue to provide the decision matrix and stakeholder objectives as a written report only agenda item unless otherwise directed by the MSG.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachments

1. MSG Decision Matrix
2. Stakeholder Objectives

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Attachment 1

MSG Decision Matrix

Date	Decision
~~March 2014~~	~~The MSG will meet three times per year in conjunction with the March, July and November CBA meetings.~~
March 2014	The MSG will prepare a written report to the CBA at least once per calendar year.
March 2014	The MSG will prepare a final report in time to be considered by the CBA as it prepares its final report to the Legislature which is due January 1, 2018.
November 2014	The MSG adopted the following definition for "stakeholders:" Stakeholders include consumers, licensees, applicants, and professional organizations and groups that have a direct or indirect stake in the CBA because they can affect or be affected by the CBA's actions, objectives, and policies.
March 2015	The MSG approved the timeline for making determinations pursuant to Business and Professions Code (BPC) section 5096.21. The MSG agreed that staff will prepare a letter for each state to notify them of the process the CBA is undertaking and to request specific information that will assist the CBA as it makes the determinations pursuant to BPC section 5096.21.[1]
May 2015	The MSG opined that the National Association of State Boards of Accountancy's Guiding Principles of Enforcement (NASBA Enforcement Guidelines) meet or exceed the CBA's enforcement practices.
July 2015	The MSG selected NASBA to assist the CBA in comparing the enforcement practices of other states to the NASBA Enforcement Guidelines.
July 2015	The MSG will meet in conjunction with scheduled CBA meetings until the comparison project is complete.

[1] At its May 28-29, 2015 meeting, the CBA deferred the timeframe for sending the letter to the Executive Officer.

Date	**Decision**
September 2015	The MSG approved a legislative proposal to grant emergency rule-making authority to remove states from California's mobility program.

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Attachment 2

Stakeholder Objectives

Date Added or Revised	Objective
July 2014	Help out-of-state licensees know and understand their self-reporting requirements.
July 2014	Assure the CBA that all states have adequate enforcement.

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MSG Item III. January 21, 2016

CBA Item XII.C.3. January 21-22, 2016

Timeline for Activities Regarding Determinations to be Made Pursuant to Business and Professions Code Section 5096.21

Presented by: Written Report Only

Consumer Protection Objectives

The purpose of this agenda item is to provide the Mobility Stakeholder Group (MSG) with an opportunity to discuss items related to the timeline for practice privilege activities (**Attachment**) pursuant to Business and Professions Code (BPC) section 5096.21. BPC section 5096.21(a) requires the California Board of Accountancy (CBA) to make determinations as to whether allowing licensees of a particular state to practice in California under a no notice, no fee practice privilege violates its duty to protect the public.

Action(s) Needed

No specific action is required on this agenda item.

Background

In 2012, the Legislature revised the practice privilege law to eliminate the requirement for out-of-state licensees to provide notice and fee prior to obtaining a California practice privilege. BPC section 5096.21(a) requires the California Board of Accountancy (CBA) to make determinations as to whether allowing licensees of a particular state to practice in California under a no notice, no fee practice privilege violates its duty to protect the public. If this determination shows the public is at risk, the licensees of those particular states would, following a rulemaking by the CBA, revert back to using the prior practice privilege program with its notice and fee provisions. These determinations are to be made on and after January 1, 2016, and on an ongoing basis. In making the determinations, the CBA is required to consider three factors:

1. Whether the state timely and adequately addresses enforcement referrals made by the board to the accountancy regulatory board of that state, or otherwise fails to respond to requests the board deems necessary to meet its obligations under this article.
2. Whether the state makes the disciplinary history of its licensees publicly available through the Internet in a manner that allows the board to adequately link consumers to an Internet website to obtain information that was previously made available to consumers about individuals from the state prior to January 1, 2013, through the notification form.

3. Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.

Alternatively, a state may be allowed to remain under the no notice, no fee practice privilege program under BPC 5096.21(c) if the following four statutory conditions are met:

1. The National Association of State Boards of Accountancy adopts enforcement best practices guidelines.
2. The CBA issues a finding that those practices meet or exceed the CBA's own enforcement practices.
3. A state has in place, and is operating pursuant to, enforcement practices substantially equivalent to the best practices guidelines.
4. Disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the CBA to link consumers to a website. The information available must be at least equal to the information that was previously available to consumers through the practice privilege form that was used in the CBA's notice and fee practice privilege program.

The initial timeline for this project was approved by the CBA at its March 2015 meeting.

Comments
This agenda item is a standing item to keep members apprised of upcoming activities regarding the determinations made pursuant to BPC section 5096.21. It also serves as an opportunity for members to discuss any of the items on the timeline.

The timeline reflects the most current information available. Staff determined the timeline based on the following dates and timeframes:

- January 1, 2018 – Final report is due to the Legislature
- January 1, 2019 – Sunset date of the no notice, no fee practice privilege program
- 12 to 18 months – the amount of time normally required to complete the rulemaking process

The timeline may be changed as needed or as directed.

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
Staff do not have a recommendation on this agenda item.

Attachment
Timeline for Practice Privilege Activities Pursuant to Business and Professions Code Section 5096.21

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Attachment

Timeline for Practice Privilege Activities Pursuant to Business and Professions Code Section 5096.21

Substantial Equivalence to NASBA's Enforcement Guidelines

Business and Professions Code (BPC) section 5096.21(c) states that a state's licensees may remain in the no notice, no fee practice privilege program if the following four conditions are met:

1. The National Association of State Boards of Accountancy (NASBA) adopts enforcement best practices guidelines (Enforcement Guidelines).
2. The CBA issues a finding that those practices meet or exceed the CBA's own enforcement practices.
3. A state has in place, and is operating pursuant to, enforcement practices substantially equivalent to the best practices guidelines.
4. Disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the CBA to link consumers to a website. The information available must be at least equal to the information that was previously available to consumers through the practice privilege form that was used in the CBA's notice and fee practice privilege program.

This portion of the timeline outlines the activities surrounding the CBA's determination of which states' enforcement practices are substantially equivalent to NASBA's Enforcement Guidelines. While the law does not specify a date by which these activities must be concluded, staff developed this timeline keeping in mind the following dates and timeframes:

- January 1, 2018 – Final report is due to the Legislature
- January 1, 2019 – Sunset date of the no notice, no fee practice privilege program
- 12 to 18 months – the amount of time normally required to complete the rulemaking process

These dates are the only firm dates in BPC section 5096.21. There is no firm date by which the CBA must take action to remove a state or states from the no notice, no fee practice privilege program. This allows some flexibility for the CBA to work with an individual state in bringing it to a position where the CBA may indicate that they are substantially equivalent to the NASBA Enforcement Guidelines.

May 28, 2015	NASBA released its final version of its Enforcement Guidelines
May 28, 2015	CBA issued a finding that the NASBA Enforcement Guidelines met the CBA's enforcement practices
July 23, 2015	CBA determines how best to compare other states' enforcement practices with the NASBA Enforcement Guidelines
Summer/Fall 2015	Staff implements the method for comparing other states' enforcement practices with the NASBA Enforcement Guidelines
January 2016	CBA makes its initial determinations of substantial equivalence based on early research provided by the entity to be selected in **CBA Agenda Item IX.C.4.** (this date may be later if the consultant approach is selected)
September 2016	CBA reviews the final findings provided by the entity performing the research

State-by-State Determinations

After the CBA completes the portion of the timeline regarding substantial equivalence to the NASBA Enforcement Guidelines, there may be states that were not found to be substantially equivalent. If so, these states may still remain under the no notice, no fee practice privilege program if they are allowed to do so by the CBA in the state-by-state determination process.

The CBA must determine whether allowing the licensees of those states to practice in California under a practice privilege violates its duty to protect the public. In doing so, the CBA must consider the three items listed in BPC section 5096.21(b):

1. Whether the state timely and adequately addresses enforcement referrals made by the board to the accountancy regulatory board of that state, or otherwise fails to respond to requests the board deems necessary to meet its obligations under this article.
2. Whether the state makes the disciplinary history of its licensees publicly available through the Internet in a manner that allows the board to adequately link consumers to an Internet Web site to obtain information that was previously made available to consumers about individuals from the state prior to January 1, 2013, through the notification form.
3. Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.

The CBA is required to make the determinations using these considerations on and after January 1, 2016. The following portion of the timeline outlines the activities

surrounding the CBA's determinations made for those states not found to be substantially equivalent to NASBA's Enforcement Guidelines.

September 2016	Staff requests information to assist the CBA in making the determinations from states not found by the CBA to be substantially equivalent to the NASBA Enforcement Guidelines
March 2017	CBA reviews information provided by those states and identifies any that are at risk of removal from the no notice, no fee practice privilege program
May and July 2017	CBA deliberates on states that should remain or be removed from the no notice, no fee practice privilege program
July 2017	CBA initiates Rulemaking to remove states, where the CBA determines that allowing the licensees of that state to practice in California under a practice privilege violates its duty to protect the public, from the no notice, no fee practice privilege program
November 2017	CBA conducts a public hearing on the Rulemaking and initiates a 15-day notice of changes to include any additional states
July 2017 – January 2019	CBA continues reviewing states regarding whether their licensees should remain or be removed from the no notice, no fee practice privilege program as needed

<u>Practice Privilege Final Report to the Legislature</u>

BPC section 5096.21(f) states:

> On or before January 1, 2018, the board shall prepare a report to be provided to the relevant policy committees of the Legislature, the director, and the public, upon request, that, at minimum, explains in detail all of the following:
> (1) How the board has implemented this article and whether implementation is complete.
> (2) Whether this article is, in the opinion of the board, more, less, or equivalent in the protection it affords the public than its predecessor article.
> (3) Describes how other state boards of accountancy have addressed referrals to those boards from the board, the timeframe in which those referrals were addressed, and the outcome of investigations conducted by those boards.

At its initial meeting, the Mobility Stakeholder Group (MSG) decided to prepare a final report for the CBA to reference as it prepares its report to the Legislature by January 1, 2018. This portion of the timeline outlines the activities surrounding these reporting requirements.

July 2017	CBA receives the MSG's Final Report
September 2017	CBA reviews its draft Practice Privilege Report to the Legislature
November 2017	CBA approves the final version of the Practice Privilege Report to the Legislature
January 1, 2018	Practice Privilege Report due to the Legislature

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MSG Item IV. January 21, 2016

CBA Item XII.C.4. January 21-22, 2016

Review and Possible Approval of the 2015 Mobility Stakeholder Group Annual Report

Presented by: Matthew Stanley, Information and Planning Officer

Consumer Protection Objectives

The purpose of this agenda item is to provide the Mobility Stakeholder Group (MSG) an opportunity to review and adopt its 2015 Annual Report (**Attachment**) for presentation to the California Board of Accountancy (CBA). The annual report describes the actions and activities the MSG undertook in 2015 to ensure consumer protection.

Action(s) Needed

The MSG will be asked to adopt its 2015 Annual Report.

Background

In 2012, the Legislature created a new practice privilege program for the CBA through Senate Bill (SB) 1405. The new practice privilege program, also referred to as mobility, began on July 1, 2013.

The MSG conducted its initial meeting on March 20, 2014, where the MSG voted to issue a report to the CBA a least once per calendar year. At its November 20, 2014 meeting, the MSG voted to include the following topics in its Annual Report:

- Message from the Chair
- Background of Mobility
- MSG Responsibilities
- MSG Members
- Legislative and Regulatory Changes to Mobility
- Program Overview
- Statistic for the Mobility Program
- Meetings and Activities
- Future Considerations

The statistics provided in the attached 2015 Annual Report of the MSG are through November 30, 2015. The statistics will be subsequently updated after the close of the calendar year.

Comments
The attached report highlights the activities of the MSG throughout 2015 and fulfills the MSG's requirement for periodic reporting under BPC section 5096.21(e).

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
Staff recommend the MSG delegate authority to the Chair to adopt the final 2015 Annual Report once the statistics have been finalized.

Attachment
The MSG 2015 Annual Report

Attachment

CALIFORNIA BOARD OF ACCOUNTANCY

MOBILITY STAKEHOLDER GROUP

ANNUAL REPORT 2015

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I. MESSAGE FROM THE CHAIR

I am pleased to present the California Board of Accountancy (CBA) with the Mobility Stakeholder Group's (MSG) 2015 Annual Report.

The MSG worked diligently throughout 2015 to fulfill its statutory mandate of ensuring the practice privilege law is protecting the consumers of this state. During 2015, the MSG further reviewed the consumer protection provisions of the practice privilege law. In addition, the MSG recommended the CBA find that the National Association of State Boards of Accountancy's (NASBA) Guiding Principles of Enforcement (Enforcement Guidelines) meet or exceed California's enforcement practices. Finally, the MSG recommended the CBA request that NASBA perform the research that will be used to determine the substantial equivalency of other states' enforcement programs to the NASBA Enforcement Guidelines.

As we approach the third year of the MSG, it will focus on the substantial equivalency of the various states' enforcement programs. The MSG will continue considering the consumer protection provisions and discussing and clarifying stakeholder objectives of the practice privilege law.

I am grateful to have had the opportunity to serve as Chair of the MSG. I would also like to express my appreciation for the dedication of those serving on the MSG. It has been a pleasure to work on behalf of consumers. Under the leadership of the new chairman, Jose Campos, the MSG will continue to strive to remain on the forefront of consumer protection.

As the past MSG Chair and the new CBA President, I look forward to working with the MSG to ensure the continued success of California's practice privilege program.

Katrina L. Salazar, CPA, CBA President
2015 MSG Chair

II. BACKGROUND

Legislation enacted in 2012 (Stats. 2012, ch. 411 (Senate Bill (SB) 1405)) rewrote the CBA's practice privilege provisions (Article 5.1, Chapter 1, Division 3 of the Business and Professions Code (BPC)), which became effective July 1, 2013 and shall become inoperative on January 1, 2019. The new provisions beginning at section 5096 of the BPC allow individuals, whose principal place of business is outside of California and are licensed in states that have licensing requirements substantially equivalent to California's, to practice in California under a practice privilege conferred by operation of law without providing a notice or paying a fee. Prior to the passage of SB 1405, individuals possessing

out-of-state licenses to practice public accountancy were required to notify the CBA, as well as pay a fee in order to practice public accountancy in California.

BPC section 5096.21(e) creates the MSG and, in addition, states in part:

> The group, at its first meeting, shall adopt policies and procedures relative to how it will conduct its business, including but not limited to, policies and procedures addressing periodic reporting of its findings to the board.

Effective July 1, 2013, sections 26 – 35.1 of Title 16, Division 1 of the California Code of Regulations (CBA Regulations) became inoperative, and were simultaneously replaced by new sections 5.5 and 18 – 22 of CBA Regulations.

III. MOBILITY STAKEHOLDER GROUP RESPONSIBILITIES

The MSG derives its authority from BPC section 5096.21(e). The roles and responsibilities of the MSG, as defined by the law and the CBA, are as follows:

- Hold meetings as necessary in order to conduct business,
- Adopt policies and procedures relative to how it will conduct its business, including, but not limited to, policies and procedures addressing periodic reporting of its findings to the board,
- Consider whether the practice privilege provisions are consistent with the CBA's duty to protect the public in accordance with BPC section 5000.1,
- Consider whether the mobility law satisfies the objectives of stakeholders of the accounting profession, including consumers,
- Prepare an Annual Report to the CBA highlighting its activities.

IV. MOBILITY STAKEHOLDER GROUP MEMBERS

The MSG is comprised of seven members, which consists of members of the CBA, CBA enforcement staff, representatives of the accounting profession, and consumer representatives.

Upon his election as CBA President for 2015, Jose Campos removed himself from the MSG and appointed CBA Member Michael Savoy to take his place.

Early in 2015, the MSG was saddened to learn of the passing of its Vice-Chair, Harold (Hal) Schultz. Hal's hard work and dedication to the profession was a mainstay of CBA meetings and the various committees on which Hal had served, including the MSG. Former CBA Member Donald Driftmier was appointed to the MSG in his place.

For the majority of 2015, the MSG membership consisted of the following members:

Katrina L. Salazar, CPA, Chair and CBA member
Joseph P. Petito, Esq. Vice-Chair and accounting profession representative
Don Driftmier, CPA, accounting profession representative
Dominic Franzella – CBA Enforcement Division Chief
Edward Howard, Esq., consumer representative
Michael Savoy, CBA Member
Stuart Waldman, Esq., consumer representative

V. LEGISLATION AND REGULATIONS

To further enhance consumer protection, the CBA pursued legislative and regulatory changes to the program in 2013 and 2014. Effective January 1, 2014, BPC section 5096(e)(10) was added to Article 5.1 by SB 822 (Stats. 2013, Ch. 319) to require practice privilege holders to notify the CBA of any pending criminal charges, other than minor traffic violations, in any jurisdiction. In 2014, the CBA sought a further change to that same section to clarify that the individual had to be exercising practice privilege in California before reporting pending criminal charges is required. In addition, SB 1467 (Stats. 2014, Ch. 400) stated that such a report must be made to the CBA in writing within 30 days. These new provisions took effect January 1, 2015.

In 2015, the CBA gained approval of an amendment to CBA Regulations section 19 to create a Practice Privilege Notification of Pending Criminal Charges form. Effective October 1, 2015 this form is used by individuals to report pending criminal charges.

VI. PROGRAM OVERVIEW

If a licensee's principal place of business is located outside California and he or she holds a valid and current license, certificate, or permit to practice public accountancy from another state, he or she may qualify to practice public accountancy in California under a practice privilege, without giving notice or paying a fee, provided one of the following conditions is met:

- They have continually practiced public accountancy as a CPA under a valid license issued by any state for at least four of the last 10 years.
- They hold a valid license, certificate, or permit to practice public accountancy from a state determined by the CBA to be substantially equivalent to the licensure qualifications in California under BPC section 5093.

- They possess education, examination, and experience qualifications which have been determined by the CBA to be substantially equivalent to the licensure qualifications in California.

A licensee is required to notify and receive written permission from the CBA prior to practicing public accountancy in California if, within the seven years immediately preceding the date on which he or she wishes to practice in this state, certain conditions apply as outlined in BPC Section 5096(i).

If any of those conditions apply, the licensee must submit a completed notification form and await written permission from the CBA prior to engaging in the practice of public accountancy in California.

If an individual exercises a practice privilege and subsequently acquires any condition disqualifying them from holding a California practice privilege, they must cease practicing immediately and notify the CBA in writing within 15 days of the occurrence of the cessation event using the "Notification of Cessation of Practice Privilege Form" (PP-11(1/13)).

If an individual is exercising a practice privilege in California, they are required to notify the CBA in writing of any pending criminal charges, other than for a minor traffic violation, within 30 days of the date they have knowledge of those charges.

If an individual intends to provide audit or attestation services for an entity headquartered in California, they may only do so through an accounting firm registered with the CBA.

An accounting firm that is authorized to practice public accountancy in another state and that does not have an office in this state must register with the CBA prior to performing attest services for an entity headquartered in California.

To register an out-of-state accounting firm, while there is no fee, an applicant must first complete the "Out-of-State Accounting Firm Registration Form" (PP-13(1/13)). The out-of-state accounting firm registration must be renewed every two years in order for the out-of-state accounting firm to maintain practice rights in California. The out-of-state accounting firm must also notify the CBA of any change of address or change in ownership within 30 days of the change.

VII. STATISTICS

The following is statistical information for the Licensing, Enforcement, and Administration Divisions for the calendar year 2015 as it pertains to the practice privilege program. The information listed on page 5 is categorized into sections detailing Out-of-State Accounting Firm Registration information, customer service and the volume of contact with consumers and licensees, enforcement-

related referrals and investigations, and the CBA's use of the website to enhance consumer protection.

Licensing Division

The Practice Privilege Unit within the Licensing Division is responsible for two main functions associated with the practice privilege program: (1) processing out-of-state accounting firm registrations and (2) providing customer service in response to telephone calls and e-mails.

Out-of-State Accounting Firm Registration (OFR)
The practice privilege provisions require practice privilege holders providing certain attestation services to California-headquartered entities to do so only through a firm registered with the CBA. These accounting firms must submit a registration form and obtain approval from the CBA prior to providing these services.

Below is the statistical data associated with processing OFRs for the 2015 calendar year.

Out-of-State Firm Registrations	2015 Totals
Total Registration Applications Received	134
Total Registration Applications Approved	99
Total Registration Applications Referred to Enforcement	20

Service to Stakeholders
The Practice Privilege Unit is the primary point of contact associated with the practice privilege program. Providing excellent service to stakeholders while effectively communicating the requirements of California's practice privilege law is an important part of the efficient functioning of the unit. Below is the statistical data for the total number of telephone calls and e-mails for the 2015 calendar year.

Stakeholder Contact	2015 Totals
Telephone	417
E-mails	421

Enforcement Division

The Enforcement Division is responsible for numerous consumer protection aspects of the practice privilege program, including processing pre-notification and cessation notification forms, reviewing the Securities and Exchange Commission's (SEC) and Public Company Accounting Oversight Board's (PCAOB) websites for CPAs that have been disciplined by those entities,

reviewing OFR referrals from the Practice Privilege Unit, and reviewing complaints received against practice privilege holders.

The following is statistical data associated with the various Enforcement Division activities for the 2015 calendar year.

Enforcement Division Activities	2015 Totals
Pre-Notification Forms Received	2
Cessation Notification Forms Received	0
SEC Discipline Identified*	27
PCAOB Discipline Identified*	21
Out-of-State Accounting Firms Referred by Licensing Division for Reported Other Discipline	14
Out-of-State Accounting Firm Registrations Denied	0
Complaints Against Practice Privilege Holders Received	11

*These numbers indicate discipline instituted against **all** licensees and is not limited to California licensees or practice privilege holders.

Administration Division

Website Usage

One of the key components of providing widespread consumer protection is by continuously striving to ensure consumers and out-of-state CPAs are equipped with updated information regarding all laws, rules and regulations of the accounting profession in California. For this reason, the CBA created and maintains a robust website associated with providing information both to consumers and licensees regarding the practice privilege program to serve as an additional safeguard for consumer protection.

The CBA website contains a license lookup feature for out-of-state CPAs that contains all information in the possession of the CBA on such licensees. It also contains a license lookup feature for all OFRs registered in California. A user may also find links to the other board of accountancy jurisdictions and the CPAVerify website so that consumers can find information on CPA licenses throughout the United States.

The following information is statistical data for various web pages on the CBA website associated with the practice privilege program for the 2015 calendar year.

The information details the total number of hits to each web page and is not indicative of unique visitors.

Webpage	2015 Totals
Out-of-State Licensed CPA Search	7,236
Out-of-State Registered Accounting Firms Search	1,442
Practice Privilege Reporting Requirements (Disqualifying Conditions, Pre- & Cessation Notification Requirements)*	3,501
Practice Privilege Handbook	9,307

*This page provides consumers and out-of-state CPAs specific information regarding the events and circumstances that necessitate out-of-state CPAs to: (1) pre-notify the CBA and receive approval prior to exercising a practice privilege, and (2) to cease practicing via a practice privilege, notify the CBA, and await approval to resume practice.

VIII. Activities and Accomplishments

The following are some of the major activities and accomplishments of the MSG during 2015:

- The MSG held meetings as necessary in order to conduct business and make periodic reports to the CBA. The MSG held four meetings in 2015 as follows:

  - March 19, 2015 – Irvine, CA
  - May 28, 2015 – Los Angeles, CA
  - July 23, 2015 – Sacramento, CA
  - September 17, 2015 – Irvine, CA

  Ms. Salazar reported on MSG activities to the CBA at its meetings which followed each MSG meeting.

- The MSG continued reviewing the consumer provisions of the practice privilege law.

- The MSG reviewed the CBA's Practice Privilege Preliminary Determinations Report to the Legislature.

- The MSG recommended a timeline to the CBA for determining whether the licensees of particular states should remain eligible to practice in California under a no notice, no fee practice privilege.

- The MSG recommended the CBA issue a finding that NASBA's Guiding Principles of Enforcement meet or exceed the CBA's own enforcement practices.

- The MSG recommended NASBA to perform the research necessary to determine whether a state's enforcement program is substantially equivalent to NASBA's Guiding Principles of Enforcement.

- The MSG maintained an awareness of NASBA activities and received status reports on the CPAverify website.

- The MSG ascertained that through regular contact with the State Controller's Office (SCO) and the Franchise Tax Board, the CBA communicates significant changes in the law such as practice privilege.

IX. 2016 Anticipated Topics for Discussion

The MSG will continue to meet in conjunction with CBA meetings. It is anticipated the following will be topics presented for discussion before the MSG:

- A state-by-state discussion regarding allowing individuals from a particular state to practice in this state pursuant to a practice privilege as described in Section 5096,
- NASBA's national enforcement guidelines and best practices,
- Further discussion and clarification of stakeholder objectives; and
- Continuing discussion and consideration of the consumer protection provisions of the practice privilege law.

X. Conclusion

Throughout 2015, the MSG was hard at work vetting a process by which the CBA can determine whether a state's licensees should be allowed to continue to practice in California under a no notice, no fee practice privilege program. Moving forward into its third year, the MSG will continue to focus on consumer protection as its primary concern as it continues to discuss the practice privilege law, stakeholder objectives and the results of the research being performed by NASBA.

State of California
Department of Consumer Affairs

California Board of Accountancy
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M e m o r a n d u m

To : CBA Members
MSG Members

Date : January 14, 2016
Telephone : (916) 561-1792
E-mail : matthew.stanley@cba.ca.gov

From : Matthew Stanley
Information and Planning Officer

Subject : CBA Agenda Item XII.C.5. / MSG Agenda Item V. – Overview of the Findings of the National Association of State Boards of Accountancy Related to Business and Professions Code Section 5096.21(c)

The purpose of this memo is to clarify some of the points made in this agenda item to ensure that the Mobility Stakeholder Group (MSG) and the California Board of Accountancy (CBA) have the information they may need to make informed decisions.

First, while this item does not require any action, the CBA may take any actions that it deems appropriate.

Second, on page 3, this item references the Timeline in CBA Agenda Item VIII.C.3. This is an error, and should read CBA Agenda Item XII.C.3.

Finally, this agenda item states that the "next steps as discussed at the CBA's July 2015 meeting is for staff to conduct an audit" of some of the states' information as collected by the National Association of State Boards of Accountancy (NASBA). To be clear, the previously adopted timeline states that the "CBA makes its initial determinations of substantial equivalence" at its January 2016 meeting. Therefore, if it chooses to do so, the CBA may also make determinations of substantial equivalence based on the recommendations of NASBA.

Because there are 28 states yet to be identified as substantially equivalent or do not yet post disciplinary history on their websites, staff would recommend not taking action on those states until NASBA has completed its review or worked with them to post the required information online.

For the 26 states identified by NASBA as substantially equivalent, staff have identified three options for how to proceed. For each state individually, the CBA may approve it as substantially equivalent, request that staff conduct an audit of the information gathered by NASBA, or defer action.

For the option of approving a state, if the CBA determines that there is sufficient information regarding a particular state that indicates that consumers are being

protected, the CBA could make a motion determining that a particular state meets the requirements of Business and Professions Code (BPC) section 5096.21(c), specifically, that the state is substantially equivalent to the NASBA Guiding Principles of Enforcement and posts its disciplinary history online.

If the CBA opts to direct staff to conduct any audits, staff would request further direction from the CBA as to its areas of priority for the audit based on the NASBA Objectives for Substantial Equivalency Determinations (**Attachment 3**). The CBA could also choose to direct staff to select a certain number of states to be audited. In this case the CBA might wish to provide guidance to staff on its criteria for selecting states to be audited. Such criteria could include the population from which states are to be selected, a number of states to be selected, size of the states to be selected, geographical proximity to California, or any other criteria upon which the CBA may decide.

The CBA may choose to defer action on a particular state, particularly if it wants to see the results of the initial audits before taking any action. Any states on which the CBA defers action will be brought back to the CBA for consideration at its next meeting along with any additional states identified as substantially equivalent by NASBA.

The CBA may choose to take any of these three described actions with as many or as few of the listed 26 states as it wishes, or it may choose to pursue other actions.

As identified in the agenda item, staff do not have any recommendations on this item.

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MSG Item V. January 21, 2016

CBA Item XII.C.5. January 21-22, 2016

Overview of the Findings of the National Association of State Boards of Accountancy Related to Business and Professions Code Section 5096.21(c)

Presented by: Matthew Stanley, Information Officer

Consumer Protection Objectives

The purpose of this agenda item is to allow the Mobility Stakeholder Group (MSG) the opportunity to discuss the findings of the National Association of State Boards of Accountancy (NASBA) related to Business and Professions Code (BPC) Section 5096.21(c). The findings will be used by the CBA to determine whether allowing licensees of certain states to continue practicing under a no notice, no fee practice privilege fulfills the responsibility of the CBA to protect consumers.

Action(s) Needed

No specific action is required on this agenda item.

Background

BPC section 5096.21 (**Attachment 1**), specifically subdivision (a), requires the CBA to determine on and after January 1, 2016, whether allowing individuals from a particular state to practice in California pursuant to a practice privilege violates its duty to protect the public.

A state may be allowed to remain under the no notice, no fee practice privilege program under BPC 5096.21(c) if the following four statutory conditions are met:

1. NASBA adopts enforcement best practices guidelines.
2. The CBA issues a finding that those practices meet or exceed the CBA's own enforcement practices.
3. A state has in place, and is operating pursuant to, enforcement practices substantially equivalent to the best practices guidelines.
4. Disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the CBA to link consumers to a website. The information available must be at least equal to the information that was previously available to consumers through the practice privilege form that was used in the CBA's notice and fee practice privilege program.

The first condition was fulfilled when NASBA released its Guiding Principles of Enforcement (NASBA Enforcement Guidelines) (**Attachment 2**) in May 2015. The second condition was fulfilled when the CBA issued a finding that the NASBA

Enforcement Guidelines met the CBA's own enforcement practices at its May 28-29, 2015 meeting.

In order to meet the third condition, at the July 2015 meeting, the CBA discussed the best approach to complete a comparision of states enforcement practices to determine if they are substantially equivelent to the NABA Enforcement Guidelines including identifiying the process and objectives of the party who would be responsible for conducting the comparison. After an in depth discussion, the CBA selected NASBA as the enity to conduct the research. The process in which the research and recommendations were to be made is outlined below and includes the deliverables to the CBA:

- NASBA will be responsible for gathering the information needed to assess the substantial equivalency of each state.
- NASBA will rely, in large part, on data it previously gathered during the drafting of the NASBA Enforcement Guidelines.
- NASBA will collect additional information through email, phone calls, and travel to meet with other states.
- In order to encourage candor and open discussions, NASBA will honor the confidentiality of any direct communication with the other state boards of accountancy and will retain the data collected during this process.
- NASBA's subjective analysis of each state's statutes, rules, and practices will assist in deciding whether, collectively, they create an enforcement practice that reflects the objectives of the NASBA Enforcement Guidelines.
- A representative from NASBA will be available at future CBA meetings where substantial equivalence to the NASBA Enforcement Guidelines is discussed.
- NASBA will provide staff with the ability to audit the results of the substantial equivalency determinations by meeting with NASBA to collectively review states as identified by the CBA. This review will include a summary prepared by NASBA of the specific enforcement practices in the selected jurisdictions, and, when deemed necessary by staff, a confidential review of the underlying documents used to make a particular determination at a meeting between NASBA and staff.

Comments

NASBA's Objectives for Substantial Equivalency Evaluation (**Attachment 3**) were presented at the July 2015 CBA meeting to assist with the evaluation process as they relate to determining states substantial equivalence to the NASBA Enforcement Guidelines. The objectives are identified below with additional identifying criteria provided by NASBA

- Time Frames for Prosecuting a Complaint from Intake to Final Disposition
    - Average Number of Complaints
    - Timeliness of Past and Present Complaints
- Enforcement Resources to Adequately Staff Investigations

    - Investigation Resources for Current and Projected Workload
    - Investigator Training Required
    - Use of Experts
- Case Management
    - Available Case Funding
    - Prioritization of Cases
- Disciplinary Guidelines
    - Consistency of Discipline
    - Factors Assessing Penalties
    - Grounds for Revocation, Suspension, Probation, Fine, Penalty or Remediation
- Internet Disclosures
    - CPAVerify versus Individual Board Website

Consistant with The Timeline for Activities Regarding Determination to be Made Pursuant to BPC Section 5096.21 as identified in **CBA Agenda Item VIII.C.3.** NASBA has provided the results of its initial analysis of other state's enforcement practices as they compare to the NASBA Enforcement Guidelines. NASBA will be present at the January CBA meeting to answers questions members may have.

NASBA's initial analysis has identified 27 jurisdictions as substantially equivalent to the NASBA Enforcement Guidelines (**Attachment 4**). The second column in **Attachment 4** titled *SE* identifies the jurisdictions NASBA deemed substantially equivalent to the NASBA Enforcement Guidelines. The third column in **Attachment 4** titled *SE w/o DISC FLAG* represents jurisdictions NASBA deemed substantially equivalent with suggested guidance as they do not currently reflect the necessary disciplinary flag on the Internet. NASBA continues to work diligently with these jurisdictions in order to bring them into substantially equivalent status as soon as possible. NASBA stated it will continue to actively pursue additional information from the remaining 18 jurisdictions in order to verify the equivalency of the enforcement practices and Internet disciplinary history. These recommendations will be brought to a future CBA meeting.

The next steps as discussed at the July 2015 CBA meeting is for staff to conduct an audit of states that have received NASBA's substantially equivalent recommendation. This will include a summary prepared by NASBA of the specific enforcement practices in the selected jurisdictions and the underlying documents used to make a particular determination at a meeting between NASBA and staff.

Staff are requesting direction from the CBA as to the specific jurisdictions it would like audited and if any emphasis should be placed on the specific criteria referenced above. To assist with the state selection process, the CBA may want to consider factors such as licensee population and practice privilege holder information from all jurisdictions (**Attachment 5**). Once directed, CBA staff will initiate the audit and provide a summary at an upcoming CBA meeting.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachments

1. BPC Section 5096.21
2. NASBA's Guiding Principles of Enforcement
3. Objectives for Substantial Equivalency Evaluation
4. NASBA Listing of Substantially Equivalent States
5. Table of Factors to Assist with State Selection for Audit

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Attachment 1

Business and Professions Code

5096.21

(a) On and after January 1, 2016, if the board determines, through a majority vote of the board at a regularly scheduled meeting, that allowing individuals from a particular state to practice in this state pursuant to a practice privilege as described in Section 5096, violates the board's duty to protect the public, pursuant to Section 5000.1, the board shall require, by regulation, out-of-state individuals licensed from that state, as a condition to exercising a practice privilege in this state, to file the notification form and pay the applicable fees as required by former Section 5096, as added by Chapter 921 of the Statutes of 2004, and regulations adopted thereunder.
(b) The board shall, at minimum, consider the following factors in making the determination required by subdivision (a):
(1) Whether the state timely and adequately addresses enforcement referrals made by the board to the accountancy regulatory board of that state, or otherwise fails to respond to requests the board deems necessary to meet its obligations under this article.
(2) Whether the state makes the disciplinary history of its licensees publicly available through the Internet in a manner that allows the board to adequately link consumers to an Internet Web site to obtain information that was previously made available to consumers about individuals from the state prior to January 1, 2013, through the notification form.
(3) Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.
(c) Notwithstanding subdivision (a), if (1) the National Association of State Boards of Accountancy (NASBA) adopts enforcement best practices guidelines, (2) the board, upon a majority vote at a regularly scheduled board meeting, issues a finding after a public hearing that those practices meet or exceed the board's own enforcement practices, (3) a state has in place and is operating pursuant to enforcement practices substantially equivalent to the best practices guidelines, and (4) disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the board to link consumers to an Internet Web site to obtain information at least equal to the information that was previously available to consumers through the practice privilege form filed by out-of-state licensees pursuant to former Section 5096, as added by Chapter 921 of the Statutes of 2004, no practice privilege form shall be required to be filed by any licensee of that state as required by subdivision (a), nor shall the board be required to report on that state to the Legislature as required by subdivision (d).
(d) (1) The board shall report to the relevant policy committees of the Legislature, the director, and the public, upon request, preliminary determinations made pursuant to this

section no later than July 1, 2015. The board shall, prior to January 1, 2016, and thereafter as it deems appropriate, review its determinations made pursuant to subdivision (b) to ensure that it is in compliance with this section.
(2) This subdivision shall become inoperative on July 1, 2017, pursuant to Section 10231.5 of the Government Code.
(e) On or before July 1, 2014, the board shall convene a stakeholder group consisting of members of the board, board enforcement staff, and representatives of the accounting profession and consumer representatives to consider whether the provisions of this article are consistent with the board's duty to protect the public consistent with Section 5000.1, and whether the provisions of this article satisfy the objectives of stakeholders of the accounting profession in this state, including consumers. The group, at its first meeting, shall adopt policies and procedures relative to how it will conduct its business, including, but not limited to, policies and procedures addressing periodic reporting of its findings to the board.
(f) On or before January 1, 2018, the board shall prepare a report to be provided to the relevant policy committees of the Legislature, the director, and the public, upon request, that, at minimum, explains in detail all of the following:
(1) How the board has implemented this article and whether implementation is complete.
(2) Whether this article is, in the opinion of the board, more, less, or equivalent in the protection it affords the public than its predecessor article.
(3) Describes how other state boards of accountancy have addressed referrals to those boards from the board, the timeframe in which those referrals were addressed, and the outcome of investigations conducted by those boards.
(g) This section shall remain in effect only until January 1, 2019, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2019, deletes or extends that date.

Guiding Principles of Enforcement
NASBA
5-28-15

The purpose of issuing these Guiding Principles is to promote consumer protection by promoting uniformly effective board enforcement and disclosure policies and practices nationally as a reinforcing compliment to mobility, which depends upon all states having confidence in the enforcement and disclosure policies and practices of the home state of the mobile licensee. While of course not binding on boards, these Guiding Principles are based on exhaustive, multi-year research into the enforcement and disclosure practices and policies of the boards of the 55 jurisdictions, and represent NASBA identifying common practices for boards to consider and, potentially, against which to measure themselves.

ENFORCEMENT

Board enforcement throughout the nation is largely complaint driven. How boards handle complaints is, therefore, foundational to how well its enforcement program works to benefit consumers.

What follows are the performance-based hallmarks of enforcement programs and Guiding Principles related to each. How fast are complaints addressed? How are complaints prioritized? How fast are urgent complaints addressed? What discipline is imposed? What is the quality of the resources available and the capacity of those resources? These are some of the key questions to be weighed when evaluating an enforcement program.

1. Time Frames for prosecuting a complaint from intake to final disposition

General Findings: State laws often dictate the manner in which boards prosecute cases, in some cases dictating the manner in which actions are handled. For example one board may have the authority to close a complaint without merit almost immediately based solely on the decision of the Executive Director, while another board may be required to hold the file open until a vote by the board at the next scheduled meeting.

When considering a new complaint, boards should first determine whether a complaint has legal merit and, if legal merit is found, whether the state board has jurisdictional nexus on the matter. If both these criteria are satisfied and the board determines to move forward with the enforcement matter, the board should then consider whether any discipline already issued by another agency, board, etc. was sufficient to address the violations or whether the harm justifies further enforcement action by the board.

An analysis of the various jurisdictions reveals useful benchmarks for the time frame of handling complaints. Set forth below are targeted time frames that boards should strive to meet, understanding there are instances where different time frames are appropriate in light of the legal and operational considerations (e.g. volume of complaints) that may justify different targets for certain boards.

a. Decision to (i) close complaints for lack of legal merit or jurisdictional nexus or (ii) initiate an investigation
    i. Target – 7 days after expiration of time period for responses with either receipt of all supporting document from parties or failure to respond, or

at next scheduled board/complaint committee meeting

b. Assignment of investigator
    i. Target – 10 days from decision to initiate investigation
c. Completion of investigation
    i. Target – 180 days or less from initiation of investigation
d. Formal Discipline at administrative level – final disposition
    i. Target – 540 days or less from initiation of complaint
e. Initiation of action (re-opening of complaint) or initiation of new complaint following probation violation
    i. Target – 15 days or next scheduled board/complaint committee meeting

2. Enforcement resources to adequately staff investigations

General Findings: Both consumers and licensees have an interest in seeing complaints processed expeditiously, with a board enjoying adequate enforcement resources to ensure a fair and efficient process. Generally, the appropriate level of enforcement resources in a given jurisdiction is a function of the size of the jurisdiction's licensee population, and the number and nature of complaints typically handled by that jurisdiction. A board with 70,000 licensees will need a much more robust investigative unit with more personnel, but a board with 1,500 licensees may be able to utilize board members with specialized knowledge to handle investigations. Overall, 33 jurisdictions have less than 10,000 licensees ("small" jurisdictions); 13 jurisdictions have 10,000-20,000 licensees ("mid-size"); and nine have more than 20,000 licensees ("large"). In instances where the size of a jurisdiction's licensee population has a direct bearing on what should be considered a "guiding principle of enforcement" (e.g. setting appropriate staff levels and training), separate targets are suggested below for small, mid-size and large jurisdictions.

a. In determining adequate staffing resources a board should routinely evaluate staffing levels to ensure that the appropriate number of staff are assigned to the right positions and at the right time. A board should evaluate their respective program needs, taking into consideration workload projections and any new anticipated workload over the coming years (possibly as a result of law or rule changes). When evaluating staffing workload, a board should consider identified core tasks to complete investigations, general duration of time to complete the tasks, and the number of staff presently assigned to handle investigation. Based on this evaluation, a board should determine if any overages or shortages in workload exists and seek to align staffing resources accordingly.

b. Factors that may warrant modification (up or down) in staffing:
    i. Ratio of administrative complaints to practice complaints – history of practice claims in a particular jurisdiction would warrant more investigators per licensee. Administrative complaints are typically less complicated and would include violations like failure to renew, failure to obtain CPE ("Administrative Complaints"). Practice complaints are generally more complex and would include violations such as failure to follow standards, failure to follow the code of conduct and actions involving dishonesty or fraud ("Practice Complaints").
    ii. Ratio of complaints involving firms with offices in multiple states

versus smaller firms with local offices. The prevalence of complex cases, such as cases against the auditors in Enron and against big firms that involve representation by outside law firms may require an increase in the ratio of investigators to licensees, to handle the added workload associated with periodic complex cases.

c. Qualification and training of investigators
   i. Large, mid-size and small accountancy boards should all seek to utilize CPAs, law enforcement, board staff, or other individuals with accounting or investigative training (such as the Investigator Training Series identified in Section 2 (c)(iii) below or the training offered by the Council on Licensure, Enforcement and Regulation (CLEAR)) as an investigator whenever possible;
   ii. Encourage investigative staff to attend investigative training seminars such as those hosted by CLEAR;
   iii. Encourage investigative staff to complete the Investigator Training Series on NASBA.org
   iv. Boards should establish and follow a process for determining appropriate utilization of CPA investigators and/or CPA board members or staff and non-CPA investigators, which considers whether the case involves an Administrative Complaint or involves a Practice Complaint.
   v. Boards should utilize subject matter experts for complex investigations involving highly technical areas and standards, such as ERISA, Yellow Book, cases involving complicated tax issues, and fraud.
      1. Work with NASBA to identify a means of obtaining the necessary resources if costs are prohibitive to boards
      2. Use NASBA pool of available expert witnesses, if needed, to address complex issues, such as those items referenced in subsection (v) above
      3. Referral to a board member with expertise that is case specific
         a. In such cases, the Board member should recuse himself/herself from further participation in any formal disciplinary action in the specific matter

d. Boards should be able to access funds in a timely manner to handle a case against a big firm, as a demand arises, either through an appropriation process, the board, the umbrella agency, or the prosecuting agency.

3. Case management

General Findings: The volume of complaints considered by a board will also have a bearing regarding case management for a particular board. For example, a board handling 3,000 complaints a year typically should have a system in place to prioritize those cases based upon the potential for harm, while a board receiving only 1-3 complaints will not need a prioritization system because each complaint can receive immediate attention. If the number of complaints received by board requires prioritization in order to adequately address all complaints and best allocate board resources to achieve maximum protection of the public, then such jurisdiction should identify cases for potential to cause greatest harm, or offenses that are indicators of problems that could lead to such harm and adopt procedures to manage Administrative Complaints by handling them in a manner similar to that outlined below in Section 3(a) and Practice Complaints by handling them in a manner similar to that outlined below in Section 3(b).

a. Administrative Complaints involving matters of licensing deficiencies such as, failure to timely renew or obtain CPE, improper firm names, other administrative matters and certain first-time misdemeanor offenses, generally pose a lesser threat to the public and as such may be processed as follows:
    i. Attorney, Executive Director, and/or qualified staff review informal matters
    ii. Cases can be closed based on voluntary compliance
    iii. Informal conference may be scheduled to assist in reaching a settlement or if there is non-compliance with an agreed resolution
b. Practice Complaints generally involving matters of incompetence, dishonesty, violation of any rule of professional ethics or professional conduct, failing to timely complete an engagement, failure to communicate, criminal convictions, breach of fiduciary duty or fraud or disclosing confidential information pose a greater threat to the public and as such are generally processed as follows:
    i. Summary of investigation is reviewed by Attorney, Executive Director, appointed Board member, or Complaint Committee (depending upon board structure)
    ii. Further investigation may be requested
    iii. Information Conference may be scheduled to aid settlement
    iv. Upon determination of a violation, corrective (remedial) or disciplinary action is taken (either by consent agreement or proceeding to formal hearing) upon approval of the Board
c. Boards should review discipline from other agencies, such as the DOL, SEC, PCAOB, and AICPA, included in the NASBA Quarterly Enforcement Report to determine whether such discipline should give rise to disciplinary action by the Board.
d. Boards should use a method of tracking probationary matters with assigned personnel (staff or investigator) to monitor compliance with probationary terms, such as follow up phone calls or other correspondence with licensee, requiring the licensee to appear in person at interviews/meetings as directed by the Board to report on probation compliance, submitting written quarterly compliance reports, and/or allowing a practice investigation upon request of the Board.

4. Disciplinary Guidelines

General Findings: Boards of accountancy are charged with protecting consumers by regulating the profession and disciplining licensees who fail to comply with the professional standards. Another goal of the disciplinary process is to increase adherence to licensing requirements and professional standards, thereby elevating the quality of services provided by the profession. Boards have the authority to impose discipline to revoke, suspend, condition, or refuse to renew a license or certificate for violation of rules and regulations or statutes of the accountancy law. Boards should strive to impose fair and consistent discipline against licensees who violate the accountancy laws or rules. These guidelines recommend penalties and conditions of probation for specific statutes and rules violated, as well as aggravating and mitigating circumstances that may necessitate deviation from the recommended discipline. The disciplinary guidelines are to be used by Board members, Board staff, and others involved in the disciplinary process. Boards may exercise discretion in recommending penalties, including conditions of probation, as warranted by aggravating and mitigating circumstances.

a. The disciplinary process for boards of accountancy should consider offenses and their appropriate penalties, including the following major categories of offenses. Each determination should be fact specific and penalties may be escalated, reduced or combined depending on the Boards' consideration of the relevant mitigating and aggravating factors.

    i. Grounds for Revocation
        1. Revocation of a license/permit by another agency or Board
        2. Failure to inform the Board of a failed peer review
        3. Fraud or deceit in obtaining a license
        4. Conviction of any crime substantially related to the qualifications, functions, or duties of a CPA (involving dishonesty or fraud)
        5. Dishonesty, fraud, or gross negligence in the practice of public accounting
        6. Commission of a felony
    ii. Grounds for Suspension/Probation
        1. Failure to comply with board order
        2. Failure to meet firm ownership requirements
        3. Failure of a peer review
    iii. Grounds for Monetary Fine/Penalty
        1. Unlicensed conduct
        2. Failure to comply with professional standards or code of conduct
        3. Failure to renew
        4. Failure to timely complete CPE or peer review
    iv. Grounds for Remediation
        1. Failure to comply with professional standards
        2. Issues regarding client records/ownership of work papers
        3. Issues regarding confidential disclosures
        4. Unlicensed conduct due to inadvertence (i.e., mobility, multiple designations, foreign accountants, etc.)
        5. Misleading name, title, or designation

b. Boards may adopt specific factors to consider in assessing penalties, such as:
    i. Permissible sanctions available to the Board, including those sanctions set forth in Section 4(a) above
    ii. Mitigating or aggravating factors (described in detail below)
    iii. Past disciplinary history or "trends" in licensee's behavior involving this Board or other agencies such as SEC, IRS, PCAOB and societies
    iv. Likelihood of repeating the behavior
    v. Potential for future public harm
    vi. Potential for licensee's rehabilitation
    vii. Extent of damages or injury due to licensee's behavior
    viii. Board sanctions with similar misconduct in other cases
    ix. Other enforcement actions or legal actions against licensee involving the conduct which is the subject of the current case (and impact of those actions/sanctions upon licensee)
    x. Whether action was a clear violation or was an area of law/rule subject to interpretation
    xi. Whether the individual or firm has already been sanctioned for the action by another state, PCAOB the SEC, or other enforcement body,

and whether the enforcement body imposed sanctions consistent with sanctions the board would typically impose under the circumstances.

c. Boards may consider the following mitigating factors in assessing penalties:
    i. Passage of time without evidence of other professional misconduct
    ii. Convincing proof of rehabilitation
    iii. Violation was without monetary loss to consumers and/or restitution was made
    iv. If multiple licensees are involved in the violation, the relative degree of culpability of the subject licensee should be considered

d. Boards may consider the following aggravating factors in assessing penalties:
    i. Failure to cooperate with Board in investigation of complaint and/or disciplinary process (providing requested documentation, timely responses, participating in informal conference)
    ii. Violation is willful, knowingly committed and/or premeditated
    iii. Case involved numerous violations of Board's statutes and rules, as well as federal or other state statutes
    iv. History of prior discipline, particularly where prior discipline is for same or similar conduct
    v. Violation results in substantial harm to client, employer and/or public
    vi. Evidence that licensee took advantage of his client for personal gain, especially if advantage was due to ignorance, age or lack of sophistication of the client

5. Internet Disclosure

General Findings: The goal is to allow market forces to elevate the profession by directing consumers away from licensees with troubled records and toward those who have adhered to professional standards. Thus, the disclosures must be of sufficient detail for consumers to be able to make informed judgments about whether discipline poses a risk to them or is indicative of a prior problem relevant to why they are retaining the CPA.

Finally, internet disclosure has two other beneficial consequences. One, it elicits confidence in the board's operations. If a consumer found out that the board had secreted information from the public about a CPA that hurt the consumer, that consumer would not view the board as its champion. Likewise, as enforcement is the major duty of the board, disclosure of enforcement promotes transparency and accountability about the performance of an important state government agency.

Internet disclosures should for these reasons provide easy access by consumers to the disciplinary history, if any, of a CPA offering services to the consumer. States will vary in the documents that may be accessed by the public online, but at a minimum, states should provide sufficient information that a consumer can readily determine if any regulatory "red flags" exist that warrant further investigation by the consumer.

a. Boards should participate in the ALD and CPAverify
    i. Boards should strive to provide final disciplinary action to ALD/CPA Verify for notation in the database
    ii. Boards should strive to provide information necessary for "hashing" licensee records across jurisdictions to the ALD to assist transparency and cross-border discipline

b. Boards should publish final disciplinary action by the Board through a web site, newsletter or other available media, either with specific information regarding the facts that caused the board to impose discipline including, but not limited to, a board considering posting official documents that would be public records if requested by a consumer, or sufficient information to allow the consumer to contact the Board for particular details.

c. Boards should capture "discipline under mobility" violation in CPAverify licensee record indicating the state where discipline was issued, with sufficient information to allow the consumer to contact the disciplining board to investigate the activity that resulted in discipline.

Attachment 3

The following information is provided by the National Association of State Boards of Accountancy (NASBA) to serve as its basis for determining which states' enforcement practices are substantially equivalent to its Enforcement Guidelines.

GUIDING PRINCIPLES OF ENFORCEMENT

OBJECTIVES FOR SUBSTANTIAL EQUIVALENCY EVALUATION

The CBA, MSG, and NASBA recognize that the enforcement process of each jurisdiction will vary based on many factors that are specific to the particular board, such as number of licensees, number of complaints/cases, authority vested in the board, delegation of certain phases of enforcement to other agencies, and interaction with an umbrella agency. As such, it is a disservice to this project to attempt to conform the review of an enforcement process to an objective checklist which does not allow one to consider the uniqueness of a specific enforcement process and its ability to meet the needs of the particular board. The term "substantial equivalency" implies that the review is not a checklist of specific data points, but rather an analysis that allows various methods of satisfying the over-reaching objectives of the project. Therefore, the review to determine whether a board's enforcement process is substantially equivalent to the Guiding Principles of Enforcement must be a subjective analysis of each jurisdiction's statutes, rules, and practices to inquire whether those elements create an enforcement process that reflects the comprehensive objectives of the Guiding Principles as described below.

The development of the Guiding Principles of Enforcement was a key element in assisting the California Board in meeting its legislative mandate pursuant to 5096.21, as well as a significant advance in cross-border accountancy regulation. The Guiding Principles identify the characteristics of an active and effective enforcement process, thereby enabling all state Boards to have confidence that other jurisdictions have a proactive culture of enforcement which successfully regulates the profession and protects the public consumer. In the environment of CPA mobility, Boards who are allowing CPAs licensed in other jurisdictions to provide services to their consumers through mobility have a vested interest in ensuring that the enforcement practices of other jurisdictions meet or exceed the objectives of the Guiding Principles. Consumer protection and disclosure of disciplinary data were important aspects of the development of the Guiding Principles, and Boards have used these Guiding Principles to review and in certain cases enhance their enforcement practices and policies."

1. Time Frames for Prosecuting a Complaint from Intake to Final Disposition

The structure and authority of boards of accountancy vary greatly across the country. Some boards are empowered to close or dismiss a matter without board vote while others would be required to hold the complaint open until a vote at the next board meeting. Some boards do not perform their own investigation of a complaint, but rather are required to send the complaint to an investigative unit within an umbrella agency, in which case it is beyond the authority of the board to regulate the speed of investigation, available investigative personnel, assignment of files, etc. The Guiding Principles set forth

benchmarks the help facilitate the speedy handling of complaints. Regardless of the timing of individual steps throughout the process (perhaps a board takes longer than the benchmark of 10 days to assign an investigator but completes investigations in less than the benchmark of 180 days), the ultimate objective of this principle is that (1) matters will be resolved in 540 days or less from the initiation of the complaint. Parties recognize that matters which are pending before other agencies or involved in civil litigation, or complex matters involving large firms or multiple parties may still fall outside this goal of 540 days due to the circumstances of the particular case.

2. Enforcement Resources to Adequately Staff Investigations

Boards typically either have one or more investigators dedicated to the board, utilize an investigator from an investigative pool provided by an umbrella agency, or utilize board staff or personnel to investigate complaints. Any of these methods may provide adequate resources to investigate complaints in a timely and knowledgeable manner. (1) As a measurement, if a board is able to meet the 540 day disposition benchmark in Principle #1, then the board is adequately staffed with sufficient personnel to timely conduct the investigations. Otherwise, the investigation process would bottleneck the disposition of cases. (2) Regarding qualification and training of investigators, those boards utilizing a designated investigator or personnel from an investigative pool would have sufficient investigative training to satisfy their particular board. Likewise, this principle can be satisfied by the performance of investigations by board members who can additionally provide particular subject matter expertise. (3) Boards should have access (through use of board members, contract hire, or other means) to subject matter experts to advise or testify as needed. (4) Boards should be able to access funds in order to prosecute a case against a big firm.

3. Case Management

The primary goal of this Principle is to determine that the board has (1) a case management process in place which allows staff to handle those complaints that can be dealt with administratively, if the Board is authorized to do so, and creates a process for efficient management of practice complaints through investigation, settlement, disciplinary hearings, etc. Again, the time management goal of 540 days in Principle #1 is an indicator that a board's case management system is meeting this criteria. (2) In addition, the case management process should also allow the board to prioritize those cases with the greatest potential for harm, if prioritization is required due to larger caseloads. (3) Boards should also consider discipline from other agencies as a basis for possible discipline by the board. (4) If probation is utilized, then the terms of the probation agreement should be monitored.

4. Disciplinary Guidelines

The disciplinary process of each board should consider offenses and appropriate penalties. (1) Boards may have written disciplinary guidelines and/or may utilize historical knowledge of the disciplinary history of the board to ensure consistency in disciplinary decisions. (2) Penalties may be escalated, reduced, or combined with other penalties or remedial measures depending on the board's

consideration of relevant mitigating or aggravating factors. Penalties can include revocation, suspension/probation, monetary fine/penalty, and remediation.

5. Internet Disclosures

The goal of internet disclosures is to provide sufficient information to allow the public to make an informed decision regarding the employment of a specific CPA. Consumers should be able to ascertain whether or not a CPA has an active license and whether the CPA has been disciplined by a particular board of accountancy. Because public records laws vary among jurisdictions, states should be least provide sufficient information that a consumer can readily determine if any regulatory "flags" exist that warrant further investigation by the consumer. This Principle can be satisfied by (1) disciplinary data being reflected on the board's web site or (2) by the board providing disciplinary flags to be displayed in CPAverify.

Attachment 4

NASBA Listing of Substantially Equivalent States		
JURISDICTION	**SE**	**SE w/o DISC FLAG**
Alabama		X
Alaska		
Arizona		X
Arkansas	X	
California	X	
Colorado	X	
Connecticut	X	
CNMI		X
Delaware		
D.C.		
Florida		
Georgia		
Guam	X	
Hawaii		
Idaho	X	
Illinois	X	
Indiana		
Iowa	X	
Kansas	X	
Kentucky	X	
Louisiana	X	
Maine		
Maryland		X
Mass.	X	
Michigan		X
Minnesota		X
Mississippi		X
Missouri		
Montana	X	
Nebraska	X	
Nevada	X	
New Hampshire		X
New Jersey	X	
New Mexico		
New York		
North Carolina	X	
North Dakota	X	
Ohio	X	
Oklahoma	X	
Oregon	X	
Pennsylvania	X	

NASBA Listing of Substantially Equivalent States		
JURISDICTION	**SE**	**SE w/o DISC FLAG**
Puerto Rico		
Rhode Island	X	
South Carolina	X	
South Dakota		
Tennessee		X
Texas	X	
Utah		
Vermont		
Virgin Islands		
Virginia		X
Washington	X	
West Virginia		
Wisconsin		
Wyoming	X	
	27 Jurisdictions = SE	**10 Jurisdictions = SE But Lacking Display of Disciplinary Flag**

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Attachment 5

Table of Factors to Assist with State Selection For Audit

Jurisdictions Recommended by NASBA to be Substantially Equivalent	Internet History of Discipline	Licensee Population	Practice Privilege[1]	
Arkansas	Yes	Small	27	0
Colorado	Yes	Large	446	19
Connecticut	Yes	Medium	171	2
Guam	Yes	Very Small	0	0
Idaho	Yes	Small	58	4
Illinois	Yes	Very Large	579	18
Iowa	Yes	Small	91	1
Kansas	Yes	Small	22	2
Kentucky	Yes	Small	49	1
Louisiana	Yes	Medium	37	4
Massachusetts	Yes	Medium	355	15
Montana	Yes	Small	19	2
Nebraska	Yes	Small	27	2
Nevada	Yes	Small	123	13
New Jersey	Yes	Large	191	9
North Carolina	Yes	Medium	163	8
North Dakota	Yes	Small	13	0
Ohio	Yes	Large	245	9
Oklahoma	Yes	Medium	48	3
Oregon	Yes	Medium	457	9
Pennsylvania	Yes	Very Large	270	6
Rhode Island	Yes	Very Small	22	2
South Carolina	No	Small	21	0
Texas	Yes	Very Large	632	24
Washington	Yes	Medium	695	17
Wyoming	Yes	Very Small	3	0

[1] The first column represents the number of individuals approved for a practice privilege by the CBA from each state during the time of the prior notice and fee practice privilege program (January 2006 – June 2013). The second column represents the number of Out-of-State Firm Registrations (OFR) that have been approved from each state since the no notice, no fee practice privilege program went into effect July 1, 2013 through July 1, 2015.

Table of Factors to Consider for Staff Assignment

Remaining Jurisdictions to be Determined	Internet History of Discipline	Licensee Population	Practice Privilege	
Alabama	No	Small	37	7
Alaska	No	Small	8	0
Arizona	No	Medium	293	17
CNMI	No	Very Small	0	0
Delaware	Yes	Small	1	0
DC	No	Small	101	0
Florida	Yes	Very Large	244	20
Georgia	Yes	Large	174	14
Hawaii	Yes	Small	80	3
Indiana	No	Medium	161	9
Maine	Yes	Small	6	0
Maryland	No	Medium	156	13
Michigan	No	Medium	167	7
Minnesota	No	Medium	255	9
Mississippi	No	Small	10	3
Missouri	Yes	Medium	173	9
New Hampshire	No	Small	3	2
New Mexico	No	Small	46	2
New York	No	Very Large	583	31
Puerto Rico	No	Small	0	0
South Dakota	No	Very Small	11	1
Tennessee	No	Medium	57	9
USVI	No	Very Small	0	0
Utah	No	Small	160	12
Vermont	No	Small	2	0
Virginia	No	Large	242	8
West Virginia	Yes	Small	6	1
Wisconsin	No	Medium	106	3

Key

Population	Licensees
Very Large	>35,000
Large	20,000-35,000
Medium	10,000-20,000
Small	2,000-10,000
Very Small	<2,000

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MSG Item VI. January 21-22, 2016

CBA Item XII.C.6. January 21-22, 2016

Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAverify

Presented by: Matthew Stanley, Information and Planning Officer

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Consumer Protection Objective

The purpose of this agenda item is to allow the Mobility Stakeholder Group (MSG) the opportunity to discuss the National Association of State Boards of Accountancy's (NASBA) recent activities and CPAverify as they pertain to consumer protection.

Action(s) Needed

No specific action is required on this agenda item.

Background

At its November 2014 meeting, the MSG requested that NASBA activities and CPAverify be added as a standing agenda item to allow for ongoing discussion.

The Accountancy Licensing Database (ALD) is a national database of certified public accountant license information. Only the CBA and other state boards of accountancy have direct access to ALD. CPAverify is the public website that conveys information contained in the ALD database. If information is not available in ALD, it is not available on CPAverify. The CBA maintains a link to CPAverify on its website for the use of consumers and other stakeholders.

Comments

108th Annual Meeting

NASBA held its 108th Annual Meeting October 26-28, 2015 in Dana Point, CA. Some of the major topics on the agenda included a review of the exposure draft for the new version of the Uniform CPA Examination, limitations and challenges regarding availability of peer review information, and discussion panels that addressed meeting enforcement standards and recognizing changes in education.

Additional Information regarding NASBA's Activities and CPAverify

At this time, there are 50 jurisdictions participating in ALD and CPAverify. NASBA continues its efforts to bring the remaining five onto the system. These five jurisdictions are Delaware, Hawaii, Michigan, Utah, and Wisconsin. It is anticipated Michigan will begin using the ALD within the next few months.

At its July 22-23, 2015 meeting, the CBA selected NASBA to assist in comparing whether a state's enforcement practices are substantially equivalent to NASBA's Enforcement Guidelines. As identified in Agenda Item XII.C.5., NASBA continues to review states for substantial equivalency to the NASBA Guiding Principles of Enforcement, and NASBA is working with each state to determine if disciplinary history information is, or can be made, available on the Internet.

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
Staff do not have a recommendation on this agenda item.

Attachment
None.

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MSG Item VII. January 21, 2016

CBA Item XII.C.7. January 21-22, 2016

Discussion Regarding Proposed Agenda Items for the Next Mobility Stakeholder Group Meeting

Presented by: Matthew Stanley, Information and Planning Officer

Consumer Protection Objective
The purpose of this agenda item is to establish the items that will be included on the next agenda for the Mobility Stakeholder Group (MSG) in order to provide transparency and allow for input from consumers.

Action(s) Needed
The MSG will be asked to identify topics it wishes to discuss at its next meeting.

Background
As the MSG is intended to be representative of "stakeholders of the accounting profession in this state, including consumers," it may wish to set its future agenda during its meetings in order that all public input may be considered when deciding how best to proceed.

Comments
The following topics are being proposed for consideration when determining the agenda for the next MSG meeting:

- Further Discussion Regarding the Progress Made in Comparing Other States to the National Association of State Boards of Accountancy's Guiding Principles of Enforcement.

The MSG may wish to accept, alter, or add to these suggestions based on the direction in which it wishes to proceed.

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
Staff do not have a recommendation on this agenda item.

Attachment
None.

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CBA Item XIII.A.
January 21-22, 2016

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
November 19, 2015
CBA MEETING

DRAFT

Hilton Pasadena
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Pasadena, CA 91101
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Roll Call and Call to Order.

California Board of Accountancy (CBA) President Jose Campos called the meeting to order at 9:52 a.m. on Thursday, November 19, 2015 at the Hilton Pasadena. The CBA convened into closed session from 11:41 a.m. until 12:04 p.m. to conduct its annual evaluation of the Executive Officer. Following a lunch break, the meeting reconvened into open session at 1:28 p.m. and then reconvened into closed session from 2:19 p.m. to 2:32 p.m. to deliberate on disciplinary matters. Open session reconvened from 2:25 p.m. to 3:35 p.m. Closed session reconvened from 3:35 p.m. until 4:24 p.m., at which time the CBA reconvened into open session and President Campos adjourned the meeting.

CBA Members	November 19, 2015
Jose Campos, CPA, President	9:52 a.m. to 4:24 p.m.
Katrina Salazar, CPA, Vice-President	9:52 a.m. to 4:24 p.m.
Alicia Berhow, Secretary/Treasurer	9:52 a.m. to 4:24 p.m.
Sarah (Sally) Anderson, CPA	9:52 a.m. to 4:24 p.m.
Herschel Elkins, Esq.	9:52 a.m. to 4:24 p.m.
Laurence (Larry) Kaplan	9:52 a.m. to 4:24 p.m.
Louise Kirkbride	Absent
Kay Ko	9:52 a.m. to 4:24 p.m.
Leslie LaManna, CPA	9:52 a.m. to 4:24 p.m.
Xochitl León	9:52 a.m. to 4:24 p.m.
Jian Ou-Yang, CPA	9:52 a.m. to 4:24 p.m.
Deidre Robinson	9:52 a.m. to 4:24 p.m.

Michael Savoy, CPA	9:52 a.m. to 4:24 p.m.
Mark Silverman, Esq.	9:52 a.m. to 4:24 p.m.
Kathleen Wright, CPA	9:52 a.m. to 4:24 p.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Dominic Franzella, Chief, Enforcement Division
Paul Fisher, Enforcement Supervising ICPA
Nooshin Movassaghi, Legislative Analyst
Corey Riordan, Board Relations Analyst
Gina Sanchez, Chief, Licensing Division
Matthew Stanley Information and Planning Officer
Kristy Schieldge, Legal Counsel, Department of Consumer Affairs (DCA)
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)

Committee Chairs and Members

Joseph Rosenbaum, CPA, Vice-Chair, Enforcement Advisory Committee
Robert Ruehl, CPA, Chair, Qualifications Committee

Other Participants

Jason Fox, California Society of Certified Public Accountants
Pilar Oñate-Quintana, The Oñate Group
Matthew Goldsby, Administrative Law Judge, Office of Administrative Hearings
Joseph Petito, The Accountants Coalition

I. Report of the President.

A. Report of the National Association of State Boards of Accountancy's 108th Annual Meeting.

President Campos provided an overview of the National Association of State Boards of Accountancy's (NASBA) 108th Annual Meeting. NASBA is an organization that focuses on creating forums for accounting regulators and practitioners to address issues relevant to the viability of the accounting profession and to aid state boards in their mission to protect consumers. Mr. Campos reported that various CBA members, CBA staff, and other California representatives were in attendance. He stated that attendees were provided with information and held discussions on a wide variety of topics that boards of public accountancy are presently facing. He noted that the topics included Chartered Global Management Accountant, Statement on Standards for Continuing Education, the

Uniform CPA Exposure Draft, NASBA Guiding Principles of Enforcement, Department of Labor Audit Quality Study, and the American Institute of Certified Public Accountants (AICPA) Board Cooperative Enforcement Projects.

B. Resolution for Retiring Qualifications Committee Member Jeremy Smith.

It was moved by Ms. Anderson and seconded by Ms. LaManna to approve the resolution for Jeremy Smith, CPA.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Ou-Yang, Ms. Robinson, Ms. Salazar, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Savoy.

The motion passed.

C. Comment Regarding the American Institute of Certified Public Accountants' Exposure Draft Regarding the Uniform CPA Examination.

Ms. Sanchez provided an overview of the AICPA's Exposure Draft Regarding the Uniform CPA Examination (CPA Exam). Ms. Sanchez stated that the purpose of the CPA Exam is to provide reasonable assurance to boards of accountancy that individuals who pass the CPA Exam possess the level of technical knowledge and skill necessary for initial licensure in order to ensure consumer protection. She stated that the exposure draft presents a proposal for changes to the content, structure, and skills tested within the next version of the CPA Exam. Ms. Sanchez stated that AICPA is requesting a comment letter and member input will be incorporated into the comment letter.

Ms. Salazar stated that it was apparent that significant work was done and the changes were positive to the CBA's ability to license and protect consumers. She suggested including input on the test administration, including testing windows, blackout periods, and timeframe to pass the CPA Exam.

Ms. Wright expressed her concern that fraud was not included and the removal of the Employee Retirement Income Security Act of 1974 (ERISA).

Mr. Campos stated that fraud was woven into areas of the CPA Exam rather than a separate section.

Ms. Berhow inquired about why an increase in time is needed for the increased testing of higher order skills.

Ms. Sanchez stated that task-based simulations will take more time due to the increased background material and data that test takers will be reviewing.

Mr. Savoy inquired what the process will be for candidates that have started, but have not completed the CPA Exam, when the new version is put into production.

Mr. Campos stated that there was discussion about the timeframe to pass the CPA Exam and a change to the timeframe may require changes to CBA Regulations.

Mr. Ou-Yang expressed his concern regarding elimination of the not-for-profit section, as his CPA firms do substantial not-for-profit work.

Mr. Campos stated that the exposure draft explains that not-for-profit will be incorporated into other sections of the CPA Exam.

Ms. LaManna stated that scoring weights have changed to increase points for written communication, as it ensures candidates having writing skills, but is concerned about the increase of the scoring timeframe.

Mr. Campos stated that topics discussed that could be included in a CBA letter were content related items, including fraud and ERISA, and topics of test administration, including pass rate trends, scoring windows timeframes, and the requirements of retaking the sections of the CPA exam.

After member deliberation, it was moved by Ms. Salazar and seconded by Ms. Berhow to send a comment letter to affirm the changes are positively accepted by the CBA, share the various comments discussed, and delegate the approval of the letter to the CBA President.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Ou-Yang, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

The motion passed.

D. 2016 California Board of Accountancy Member Committee Interest Survey.

Mr. Campos provided an overview of the Committee Interest Form, which is used to appoint members to committees that assist the CBA with its mission of consumer protection. Mr. Campos stated that the committee interest surveys should be completed, as the surveys will be used by the next CBA President to appointment members to the Committee on Professional Conduct (CPC), Enforcement Program Oversight Committee (EPOC), Legislative Committee (LC), Strategic Planning Committee (SPC), and the CBA liaisons for the Enforcement Advisory Committee (EAC) and the Qualifications Committee (QC).

E. Presentation and Discussion Regarding February 2015 United States Supreme Court decision: North Carolina State Board of Dental Examiners v. Federal Trade Commission (FTC), and Related Formal Opinion from the Office of the California Attorney General, FTC Staff Guidance and Legislative Hearings.

Ms. Schieldge provided a presentation on the agenda item. Ms. Schieldge stated that the United States Supreme Court rendered a decision in North Carolina State Board of Dental Examiners v. Federal Trade Commission (FTC) that is causing states to evaluate licensing board structure and how these entities make policy decisions effecting market participants. FTC determined that the North Carolina State Board of Dental Examiners' actions violated the federal antitrust law. Ms. Schieldge provided an overview of the opinion issued by the California Attorney General as to what constitutes active state supervision of state licensing boards and how to guard against antitrust liability. Ms. Schieldge stated that rationale of the actions should be documented in board minutes, agenda items, and rulemakings. She stated that actions taken by boards should either articulate state policy, explain why the action is pro-competitive or if action is protecting consumers.

Mr. Campos inquired about the next steps for the CBA.

Ms. Schieldge stated that the CBA should document and articulate reasons for decisions and place a standing item on future agendas.

F. Department of Consumer Affairs Director's Report

There was no report on this agenda item.

II. Report of the Vice-President.

A. Recommendations for Appointment(s)/Reappointments to the Enforcement Advisory Committee.

Ms. Salazar provided an overview of agenda items II.A.–II.C. and indicated that committees, which serve in an advisory capacity, assist the CBA with its mission of consumer protection and to confirm that applicants for appointment to the various committees meet the appropriate requirements for licensure and have no pending enforcement actions.

It was moved by Ms. Salazar and seconded by Mr. Elkins to appoint Joseph Rosenbaum, CPA, as Chair and Nancy Corrigan, CPA, as Vice-Chair of the Enforcement Advisory Committee effective January 1, 2016 through December 31, 2016.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Ms. Ko, Ms. LaManna, Ms. León, Mr. Ou-Yang, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Kaplan.

The motion passed.

B. Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee.

It was moved by Ms. Salazar and seconded by Ms. Robinson to:

- **appoint Thomas Sauer, CPA and Virginia Smith, CPA, to the Qualifications Committee (QC) effective November 19, 2015 through November 30, 2017,**
- **reappoint Joanna Bolsky, CPA, to the QC effective December 1, 2015 through November 30, 2017, and**
- **appoint David Evans as Vice-Chair of the QC effective January 1, 2016 through December 31, 2016.**

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Ms. Ko, Ms. LaManna, Ms. León, Mr. Ou-Yang, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Kaplan.

The motion passed.

C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Committee.

It was moved by Ms. Salazar and seconded by Ms. Wright to reappoint Robert Lee, CPA, as the Chair and appoint Jeffrey De Lyser as the Vice-Chair of the Peer Review Oversight Committee (PROC) effective January 1, 2016 through December 31, 2016.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Ms. Ko, Ms. LaManna, Ms. León, Mr. Ou-Yang, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Kaplan.

The motion passed.

It was moved by Ms. Salazar and seconded by Ms. Robinson to appoint Renee Graves, CPA, to the PROC effective November 19, 2015 through November 30, 2017.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Ms. Ko, Ms. LaManna, Ms. León, Mr. Ou-Yang, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Kaplan.

The motion passed.

III. Report of the Secretary/Treasurer.

A. Fiscal Year 2015-16 First Quarter Financial Statement and Update on

Repayment of Loans to the California Board of Accountancy from the General Fund.

Ms. Berhow provided an overview of this agenda item. She stated that the budget is currently set at $14,153,000, which is an approximate increase of three percent from last fiscal year (FY). Mr. Berhow stated that the CBA collected $1.3 million in total receipts, and the CBA ended the first quarter of FY 2015-16 with 3.5 months in reserve (MIR). Lastly, she stated that the CBA is scheduled to receive two General Fund loan repayments near the end of FY 2015-16 and as a result the CBA is expected to end FY 2015-16 with approximately 3.5 MIR.

IV. Report of the Executive Officer.

A. Update on the Relocation of the California Board of Accountancy's Office.

Ms. Bowers stated the CBA is waiting on fire permits and the move will not occur until sometime early next year.

B. Update on Staffing.

Ms. Bowers announced that Nooshin Movassaghi was hired as the Legislative Analyst.

C. Discussion Regarding the California Board of Accountancy's Organizational Effectiveness in Regards to Hiring, Training, and Refilling Vacancies.

Ms. Bowers provided an overview of the CBA's organizational effectiveness in regards to hiring, training, and refilling vacancies, which has a direct impact on the CBA's ability to continue its mission of consumer protection as mandated by statue in Business and Professions Code section 5000.1

D. Discussion Regarding the California Board of Accountancy's Public Communications and Outreach Activities and Plan.

Mr. Stanley provided an overview of the CBA's communications and outreach efforts and activities that educate students and faculty about educational requirements for licensure, the general public as to best practices that enhance consumer protection, and licensees regarding the activities of the CBA. Mr. Stanley stated that the CBA will take a more proactive approach to increase the outreach and communication efforts in the coming year. He stated new resources have been developed to provide a more professional appearance and to assist staff during CBA outreach events, including question and comment cards and posters with information regarding education requirements and the CBA's mission.

Mr. Stanley also noted that the CBA website is currently undergoing a major redesign to conform to the new state template.

Ms. Salazar stated that she addressed the Sacramento Chapter of the California Society of Certified Public Accountants, where she provided an overview of the CBA's functions and its accomplishments during 2015.

Ms. Wright suggested creating a speakers bureau.

Ms. León suggested considering YouTube videos for outreach ideas.

E. Report on the California Board of Accountancy's 2016-18 Workforce and Succession Plan.

Mr. Stanley provided an overview of the CBA's 2016-18 Workforce and Succession Plan, which is crucial to the CBA's ability to continue to provide effective service and consumer protection, by ensuring that the CBA has capable management and staff to meet the needs of the public it protects, its licensees, and other stakeholders. Mr. Stanley highlighted key changes in the plan including: revisions to senior management staff, integration of the strategic plan goals, inclusion of the information and planning officer as a supervisor in the administration unit, updated workforce statistics, addition of the Effective Workforce and Succession Planning for California's IT Workforce toolkit, the updated delegation of authority, and organizational chart.

F. Discussion Regarding Possible Changes to the Delegation of Authority of the Executive Officer.

Ms. Bowers provided an overview of this agenda item to ensure that proper authority is delegated to the Executive Officer to assist the CBA in continuing its mission of consumer protection. Ms. Bowers noted that legal counsel recommended that the ability to make non-substantive changes to the minutes be removed from the proposed delegation.

Mr. Campos inquired to why legal counsel is recommending minutes be removed from the delegation.

Ms. Schieldge stated that minutes are official records of the board's actions and decisions.

It was moved by Mr. Savoy and seconded by Mr. Elkins to strike "minutes" and approve the changes to the delegation of authority of the Executive Officer.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Ou-Yang, Ms. Robinson,

Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

The motion passed.

V. Report on the Enforcement Advisory Committee, Qualifications Committee, and the Peer Review Oversight Committee.

A. Enforcement Advisory Committee.

1. Report of the October 22, 2015 Enforcement Advisory Committee Meeting.

   Mr. Rosenbaum thanked Mr. Kaplan for attending the EAC meeting. He reported that the EAC reviewed six open cases, two closed cases, and conducted six investigative hearings.

2. Approval of the 2016 Enforcement Advisory Committee Meeting Dates.

   It was moved by Mr. Silverman and seconded by Ms. Salazar to approve the 2016 EAC meeting dates.

   Yes: Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Ou-Yang, Ms. Robinson, Ms. Salazar, and Mr. Savoy, Mr. Silverman.

   No: None.

   Abstain: None.

   Absent: Ms. Anderson, Ms. Berhow, and Ms. Wright.

   The motion passed.

B. Qualifications Committee.

1. Report of the October 21, 2015 Qualifications Committee Meeting.

   Mr. Ruehl thanked Ms. Salazar and Ms. Wright for attending the QC meeting. He reported that the QC conducted 16 Section 69 reviews, of which 13 were approved and three were deferred.

C. Peer Review Oversight Committee.

There was no report on this agenda item.

VI. Report of the Enforcement Chief.

A. Report on Enforcement Division Activity.

Mr. Franzella provided an overview of this agenda item. Mr. Franzella stated that, as of September 30, 2015, the CBA received 641 complaints for FY 2015/16. He reported that staff have completed investigations on 13 cases that were 24 months or older since the last report and there are currently 48 cases pending over 24 months. Mr. Franzella noted that there are currently 103 licensees on probation. He stated that five probation orientations were held.

Mr. Campos inquired if the cases are spread evenly over the 0-18 month time period. He suggested providing information for 12-18 months.

Mr. Franzella stated that information would be provided in the next report.

B. Method of Mailing and Service of Notice When Contacting Licensees and Applicants Regarding CBA Licensing and Enforcement Matters.

Mr. Franzella provided an overview of this agenda item. He stated that the primary method of contacting licensees and applicants is first-class mail. Mr. Franzella stated that licensees are required to maintain an address of record and update the CBA within 30 days on any change, pursuant to CBA Regulations section 3. Mr. Franzella also noted that if the Attorney General's Office mails a pleading to licensees or applicants regarding enforcement matters, it does so by sending the materials via certified and first-class mail.

Ms. Wright inquired if the CBA has considered license renewal by email.

Mr. Franzella stated that the online renewal process is currently incorporated in the BreEZe project.

VII. Report of the Licensing Chief.

A. Licensing Activity Report.

Ms. Sanchez provided an overview of this agenda item. She stated that the Licensing Division has continued steady flow of the work received in each unit and the Exam Unit and Initial Licensing Unit are currently meeting the 30-day time frames.

VIII. Closed Session.**The Board convened into Closed Session pursuant to Government Code Section 11126(a)(1) to conduct its annual evaluation of the performance of its Executive Officer.

IX. Regulations.

A. Regulation Hearing Regarding Title 16, California Code of Regulations Section 42 – Peer Review Reporting.

Mr. Stanley read the following statement regarding the regulation hearing into the record.

"Good morning. This is a public hearing on proposed regulations of the California Board of Accountancy, Department of Consumer Affairs, to consider adopting regulations to specify and clarify the Board's requirements pertaining to peer review exclusions.

On behalf of the Board and its staff, I'd like to welcome you. My name is Matthew Stanley and I serve as the Board's Information and Planning Officer. I will preside over this hearing on behalf of the Board and the Department.

The California Board of Accountancy is contemplating this action pursuant to the authority vested by Sections 5010 and 5076 of the Business and Professions Code, authorizing the Board to amend, adopt, or repeal regulations for the administration and enforcement of the Chapter 1 of Division 3 of the Business and Professions Code.

For the record, the date today is November 19, 2015 and the time is approximately 1:30 p.m. Our hearing is being held at the Hilton Pasadena, 168 South Los Robles, Pasadena, CA.

The notice for the hearing on these proposed regulations was published by the Office of Administrative Law. Interested parties on our mailing list have been notified of today's hearing. The language of the proposed regulations has been mailed to those who requested it and has been available on the board's Web site and upon request by other members of the public.

If the Board has received written comments on the proposal, those comments will be entered into the official record of the proceedings. The Board shall be provided and shall consider all written comments received up until 5:00 p.m., November 16, 2015. Anyone who wishes to comment in writing but does not want to speak today is welcome to do so. If we receive written comments on the proposed regulations, they will be acknowledged and entered into the official record of the rulemaking

proceedings.

Those persons interested in testifying today should identify themselves and the section or subsection of the proposed regulations that they wish to address. Individuals will be called to testify in the order determined by recognition from the hearing officer.

If you have a comment about the proposed regulation or any part or specific subsection of the proposal, please step up to the microphone and give your name, spelling your last name and tell us what organization you represent, if any. Speak loudly enough for your comments to be heard and recorded.

Remember, it's not necessary to repeat the testimony of previous commentators. It is sufficient if you simply say that you agree with what a previous speaker has stated.
Written testimony can be summarized but should not be read. When you are testifying, please identify the particular regulation proposal you are addressing. Please comment only on provisions of the article under discussion.

If you have a question about a proposed regulation, please re-phrase your question as a comment. For example, instead of asking what a particular subdivision means, you should state that the language is unclear and why. This will give the Board an opportunity to address your comments directly when the Board makes its final determination of its response to your comments.

Please keep in mind that this is a public forum to receive comments on the proposed regulations from interested parties. It is not intended to be a forum for debate or defense of the regulations. After all witnesses have testified, the testimony phase of the hearing will be closed."

No public comments were received.

Mr. Stanley adjourned the regulation hearing at 1:32 p.m.

B. Discussion and Possible Action to Amend Title 16, California Code of Regulations Section 42 – Peer Review Reporting.

Mr. Stanley stated that at its May meeting, the CBA directed staff to initiate the rulemaking process to amend CBA Regulations section 42 to replace the term "compilations where no report is issued" with the term "preparation engagements."

It was moved by Ms. Salazar and seconded by Ms. LaManna to direct staff to take all steps necessary to complete the rulemaking process,

including issuing an addendum to the initial statement of reasons for a 15-day comment period for a document added to the file. If after the 15-day public comment period, no adverse comments are received, authorize the Executive Officer to make any non-substantive changes to the proposed regulations and adopt the proposed regulations as originally noticed.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Ms. Ko, Ms. LaManna, Ms. León, Mr. Ou-Yang, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Kaplan.

The motion passed.

C. Report on the Status of the Rulemaking to Amend Title 16, California Code of Regulations Section 70 – Fees.

Mr. Stanley provided an update on the status of the rulemaking, which will restore initial permit and biennial renewal fees to pre FY 2011-12 levels to increase its reserve to provide sufficient resources to protect consumers through its licensing, regulatory, and disciplinary functions. Mr. Stanley stated that DCA has completed its review of the rulemaking package and it is currently under review at Business, Consumer Services, and Housing Agency (Agency). Mr. Stanley stated that after Agency's review the package will be reviewed by the Department of Finance. Lastly, he stated that staff expect to submit the final package to the Office of Administrative Law in early 2016 and the amendment will be in effect by July 1, 2016.

X. Petition Hearings.

A. Alan D. Shattuck – Petition for Reinstatement of Revoked Certificate No. 13898.

The CBA heard Mr. Shattuck's petition for reinstatement of revoked certificate.

B. Closed Session.**Pursuant to Government Code Section 11126(c)(3), the California Board of Accountancy Will Convene into Closed Session to Deliberate on Disciplinary Matters (Petitions for Reinstatement of Revoked Certificate).

XI. Committee Reports.

A. Enforcement Program Oversight Committee (**Kay Ko**).

1. Report of the November 19, 2015 Enforcement Program Oversight Committee Meeting.

2. Discussion and Possible Action to Seek Legislation to Add Authority to Examine Licensees for Mental and Physical Illness Affecting Competency.

   Ms. Ko reported that, at the direction of EPOC and approval by the CBA, staff prepared a legislative proposal that would allow the CBA to require a licensee to be examined by a doctor to determine if the licensee's ability to practice is a threat to consumers due to a mental or physical ailment. She stated that staff contacted other boards to gauge interest in developing a general statute regarding the topic that would cover all licensing boards; however, due to lack of interest the proposed language is drafted to apply only to the CBA. Ms. Ko stated that staff contacted the Senate Business and Professions Committee and were informed that due to the complex nature of the proposal and because it is a new program, the proposal would not be considered for next year's omnibus bill. She stated that committee staff also indicated that it anticipated there would be opposition. Ms. Ko stated that after extensive discussion, the EPOC took no action.

B. Committee on Professional Conduct (**Leslie LaManna**).

1. Report of the November 19, 2015 Committee on Professional Conduct Meeting.

2. Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Section 87 – Continuing Education Requirements.

   The CPC discussed the impact that the AICPA's Statement on Standards for Accounting and Review Services No. 21 (SSARS 21): Clarification and Recodification may have on present accounting and auditing (A&A) and fraud continuing education (CE) requirement, in relation to the newly created service, preparation engagement. Ms. LaManna reported that the new service falls outside of the scope of the present A&A and fraud CE requirements. She stated that the CPC discussed various options of A&A and fraud for licensees that perform preparation engagements, including maintaining the full 24-hour A&A requirement, creating a new eight-hour A&A requirement, or not having any A&A requirement. Ms. LaManna stated that the CPC determined that, due to the fact that individuals performing preparation engagements will not be undergoing peer review, they needed to have

some level of CE requirement.

Mr. Campos noted his belief that they should complete the full 24-hour of A&A and four-hour fraud CE requirement because those preparing these financials require knowledge of generally accepted accounting principles.

Ms. Salazar agreed with Mr. Campos' remarks. She also stated that the proposal would create more complexity in tracking.

Ms. LaManna stated it provides the licensees with flexibility to determine the emphasis of their CE.

The CPC recommended that the CBA direct staff to prepare regulatory language that would require those who perform performance engagements as their highest level of service be required to take eight hours of A&A and four hours of fraud CE.

Yes: Ms. Anderson, Ms. Berhow, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Ou-Yang, Ms. Robinson, Mr. Savoy, and Mr. Silverman.

No: Mr. Campos, Ms. Salazar, and Ms. Wright.

Abstain: None.

Absent: Mr. Elkins.

The motion passed.

3. Update on the Study of California's Attest Experience Requirement.

   Ms. LaManna provided an update of the study of California's attest experience requirement, which was conducted to gather feedback regarding whether granting attest authority to only qualified licensees is still an effective way to ensure consumer protection. Ms. LaManna reported that staff provided an update on the progress of the study of California's attest experience requirement for CPA licensure. She stated the study closed on October 31, 2015 and over 10,000 responses were received. Ms. LaManna reported the CBA will receive a comprehensive report of the study from CPS HR and begin deliberation on whether any changes to the attest experience requirement for CPA licensure are needed.

XII. Acceptance of Minutes.

A. Draft Minutes of the September 17-18, 2015 California Board of

Accountancy Meeting.

It was moved by Mr. Savoy and seconded by Ms. Berhow to approve agenda item XII.A. with the correction to Mr. Elkins' attendance time on September 18, 2015.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Ou-Yang, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Elkins.

The motion passed.

B. Minutes of the May 28, 2015 Enforcement Program Oversight Committee Meeting.

C. Minutes of the September 17, 2015 Committee on Professional Conduct Meeting.

D. Minutes of the July 9, 2015 Enforcement Advisory Committee Meeting.

E. Minutes of the July 29, 2015 Qualifications Committee Meeting.

It was moved by Ms. Anderson and seconded by Mr. Silverman to approve agenda items XII.B-XII.E.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Ou-Yang, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Elkins.

The motion passed.

XIII. Other Business.

A. American Institute of Certified Public Accountants (AICPA).

1. Report on Public Meetings of the American Institute of Certified Public Accountants Attended by a CBA Representative.

   There was no report for this item.

B. National Association of State Boards of Accountancy (NASBA).

1. Report on Strategic Planning Task Force.

   Mr. Savoy reported that NASBA strategic plan was completed and presented at the NASBA Annual Meeting.

2. Report on Public Meeting of the National Association of State Boards of Accountancy Attended by a CBA Representative.

   There was no report on this item.

XIV. Officer Elections.

A. Secretary-Treasurer.

The CBA voted to appoint Mr. Savoy as Secretary-Treasurer of the CBA.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Kaplan, Ms. Ko, Ms. LaManna, Mr. Ou-Yang, Ms. Robinson, Ms. Salazar, and Mr. Silverman.

No: Ms. León.

Abstain: Mr. Savoy and Ms. Wright.

Absent: Mr. Elkins.

The motion passed.

B. Vice-President.

The CBA voted to appoint Ms. Berhow as Vice-President of the CBA.

Yes: Ms. Anderson, Mr. Campos, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Ou-Yang, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: Ms. Berhow.

Absent: Mr. Elkins.

The motion passed.

C. President.

The CBA voted to appoint Ms. Salazar as President of the CBA.

Yes: Ms. Anderson, MS. Berhow, Mr. Campos, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Ou-Yang, Ms. Robinson, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: Ms. Salazar.

Absent: Mr. Elkins.

The motion passed.

XV. Closing Business.

A. Public Comments.*

Mr. Fox stated that CalCPA would like to recognize Mr. Campos and Ms. Anderson for their service and leadership.

B. Agenda Items for Future CBA Meetings.

Ms. LaManna requested an item related to the North Carolina Dental Board cases in regards to cease and desist letters and the Bonnie Moore decision.

C. Press Release Focus.

Mr. Stanley suggested a press release regarding the new CBA officers.

XVI. Closed Session.

A. Pursuant to Government Code Section 11126(c)(3), the CBA Convened Into Closed Session to Deliberate on Disciplinary Matters (Stipulated Settlements, Default Decisions, and Proposed Decisions).

B. Pursuant to Government Code Section 11126(e), the California Board of Accountancy Convened Into Closed Session to Receive Advice from

Legal Counsel on Litigation (David Greenberg v. California Board of Accountancy, Orange County Superior Court, Case No. 30-2014-00751855-CU-BT-CJC; David Greenberg v. California Board of Accountancy, Los Angeles County Superior Court, Case No. BS155045; David B. Greenberg v. California Board of Accountancy, Orange County Superior Court, Case No. 30-2015-00809799-CU-WM-CJC; David B. Greenberg v. California Board of Accountancy, Orange County Superior Court, Case No. 30-2015-00809802-CU-WM-CJC; and, David Greenberg v. Erin Sunseri, et al., U.S. District Court, Southern District of Florida, Case No. 15-CV-80624.).

President Campos adjourned the meeting at 4:24 p.m. on Thursday, November 19, 2015.

_____Katrina L. Salazar, CPA, President

_____Michael M. Savoy, CPA, Secretary/ Treasurer

Corey Riordan, Board Relations Analyst, and Patti Bowers, Executive Officer, CBA, prepared the CBA meeting minutes. If you have any questions, please call (916) 561-1718.

CALIFORNIA BOARD OF ACCOUNTANCY

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CBA Item XIII.B.
January 21-22, 2016

DEPARTMENT OF CONSUMER AFFAIRS (DCA)
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
November 19, 2015
COMMITTEE ON PROFESSIONAL CONDUCT (CPC) MEETING

DRAFT

Hilton Pasadena
168 South Los Robles
Pasadena, CA 91101
Telephone: (626) 577-1000

The regularly scheduled meeting of the CPC was called to order at 9:27 a.m. on November 19, 2015, by CPC Chair, Leslie LaManna.

CPC Members

Leslie LaManna, CPA, Chair	9:27 a.m. – 9:50 a.m.
Sarah (Sally) Anderson, CPA	9:27 a.m. – 9:50 a.m.
Laurence (Larry) Kaplan	9:27 a.m. – 9:50 a.m.
Kay Ko	9:27 a.m. – 9:50 a.m.
Deidre Robinson	9:27 a.m. – 9:50 a.m.
Michael Savoy, CPA	9:27 a.m. – 9:50 a.m.
Kathleen Wright, CPA	9:27 a.m. – 9:50 a.m.

CBA Members Observing
Jose Campos, CPA, President
Katrina Salazar, CPA, Vice-President
Alicia Berhow, Secretary/Treasurer
Herschel Elkins, Esq.
Xochitl León
Jian Ou-Yang, CPA
Mark Silverman, Esq.

CBA Staff and Legal Counsel
Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff

Dominic Franzella, Chief, Enforcement Division
Paul Fisher, Supervising Investigative CPA
Nooshin Movassaghi, Legislative Analyst
Corey Riordan, Board Relations Analyst
Gina Sanchez, Chief, Licensing Division
Kristy Schieldge, Senior Staff Counsel, DCA Legal Affairs
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)
Matthew Stanley, Information and Planning Officer

Committee Chairs and Members
Joseph Rosenbaum, Vice-Chair, Enforcement Advisory Committee
Robert Ruehl, Chair, Qualifications Committee

Other Participants
Jason Fox, CalCPA
Pilar Oñate-Quintana, The Onate Group
Joseph Petito, The Accountants Coalition

I. Approve Minutes of the September 17, 2015, CPC Meeting.

It was moved by Ms. Anderson and seconded by Ms. Ko to adopt the minutes of the September 17, 2015, CPC meeting.

Yes: Ms. LaManna, Ms. Anderson, Mr. Kaplan, Ms. Ko, Ms. Robinson, Mr. Savoy, and Ms. Wright.

No: None.

Abstain: None.

The motion passed.

II. Discussion Regarding Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Section 87 – Continuing Education Requirements.

Ms. Sanchez provided an overview of this item. She highlighted that in an effort to gain clarity and to provide the highest level of consumer protection, staff reached out to the American Institute of Certified Public Accountants (AICPA) and spoke with the liaison to the Accounting and Review Services Committee. She explained that, according to the representative, Standards for Accounting and Review Services No. 21 (SSARS 21) was created in an attempt to modernize the standards for non-audit engagements.

She further reported that SSARS 21 describes a preparation engagement as an accountant in public practice engaged to prepare financial statements but not

engaged to perform an audit, review, or compilation on those financial statements. The accountant is not required to be independent and no report is issued. Each page of the financial statement is required to clearly state that "no assurance is provided" or another form of disclaimer stating the accountant did not perform an audit, review, or compilation. SSARS 21 also clarified the definition of a compilation by now requiring a report for all compilations.

Ms. Sanchez added that with SSARS 21 creating the preparation engagement service level, the value of a compilation engagement is re-established because the consumers and CPAs are now able to clearly define the responsibilities and expectations of a financial statement engagement at the start of the engagement, rather at the end.

The CPC discussed various options including maintaining the full 24 hour Accounting and Auditing (A&A) continuing education (CE) requirements; creating a new eight hour A&A requirement or not having any A&A requirement. Ms. LaManna suggested that due to the fact these individuals performing performance engagements will not be undergoing Peer Review they need to have some level of CE requirement.

Mr. Kaplan and Ms. Ko suggested that the increased training would be a good idea for consumer protection.

It was moved by Mr. Savoy and seconded by Mr. Kaplan to recommend that the CBA staff prepare regulatory language that would require those who perform performance engagements as their highest level of service be required to take eight hours of A&A and four hours of fraud CE.

Yes: Ms. LaManna, Ms. Anderson, Mr. Kaplan, Ms. Ko, Ms. Robinson, Mr. Savoy, and Ms. Wright.

No: None.

Abstain: None.

The motion passed.

III. Update on the Study of California's Attest Experience Requirement.

Ms. Sanchez provided the CPC with an update on the progress of the study of California's 500-hour attest experience requirement for CPA licensure. She highlighted that, in conjunction with the launch of the full study on August 11, 2015, staff employed several methods of outreach in an effort to obtain the highest amount of stakeholder participation. The survey closed on October 31, 2015. Data shows there were 10,162 total responses. Ms. Sanchez informed the CBA that at its next

meeting, the CBA will receive a comprehensive report of the study from CPS HR and begin deliberation on whether any changes to the attest experience requirement for CPA licensure are needed. She added that the efforts for this study are to provide transparency and consumer involvement in the CBA's process of evaluating the requirements for CPA licensure.

IV. Public Comment

No public comments were received.

V. Agenda Items for Next Meeting.

None.

There being no further business to be conducted, the meeting was adjourned at 9:50 a.m.

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CBA Item XIII.C.
January 21-22, 2016

DEPARTMENT OF CONSUMER AFFAIRS (DCA)
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

DRAFT

MINUTES OF THE July 23, 2015 LEGISLATIVE COMMITTEE (LC) MEETING

Holiday Inn Capitol Plaza
300 J Street
Sacramento, CA 95814
Telephone: (916) 446-0100

The regularly scheduled meeting of the LC was called to order at 10:18 a.m. on July 23, 2015, by LC Chair, Mark Silverman.

LC Members

Mark Silverman, Chair, Esq.	10:18 a.m. – 10:53 a.m.
Sarah (Sally) Anderson, CPA	10:18 a.m. – 10:53 a.m.
Herschel Elkins, Esq.	10:18 a.m. – 10:53 a.m.
Xochitl León	10:18 a.m. – 10:53 a.m.
Laurence (Larry) Kaplan	10:18 a.m. – 10:53 a.m.
Deidre Robinson	10:18 a.m. – 10:53 a.m.
Kathleen Wright, CPA	10:18 a.m. – 10:53 a.m.

CBA Members Observing
Jose Campos, CPA, President
Katrina Salazar, CPA, Vice-President
Alicia Berhow, Secretary/Treasurer
Michael Savoy, CPA

CBA Staff and Legal Counsel
Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Pat Billingsley, Regulations Analyst
Stephen Cooney, Practice Privilege Coordinator
Angie Crawford, Executive Secretary

Paul Fisher, Supervising Investigative CPA, Enforcement Division
Dominic Franzella, Chief, Enforcement Division
Kathryn Kay, Legislative Analyst
Corey Riordan, Board Relations Analyst
Gina Sanchez, Chief, Licensing Division
Kristy Schieldge, Senior Staff Counsel, DCA Legal Affairs
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)
Matthew Stanley, Manager, Examination and Practice Privilege Units
Angela Wise, Enforcement Manager

Committee Chairs and Members
Jeffrey De Lyser, CPA, Chair, Enforcement Advisory Committee
Robert Lee, CPA, Chair, Peer Review Oversight Committee

Other Participants
Jason Fox, California Society of Certified Public Accountants
Awet Kidane, Director, DCA
Christine Lally, Deputy Director, Board & Bureau Relations, DCA
Pilar Oñate-Quintana, The Onate Group
Joseph Petito, The Accountants Coalition
Chandra Sharma, SCP Group
Jon Ross, KP Public Affairs

I. Approve Minutes of the May 28, 2015, LC Meeting.

It was moved by Mr. Elkins and seconded by Ms. Anderson to adopt the minutes of the May 28, 2015, LC meeting.

Yes: Mr. Silverman, Ms. Anderson, Mr. Elkins, Mr. Kaplan, Ms. León, Ms. Robinson, and Ms. Wright.

No: None.

Abstain: None.

The motion passed.

II. 2015-16 Legislative Tracking List (Written Report Only).

No action was taken on this item.

III. Discussion and Possible Action on Legislation on Which the CBA Has Taken a Position.

A. AB 85 – Open Meetings

Ms. Kay reported that this bill has had no change in status or impact on the CBA since its last meeting and would still require two-member advisory committees or panels of a “state body” – as defined in the Bagley-Keene Open Meeting Act – to hold open, public meetings. She added that staff continue to express the CBA’s opposition to this bill as it continues to move through the Legislative process.

The LC requested that staff conduct additional legislative visits with Legislators to further express the CBA’s opposition to this bill.

No action was taken on this item.

B. AB 507 – DCA: BreEZe: Annual Report

Ms. Kay reported that this bill, on which the CBA has a Support position, was recently amended to make the reporting requirement more general, and pushed the report date out to March 2016. She added that the amendments do not significantly change its status or impact on the CBA.

No action was taken on this item.

C. AB 750 – Business and Professions: Retired Licenses

Ms. Kay highlighted that this bill, on which the CBA has a Neutral position, failed to pass the fiscal committee deadline for 2015 and is now a two-year bill. She added that the author’s office has expressed a continued commitment to working with the CBA on an exemption, should the bill be taken up in 2016.

No action was taken on this item.

D. AB 1060 – Professions and Vocations: Licensure

Ms. Kay highlighted that the CBA took a Neutral position on an earlier version of this bill, which would have clarified how boards must transmit rehabilitation criteria to licensees. She reported that since the last meeting, AB 1060 was amended to address cancer clinical trials and is no longer relevant to the CBA.

It was moved by Ms. Anderson and seconded by Ms. León to discontinue following AB 1060.

Yes: Mr. Silverman, Ms. Anderson, Mr. Elkins, Mr. Kaplan, Ms. León, Ms. Robinson, and Ms. Wright.

No: None.

Abstain: None.

The motion passed.

E. SB 8 – Taxation

Ms. Kay highlighted that this bill, which would revise California's tax system to include taxes on information and services, has become a two-year bill. She added that it has had no change in status or impact since the CBA took a Watch position in March.

No action was taken on this item.

F. SB 467 – CBA's Sunset Review Bill

Ms. Kay reported that since the last meeting, the CBA's Sunset Review Bill was amended to include the following:

- Extend the due date of the Attorney General (AG) reporting requirement by one year.
- Add clarifying amendments to the AG's various reporting requirements.
- Add the Contractors State Licensing Board's Sunset Review provisions, as well as other changes in the Contractors State License Law unrelated to the CBA.

Ms. Kay highlighted that there were no changes to the CBA's sunset review extension nor to the CBA's proposal related to permanent practice restrictions. She added that, in July, staff provided testimony at the Assembly Business and Professions Committee hearing to express the CBA's support of the bill. She stated that during the hearing the CBA received praise from the Chair, Assemblywoman Susan Bonilla, regarding its superior performance and as an excellent example of a board doing a fantastic job.

Ms. Kay stated that the DCA released its pro rata report to the Legislature, which was due on July 1, 2015. She added that staff reviewed the report and found that it contains inconclusive findings that "do not overtly support or refute the current cost distribution methodology" and therefore, does not appear to lend itself to providing information that will assist the CBA in determining whether the charging of pro rata should remain with DCA, or reside with the Legislature.

No action was taken on this item.

G. SB 799 – Omnibus Bill

Ms. Kay highlighted that this bill was amended in June to include the CBA's legislative proposal related to clarifying that practice privilege holders may use the

CPA designation. She added that this bill contains two other CBA proposals that relate to reciprocity and the retired status provision.

No action was taken on this item.

IV. Consideration of Positions on Other Legislation Impacting the CBA.

A. AB 1351 – Deferred Entry of Judgment: Pretrial Diversion

Ms. Kay provided an overview of AB 1351. She stated this bill would change the existing deferred entry of judgment program, for specified offenses involving personal use or possession of controlled substances, into a pretrial drug diversion program that allows for a not guilty plea to be entered.

Ms. Schieldge added that under the present program, the CBA may take action on guilty or no contest pleas when an individual enters a mandated diversion program; however, once the individual completes the program, the CBA cannot use the arrest and there is no conviction because it is set aside by the court. She further stated that guilty pleas may still be used by the CBA as evidence of an admission of wrongdoing, which would change if this bill is passed. Ms. Schieldge added that this bill has a larger impact on healing arts boards, and does not appear to have a large impact on the CBA.

It was moved by Ms. Anderson and seconded by Mr. Kaplan to recommend that the CBA take a Watch position on AB 1351.

Yes: Mr. Silverman, Ms. Anderson, Mr. Elkins, Mr. Kaplan, Ms. León, Ms. Robinson, and Ms. Wright.

No: None.

Abstain: None.

The motion passed.

B. AB 1352 – Deferred Entry of Judgment: Withdrawal of Plea

Ms. Kay provided an overview of AB 1352, which would allow a criminal defendant who had a case dismissed upon completion of the deferred entry of judgment program, to wipe out a prior plea, retroactively to 1997.

Ms. Schieldge advised that the CBA's workload will be impacted during implementation.

It was moved by Ms. Anderson and seconded by Ms. Wright to recommend that the CBA take a Watch position on AB 1352.

Yes: Mr. Silverman, Ms. Anderson, Mr. Elkins, Mr. Kaplan, Ms. León, Ms. Robinson, and Ms. Wright.

No: None.

Abstain: None.

The motion passed.

V. Additional Legislation Impacting the CBA Identified by Staff After the Posting of the Meeting Notice.

Ms. Kay provided an overview of SB 560, a bill sponsored by the Contractors State License Board. She reported that this bill would require licensing boards to submit personal information regarding its licensees to the Employment Development Department, upon request. She added that existing law already requires that the CBA provide the same information to the Franchise Tax Board, upon request, and that staff does not anticipate significant workload impacts to implement this bill.

No action was taken on this item.

VI. Public Comment for Items Not on the Agenda.

None.

VII. Agenda Items for Next Meeting.

None.

Adjournment.

There being no further business to be conducted, the meeting was adjourned at 10:53 a.m.

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CBA XIII.D.
January 21-22, 2016

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

DRAFT

MINUTES OF THE September 17, 2015 MOBILITY STAKEHOLDER GROUP (MSG) MEETING

Wyndham Irvine-Orange County Airport
17941 Von Karman Avenue
Irvine, CA 92614
Telephone: (949) 863-1999

CALL TO ORDER

Katrina Salazar, Chair, called the meeting of the MSG to order at 10:00 a.m. on Thursday, September 17, 2015 at the Wyndham Irvine-Orange County Airport. Ms. Salazar requested that the roll be called.

MSG Members

Katrina Salazar, CPA, Chair	Present
Joe Petito, Vice Chair	Present
Donald Driftmier, CPA	Present
Dominic Franzella	Present
Ed Howard	Absent
Michael Savoy, CPA	Present
Stuart Waldman	Absent

CBA Members Observing
Sarah (Sally) Anderson, CPA
Alicia Berhow
Jose Campos, CPA, President
Laurence (Larry) Kaplan
Herschel Elkins, Esq.
Leslie LaManna, CPA
Xochitl León
Jian Ou-Yang, CPA
Deidre Robinson
Mark Silverman, Esq.
Kathleen Wright, Esq., CPA

Staff and Legal Counsel
Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Pat Billingsley, Regulatory Analyst
Corey Faiello-Riordan, Board Relations Analyst
Dorothy Osgood, Enforcement Supervising ICPA
Gina Sanchez, Chief, Licensing Division
Kristy Schieldge, Legal Counsel, Department of Consumer Affairs (DCA)
Carl Sonne, Deputy Attorney General, Department of Justice
Matthew Stanley, Information and Planning Officer

Committee Chairs and Members
Robert Lee, Chair, CPA, Peer Review Oversight Committee
Robert Ruehl, CPA, Chair, Qualifications Committee

Other Participants
Pilar Oñate-Quintana
Jon Ross, KP Public Affairs

I. Approve Minutes of the July 23, 2015 MSG Meeting

It was moved by Mr. Driftmier; seconded by Mr. Petito and carried unanimously to approve the minutes of the July 23, 2015 MSG Meeting.

Yes: Mr. Driftmier, Mr. Franzella, Mr. Petito, Ms. Salazar, and Mr. Savoy

No: None

Abstain: None

The motion passed.

II. The Mobility Stakeholder Group Decision Matrix and Stakeholder Objectives.

Ms. Salazar indicated this item is a written report only.

III. Timeline for Activities Regarding Determination to be Made Pursuant to Business and Professions Code Section 5096.21.

Ms. Salazar indicated this item was a written report only.

IV. Discussion Regarding the Minimum Amount of Information to be Posted on the Internet in Order to be Deemed Substantially Equivalent.

Mr. Stanley provided the MSG an overview regarding the amount of information that must be posted on the Internet in order for a state to satisfy Business and Professions Code (BPC) section 5096.21(c)(4), which requires disciplinary history of a state's

licensees to be publicly available through the Internet in a manner that allows the CBA to link consumers to a website.

He reported that the Legislature has established what the minimum amount of information must include in the law itself.

BPC section 5096.21(c)(4) requires the information to be, at a minimum, equal to the information that was previously available to consumers through the prior practice privilege form. The form required a licensee to indicate if disciplinary history exists and if yes, self-report the explanatory details through an attachment. Regardless of the details provided by a licensee, which vary greatly from person to person, staff would conduct its own investigation. If action was warranted, the CBA would revoke the practice privilege and post a flag on its website to indicate disciplinary history. Therefore, a disciplinary flag posted in the Internet is the level of information required by the Legislature.

Mr. Stanley provided an overview of how the CBA, CPAverify, and other states make this type information available on their websites. Mr. Stanley reported that staff performed preliminary research to determine which states flag disciplinary history for their licensees.

No action was needed on this item as it was informational only. NASBA will use this information as it works with states in determining which states have already posted, or can post, the disciplinary history flag on the Internet.

V. Discussion Regarding Options Including a Possible Legislative Proposal for Expediting a Rulemaking Pursuant to Business and Professions Code Section 5096.21(a).

The MSG discussed the options for expediting the rulemaking process undertaken pursuant to BPC section 5096.21(a) and explored methods to reduce the normal 12-18 month rulemaking time to add and remove states from the no notice, no fee practice privilege program in order to better protect consumers.

The first option considered was to pursue each rulemaking as an emergency regulation, which, if approved by the Office of Administrative Law (OAL), can be in-place within a few weeks. The normal rulemaking process is still required to make the emergency regulation permanent. The CBA would need to provide in its rulemaking substantial evidence to demonstrate the existence of an emergency.

The second option was to amend BPC section 5096.21(a) as proposed to provide for a legislatively declared emergency, by which the rulemaking timelines outlined in the first option would apply, but the CBA would not need to demonstrate by substantial evidence the existence of an emergency to OAL; an emergency would be presumed.

The rulemaking would only apply to removing states from the no notice, no fee practice privilege program in order to protect the public.

The MSG discussed that it appears it was the intent of stakeholders that the full timeframe for a rulemaking would allow a state time to correct its deficiencies. However, it was also pointed out that the proposal is permissive, and the CBA would have the option to pursue an emergency rulemaking if it were necessary.

It was moved by Mr. Driftmier; seconded by Mr. Savoy to recommend that the CBA adopt the proposed amendment and direct staff to proceed with the Legislative process.

Yes: Mr. Driftmier, Mr. Franzella, Mr. Petito, Ms. Salazar, and Mr. Savoy

No: None

Abstain: None

The motion passed.

VI. Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAVerify.

Mr. Stanley reported that NASBA will hold its 108th Annual Meeting October 25-28 in Dana Point, CA. Some of the major topics listed on the agenda include a review of the exposure draft for the New Uniform CPA Examination, peer review, and discussion panels to address meeting enforcement standards and recognizing changes in Education.

He further stated that there are still five states – Delaware, Hawaii, Michigan, Utah and Wisconsin – that are not yet participating in the US Accountancy Licensee Database (ALD) and CPAverify.

No action was taken on this item.

VII. Discussion Regarding Proposed Agenda Items for the Next Mobility Stakeholder Group Meeting.

Mr. Stanley indicated that there would be a very light agenda for the MSG at its November 2015 meeting.

It was moved by Ms. Salazar; seconded by Mr. Savoy that the MSG recommends the CBA direct the MSG to next convene in January 2016.

Yes: Mr. Driftmier, Mr. Franzella, Mr. Petito, Ms. Salazar, and Mr. Savoy

No: None

Abstain: None

The motion passed.

There being no further business, the meeting adjourned at 10:26 a.m.

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CBA ITEM XIII.E
January 21-22, 2016

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE OCTOBER 22, 2015 ENFORCEMENT ADVISORY COMMITTEE (EAC) MEETING

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

I. Roll Call and Call to Order.

EAC Chair, Jeffrey De Lyser, CPA, called to order the regularly scheduled meeting of the EAC at 9:00 a.m. on October 22, 2015.

Members

Jeffrey De Lyser, CPA, Chair	Present
Joseph Rosenbaum, CPA, Vice-Chair	Present
Katherine Allanson, CPA	Present
Dale Best, CPA	Present
Joseph Buniva, CPA	Present
Gary Caine, CPA	Present
Nancy Corrigan, CPA	Present
Mary Rose Caras, CPA	Absent
William Donnelly, CPA	Present
Thomas Gilbert, CPA	Present
Robert A. Lee, CPA	Present
Mervyn McCulloch, CPA	Present
Michael Schwarz, CPA	Absent

CBA Member
Larry Kaplan

CBA Staff and Legal Counsel
Patti Bowers, Executive Officer
Dominic Franzella, Chief, Enforcement Division
Paul Fisher, Supervising Investigative CPA
Dorothy Osgood, Supervising Investigative CPA
Allison Nightingale, Enforcement Technician
Nicole Novoa, Enforcement Analyst
Kay Lewis, Investigative CPA

Angelita Budomo, Enforcement Analyst
David Jones, Investigative CPA
Jesus Silva, Enforcement Analyst
Gregory Francis, Investigative CPA
Carl Sonne, Deputy Attorney General (DAG), Department of Justice

II. Report of the Committee Chair **(Jeffrey De Lyser)**.

A. Review of Proposed 2016 Meeting Dates.

It was moved by Mr. Lee and seconded by Ms. Corrigan to approve the proposed 2016 meeting dates.

Yes: Mr. De Lyser, Mr. Rosenbaum, Ms. Allanson, Mr. Best, Mr. Buniva, Mr. Caine, Ms. Corrigan, Mr. Donnelly, Mr. Gilbert, Mr. Lee, and Mr. McCulloch.

No: None.

Abstain: None

The motion passed.

B. Approval of the July 9, 2015 EAC Meeting Minutes.

It was moved by Ms. Allanson and seconded by Mr. Best to approve the minutes of the July 9, 2015 EAC meeting.

Yes: Mr. Rosenbaum, Ms. Allanson, Mr. Best, Mr. Caine, Ms. Corrigan, Mr. Donnelly, Mr. Gilbert, and Mr. McCulloch.

No: None.

Abstain: Mr. De Lyser, Mr. Buniva, and Mr. Lee.

The motion passed.

III. Report of the CBA Liaison **(Larry Kaplan, CBA Member)**

A. Report of the September 17-18, 2015 CBA and Committee Meetings.

Mr. Kaplan provided the report for this agenda item. He reported that during the September CBA meeting, the CBA announced that the annual officer elections will take place at the November CBA meeting, which will be held on November 19, 2015 in Pasadena.

He reported that the CBA approved a comment letter in response to the National Association of State Boards of Accountancy and the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Continuing Professional Education Programs Exposure Draft. The proposed changes include the addition of nano-learning and blended learning. The CBA's comment letter states that the CBA

is in support of the exploration of all forms of learning and new methodologies to benefit its licensees.

He reported that the CBA's Annual Report for Fiscal Year 2014-15 and the 2016-18 Strategic Plan were approved and can be viewed on the CBA's website.

He reported that the CBA took a support position on AB 181, which was amended to include three provisions previously in SB 799, which was supported by the CBA. Since the September meeting, AB 181 was signed, as well as SB 467, the CBA's sunset review bill

He reported that the CBA approved a legislative proposal to amend Business and Professions Code section 5094.3 relating to the ethics study educational requirement for CPA licensure and instructed staff request that the language be included in the 2016 omnibus bill or seek an author. The language will provide consistency of wording with CBA Regulations section 9.2.

He reported that the CBA discussed the impact of the AICPA Statement on Standards for Accounting and Review Services No. 21, also known as SSARS 21. The CBA determined that additional information was needed, which will be provided at the November CBA meeting.

He reported that the CBA explored methods to identify sole proprietorships. It was determined that the CBA should track sole proprietorships, and staff were directed to draft regulatory language for consideration at a future CBA meeting.

He reported that the CBA directed staff to proceed with the legislative process to amend Business and Professions Code section 5096.21(a) to provide for emergency regulations to remove states from the no notice, no fee practice privilege program. The CBA is required to make a determination as to whether allowing a certain state's licensees to practice in California, under a practice privilege, violates the CBA's duty to protect the public, and to remove states from the program if necessary.

IV. Report of the Enforcement Chief **(Dominic Franzella)**.

A. Enforcement Activity Report.

Mr. Franzella provided an overview of this item. He also provided an update on the current vacancies for the Enforcement Division.

B. Report on Accusations and Final Disciplinary Orders Effective June 16, 2015 to September 25, 2015.

Mr. Franzella reported that since the July 9, 2015 EAC meeting, the CBA has filed 19 accusations and taken 26 disciplinary actions.

V. Public Comments for Items not on the Agenda.

No public comment was given.

VI. Review Enforcement Files on Individual Licensees.

[Closed Session: The EAC met in closed session to review and deliberate on enforcement files as authorized by Government Code section 11126(c)(2) and Business and Professions Code section 5020.]

VII. Conduct Closed Hearings.

[The Committee met in closed session as authorized by Government Code sections 11126(c)(2) and (f)(3) and Business and Professions Code section 5020 to conduct closed sessions to interview and consider possible disciplinary action against an individual licensee or applicant prior to the filing of an accusation.]

VIII. Adjournment.

The next EAC meeting is scheduled for December 10, 2015 at the Hilton San Diego Airport/Harbor Island in San Diego.

Having no further business to conduct, the EAC general meeting adjourned at approximately 9:32 a.m. to convene in closed session. Closed session adjourned at approximately 11:30 a.m. Closed session reconvened for investigative hearings from 1:00 p.m. to 5:00 p.m.

_____

Jeff De Lyser, CPA, Chair
Enforcement Advisory Committee

Prepared by: Allison Nightingale, Enforcement Technician

CALIFORNIA BOARD OF ACCOUNTANCY

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WEB ADDRESS: *http://www.cba.ca.gov*

CBA Item XIII.F.
January 21-22, 2016

DEPARTMENT OF CONSUMER AFFAIRS (DCA)
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
October 21, 2015
QUALIFICATIONS COMMITTEE (QC) MEETING

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

The regularly scheduled meeting of the QC was called to order at 10:34 a.m. on October 21, 2015, by QC Chair, Robert Ruehl.

QC Members
Robert Ruehl, CPA, Chair
Jenny Bolsky, CPA, Vice-Chair
Eric Borigini, CPA – Absent
Saboohi Currim, CPA – Absent
David Evans, CPA – Absent
Christine Gagnon, CPA
Tracy Garone, CPA
Kristian George, CPA
Chuck Hester, CPA
Casandra Moore Hudnall, CPA
Jose Palma, CPA
David Papotta, CPA
Nasi Raissian, CPA
Kimberly Sugiyama, CPA – Absent

CBA Members
Kathleen Wright, CBA Member, QC Liaison (Northern California)
Katrina Salazar, CBA Member

CBA Staff
Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer

Veronica Daniel, Licensing Manager
Ben Simcox, Licensing Coordinator
Janet Zimmer, Licensing Coordinator

I. Chairperson's Report.

Mr. Ruehl welcomed the QC Members, CBA Vice President Katrina Salazar, and CBA Member and QC Liaison Kathleen Wright to the meeting.

Mr. Ruehl announced that Erin Sacco Pineda and Jeremy Smith have resigned from the Qualifications Committee. Mr. Ruehl stated that he and Ms. Bolsky have been conducting interviews to fill these vacancies.

A. Approval of the July 29, 2015 QC Meeting Minutes.

It was moved by Ms. Bolsky and seconded by Mr. Hester to approve the minutes of the July 29, 2015 QC Meeting.

Yes: Mr. Ruehl, Ms. Bolsky, Ms. Gagnon, Ms. Garone, Ms. George, Mr. Hester, Ms. Moore Hudnall, Mr. Palma and Mr. Papotta.

No: None.

Abstain: Ms. Raissian.

Absent: Mr. Borigini, Ms. Currim, Mr. Evans and Ms. Sugiyama.

II. Report of the CBA Liaison.

A. Report on the September 17-18, 2015 CBA Meeting.

Ms. Wright provided a report for this item.

She reported that during the September CBA meeting, the CBA announced that the annual officer elections will take place at the November CBA meeting, which will be held on November 19, 2015 in Pasadena.

The CBA approved a comment letter in response to the National Association of State Boards of Accountancy and the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Continuing Professional Education Programs Exposure Draft. The proposed changes include the addition of nano-learning and blended learning. The CBA's comment letter states that the CBA is in support of the exploration of all forms of learning and new methodologies to benefit its licensees.

The CBA's Annual Report for Fiscal Year 2014-15 and the 2016-18 Strategic Plan were approved and can be viewed on the CBA's website.

The CBA took a support position on Assembly Bill (AB) 181, which was amended to include three provisions previously in Senate Bill (SB) 799, which was supported by the CBA. Since the September meeting, AB 181 was signed, as well as SB 467, the CBA's sunset review bill. Some of the provisions include:

- A legislative change to further clarify restoration requirements for licenses canceled pursuant to Business and Professions Code (BPC) section 5070.7 that were later placed into retired status.

- A change to recast and strengthen the requirements for out-of-state license from "valid and unrevoked" to mean "current, active, and unrestricted".

- Proposed language that clarifies that those authorized to practice with a practice privilege may use the CPA designation in California.

The 2016 QC meeting dates were approved and the calendar on the CBA website has been updated to include these dates.

The CBA directed staff to initiate a rulemaking to amend CBA Regulations section 9.1 regarding foreign credential evaluation services. The proposed changes will strengthen the approval process of such services.

The CBA discussed the impact of the AICPA Statement on Standards for Accounting and Review Services No. 21, also known as SSARS 21. The CBA determined that additional information was needed, which will be provided at the November CBA meeting.

The CBA explored methods to identify sole proprietorships. It was determined that the CBA should track sole proprietorships and staff were directed to draft regulatory language for consideration at a future CBA meeting.

Lastly, the CBA directed staff to proceed with the legislative process to amend BPC section 5096.21(a) to provide for emergency regulations to remove states from the no notice, no fee practice privilege program. The CBA is required to make a determination as to whether allowing a certain state's licensees to practice in California, under a practice privilege, violates the CBA's duty to protect the public, and to remove states from the program if necessary.

III. Report on the Activities of the Initial Licensing Unit (ILU).

Ms. Daniel provided the licensing statistics through September 30, 2015. Ms. Daniel noted that the current processing time for individual CPA applicants is 24 days. Ms. Daniel noted that four staff vacancies have been filled in the ILU. Ms. Daniel stated that the ILU staff is currently conducting heavy outreach to promote stakeholder participation in the attest study survey which is set to close on October 31, 2015. As of today, 9,529 participants have taken part in the attest study survey. Ms. Daniel stated that Pathway 1 and Pathway 2 will be expiring on December 31, 2015 continues its outreach efforts to all affected applicants.

IV. Public Comment for Items Not on the Agenda.

None.

V. CONDUCT CLOSED HEARINGS [Closed session in accordance with Government Code section 11126(c)(2) and (f)(3), and Business and Professions Code section 5023 to interview individual applicants for CPA licensure.]

C15-028 – The applicant and her employer appeared and presented work papers from her government accounting experience. She has 65 months of experience, with a 12-month experience requirement. She is currently licensed with general accounting experience.

The employer has an adequate understanding of the Certificate of Attest Experience (CAE). The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C15-029 – The applicant appeared and presented work papers from his private industry accounting experience. He has 12 months of experience, with a 12-month experience requirement.

The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C15-030 – The applicant appeared due to a family relationship and presented work papers from his public accounting experience. He has 12 months of experience, with a 12-month experience requirement.

The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C15-031 – The applicant and her employer appeared and presented work papers from the applicant's public accounting experience. The applicant has 31 months of experience, with a 12-month experience requirement.

The employer's understanding of the CAE was inadequate and the CAE was inaccurately prepared. The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure. The employer has been placed on reappearance status.

Recommendation: Approve.

C15-032 – The applicant and his employer appeared and presented work papers from the applicant's public accounting experience. The applicant has 20 months of experience, with a 12-month experience requirement.

The employer's understanding of the CAE was inadequate and the CAE was inaccurately prepared. The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure. The employer has been placed on reappearance status.

Recommendation: Approve.

C15-033 – The applicant and his employer appeared and presented work papers from the applicant's public accounting experience. The applicant has 32 months of experience, with a 12-month experience requirement.

The employer's understanding of the CAE was inadequate and the CAE was inaccurately prepared. The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure. The employer has been placed on reappearance status.

Recommendation: Approve.

C15-034 – The applicant and her employer appeared and presented work papers from the applicant's public accounting experience. The applicant has 32 months of experience, with a 12-month experience requirement.

The employer's understanding of the CAE was inadequate and the CAE was inaccurately prepared. The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure. The employer has been placed on reappearance status.

Recommendation: Approve.

C15-035 – The applicant and his employer appeared and presented work papers from the applicant's public accounting experience. The applicant has 14 months of experience, with a 12-month experience requirement.

The employer's understanding of the CAE was inadequate and the CAE was inaccurately prepared. The work performed by the applicant was reviewed and was inadequate to support licensure for the applicant. The employer has been placed on reappearance status.

Recommendation: Defer.

C15-036 – The applicant and his employer appeared and presented work papers from the applicant's public accounting experience. The applicant has 83 months of experience, with a 12-month experience requirement.

The employer's understanding of the CAE was inadequate and the CAE was inaccurately prepared. The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure. The employer has been placed on reappearance status.

Recommendation: Approve.

C15-037 – The applicant and his employer appeared and presented work papers from the applicant's public accounting experience. The applicant has 74 months of experience, with a 12-month experience requirement.

The employer's understanding of the CAE was inadequate and the CAE was inaccurately prepared. The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure. The employer has been placed on reappearance status.

Recommendation: Approve.

The following Section 69 reviews took place on October 28, 2015, and are made a part of these minutes.

C15-038 – The applicant and his employer appeared due to a family relationship and presented work papers from his public accounting experience. He has 18 months of experience, with a 12-month experience requirement.

The employer's understanding of the CAE was adequate and the CAE was accurately prepared. The work performed by the applicant was reviewed and was adequate to support licensure for the applicant.

Recommendation: Approve.

C15-039 – The applicant and her employer appeared and presented work papers from the applicant's public accounting experience. The applicant has 20 months of experience, with a 12-month experience requirement.

The employer's understanding of the CAE was adequate and the CAE was accurately prepared. The work performed by the applicant was reviewed and was adequate to support licensure for the applicant.

Recommendation: Approve.

C15-040 – The applicant and his employer appeared due to a family relationship and presented work papers from his public accounting experience. The applicant has 20 months of experience, with a 12-month experience requirement.

The employer's understanding of the CAE was adequate and the CAE was accurately prepared. The work performed by the applicant was reviewed and was adequate to support licensure for the applicant.

Recommendation: Approve.

C15-041 – The applicant and her employer appeared due to a family relationship and presented work papers from her public accounting experience. The applicant has 20 months of experience, with a 12-month experience requirement.

The employer's understanding of the CAE was adequate and the CAE was accurately prepared. The work performed by the applicant was reviewed and was adequate to support licensure for the applicant.

Recommendation: Approve.

C15-042 – The applicant appeared and presented work papers from his private industry accounting experience. He has 34 months of experience, with a 24-month experience requirement.

The work performed by the applicant was reviewed and was inadequate to support licensure.

Recommendation: Defer.

Adjournment.

There being no further business to be conducted, the meeting was adjourned at approximately 4:50 p.m. on October 21, 2015. The next meeting of the QC will be held on January 20, 2015 in Southern California.

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Robert Ruehl, CPA, Chair

Prepared by: Ben Simcox, ILU Coordinator

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CBA Item XIII.G.
January 22, 2016

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE August 21, 2015 PEER REVIEW OVERSIGHT COMMITTEE (PROC) MEETING

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

I. Roll Call and Call to Order.

Robert Lee, CPA, Chair, called the meeting of the PROC to order at 9:00 a.m. on Friday, August 21, 2015. The meeting adjourned at 11:10 a.m.

Members

Robert Lee, CPA, Chair	9:00 a.m. – 11:10 a.m.
Sherry McCoy, CPA, Vice-Chair	9:00 a.m. – 11:10 a.m.
Katherine Allanson, CPA	9:00 a.m. – 11:10 a.m.
Nancy Corrigan, CPA	9:00 a.m. – 11:10 a.m.
Jeffrey De Lyser, CPA	9:00 a.m. – 11:10 a.m.
Kevin Harper, CPA	9:00 a.m. – 11:10 a.m.

CBA Member
Katrina Salazar, CPA, Vice-President

CBA Staff
Dominic Franzella, Chief, Enforcement Division
Malcolm Mitchell, Enforcement Manager
Chanda Gonzales, Enforcement Analyst
Siek Run, Enforcement Analyst

Other Participants
Linda McCrone, CPA, California Society of Certified Public Accountants (CalCPA)

II. Report of the Committee Chair.

A. Approval of the May 1, 2015 PROC Meeting Minutes.

It was moved by Ms. McCoy and seconded by Ms. Corrigan to approve the minutes of the PROC meeting.

Yes: Mr. Lee, Ms. McCoy, Ms. Allanson, Ms. Corrigan, Mr. De Lyser, and Mr. Harper.

No: None.

Abstain: None.

The motion passed.

Mr. Franzella briefly introduced Malcolm Mitchell, the new Disciplinary and Probation Monitoring (DPM) Unit manager and Siek Run, the new PROC liaison.

B. Report on the May 28-29, 2015 CBA Meeting.

Ms. Salazar reported on this meeting and highlighted the CBA's position and discussion on various bills in March, including the CBA Sunset Review, Senate Bill 467, which was amended to include the CBA legislative proposals related to permanent practice restrictions.

C. Report on the July 22-23, 2015 CBA Meeting.

Ms. Salazar reported that the meeting included a Strategic Planning Session to develop the CBA's 2016-18 Strategic Plan (Plan). A new draft of the Plan will be reviewed at the CBA's September meeting. Ms. Salazar thanked the PROC members for providing input towards the Plan and provided a status update regarding the relocation of the CBA's office.

D. Discussion Regarding Proposed PROC Meeting Dates for 2016.

It was moved by Ms. Corrigan and seconded by Mr. De Lyser to approve the 2016 PROC meeting dates.

Yes: Mr. Lee, Ms. McCoy, Ms. Allanson, Ms. Corrigan, Mr. De Lyser and Mr. Harper.

No: None.

Abstain: None.

The motion passed.

E. Discussion of Emerging Issues and/or National Standards that may have an Impact on Peer Review in California.

There was no report on this agenda item.

F. Report on the National Association of State Boards of Accountancy (NASBA) June 17-19, 2015 Western Regional Meeting.

Ms. Salazar reported that NASBA held its Western Regional Meeting in San Diego, California. Ms. Salazar noted at the meeting there were discussions on consumer protection and the Uniform Accountancy Act, and the Exposure Draft on the Uniform CPA Examination. She informed the PROC that CBA President, Jose Campos provided opening comments as the host-state and also spoke about the CBA's communications and outreach efforts. She informed the PROC that NASBA was holding its annual meeting in Dana Point, California on October 25-28, 2015 and advised the committee to contact Corey Faiello-Riordan should any member want to attend.

G. Report on the July 10, 2015 National Association of State Boards Accountancy (NASBA) PROC Summit.

Mr. Lee attended this meeting, presented his report and noted that NASBA sessions are available on YouTube. He stated that he participated in a panel session and answered questions about peer review. He informed the PROC regarding the American Institute of Certified Public Accountants (AICPA) release of a six point plan to improve audit quality and that the AICPA approved a four million dollar deficit budget, which will be used to improve audit quality, peer review, and monitoring.

The PROC discussed the failed report guidance published by the Compliance Assurance Committee (CAC), and that a big issue for the industry is audit quality and peer review.

III. Report on PROC Oversight Activities Conducted since May 1, 2015.

A. Report on the May 5, 2015 American Institute of Certified Public Accountants' (AICPA) Peer Review Board (PRB) Meeting.

Ms. McCoy participated in this conference call and presented her report. She noted that the discussion topics were similar to the current PROC meeting and that there were discussions on restructuring of training requirements, peer review, and to be aware of the requirements to become a team captain. Ms. McCoy stated that there were also discussions about updates to the peer review manual and online access. She mentioned the Online Professional Library (OPL) as a great tool for updates and a white paper that included information on real-time self monitoring and solicitation for feedback.

B. Report on the May 13, 2015 NASBA Compliance Assurance Committee (CAC)/PROC Meeting.

Mr. Harper and Ms. Allanson participated in this conference call and presented their reports. Mr. Harper explained that the CAC National Peer Review Committee (NPRC) representative talked about enhancing the required qualifications for peer reviewers, and a consideration for a peer review quality center to centralize acceptance for certain engagements that would go directly to AICPA. He stated that there were discussions about a committee being formed, a statistically reasonable assumption to define firms that need to be reviewed, and audits not listed on the firm's committee list in an effort to identify similar oversights.

Ms. McCrone confirmed that an announcement was made regarding direct interaction with AICPA at the peer review conference. She stated that there were high-level discussions about the possibility that 42 administering entities were too many. She pointed out that a reduction of the 42 administering entities would mean AICPA would take part in A133 and the Employee Retirement Income Security Act (ERISA) at the national level.

C. Report on the May 20, 2015 California Society of Certified Public Accountants' (CalCPA) Advanced Peer Review Training.

Ms. Corrigan attended this meeting and presented her report. She described the meeting as well attended, thorough, and that participation was very high-level on an interactive basis. She thought the instructor did an excellent job; the training was appropriate and met the objectives of the oversight. She also noted that there were no particular issues and the interaction was excellent.

Mr. De Lyser explained that the CalCPA Advance Peer Review Training was the last one offered for the current year. New educational requirements would initiate and licensees may have to re-take a similar training next year as part of the continuing education requirements.

D. Report on the May 21-22, 2015 CalCPA Report Acceptance Body (RAB) Meeting.

Mr. Harper and Mr. De Lyser attended this meeting together, and Mr. Harper presented his report. The meeting consisted of general sessions and RAB sessions. He was very impressed with the quality of people and the amount of attention they gave to the organization level.

Mr. Harper explained there were RAB breakout sessions, which included 146 peer reviews combined into three RABs. He made the following three observations:

- The RABs have difficulties distinguishing between poor quality audit work and poor quality peer reviews.

- The RABs do not know what the PROC does. As a liaison for the CBA, can the PROC be more involved and assist with the peer review recruiting effort?

- There is no comprehensive list of issues that could cause a firm to fail a peer review.

In response to Mr. Harper's observations, the PROC explained their roles and responsibilities as more oversight over peer review activities in the state and less about how they can help with the process. Recommendations can be made to the CBA for consideration but acquiring peer reviewers falls outside of the PROC activities. Ms. Corrigan suggested that the PROC continue to initiate efforts to educate and explain who and what the PROC is.

Ms. McCrone provided a recap of an existing CalCPA matching and system review process in-place. She explained peer reviewers can get their experiences in three ways; be currently active, have done peer review within the last five years, or have quality control functions. She explained there is a national level concern regarding peer reviewers with experiences limited to one or two peer reviews and bad peer reviewers. In 2016, CalCPA will be able to remove peer reviewers with one bad oversight, and the application to become a peer reviewer will change.

The PROC discussed surprise reviews performed on 90 peer reviews across the country in efforts to indentify if all were done in conformance to AICPA's standards and seven firms were from California. The surprise reviews concluded with a 40 percent failed rate and significant issues pertaining to the services organization issued audits.

Ms. Allanson asked if California firms were part of the 40 percent who failed the surprise review and what the outcome was. Ms. McCrone stated that three were identified from California, and two of these failed.

Mr. Lee thanked Mr. Harper for his comments and observations and for providing a well presented report. He further noted there is one vacancy within the PROC, and he asked members to use their network to obtain new members.

E. Report on the August 5, 2015 AICPA Peer Review Board Meeting (PRB) Meeting.

Mr. De Lyser participated in this conference call and presented his report. He explained that the meeting covered similar discussions as the PROC meeting,

which included discussions about new training requirements and oversight of the AICPA.

Mr. De Lyser and Ms. McCrone discussed the objectives of the peer review experts from AICPA. Mr. De Lyser inquired whether the experts focused on single engagements to determine if the peer reviews were substandard or if the system of quality control was ineffective at the firm. Ms. McCrone explained ERISA and A133 have many audit requirements and firms have the ability to dispute the findings of their peer reviewers in front of a disagreement panel.

Mr. De Lyser noted that the AICPA appeared to be dismissive of CalCPA's comments towards the peer review experts for not looking at the systems of quality of control. He felt AICPA was under a lot of pressure from the government to make the peer review program work, and the PRB did not approach the reviews with the same objective as peer reviewers. Ms. McCrone concurred with Mr. De Lyser's observation.

Mr. Lee appreciated the comments made and asked if any of the items observed should be taken into consideration for oversight activities. He noted that the PROC meetings provide the opportunity to change the way things are done.

Ms. Allanson, Ms. McCrone, and Mr. De Lyser discussed whether the PROC should focus on substandard engagements as opposed to systems of control. Members felt the most appropriate thing to do is to review and compare existing checklists, observe the changes that will occur in the peer review program from the AICPA in 2016, and modify the PROC's checklists to maintain relevance and to allow oversight to evolve with the peer review program.

Mr. Lee reiterated that items not agendized for the current PROC meeting will be agendized for the next meeting.

F. Assignment of Future PROC Oversight Activities.

Mr. Lee asked Ms. McCrone if she can provide a list of future PROC oversight activity dates. Ms. McCrone presented the PROC with a list of RAB conference calls. Mr. Lee asked for PROC members to volunteer for the following dates and times:

CalCPA RAB

- September 29, 2015 – Mr. De Lyser at 9:00 a.m. call
- November 19, 2015 – Ms. Allanson
- December 15, 2015 – Ms. Corrigan at 2:00 p.m. call
- January 26, 2016 – Mr. Harper at 2:00 p.m. call
- January 27, 2016 – Ms. Allanson at 9:00 a.m. call

CalCPA PRC

- November 19-20, 2015 – Ms. Allanson and Ms. Corrigan

AICPA Board Meeting

- September 18, 2015 – Ms. McCoy

NASBA

- October 25-28, 2015 – Mr. Lee

The PROC assigned activities through January 2016. The discussion quickly shifted to identifying out-of-state administering entities prior to the December 2015 PROC meeting to allow time to coordinate. Mr. De Lyser and Ms. Allanson volunteered upon receiving early notifications.

Mr. Lee proposed CBA staff monitor the website activities of AICPA and NASBA, as they release news related to peer review. Mr. Franzella noted that the items would be agendized for future meetings.

IV. Report on Status of PROC Assignments, Roles and Responsibilities Activity Tracking.

Ms. Run provided a brief overview of the activities assignment list, noted that all meetings assigned during the PROC meeting will be updated, reviewed the activity tracking grid, and asked PROC members to review and provide feedback as needed.

Ms. McCoy noted that she did not attend the May 13, 2015 NASBA Peer Review Committee call and requested the activity notes be updated and reflect the removal of her initial from Attachment 2. Mr. Lee suggested excluding meetings identified as “skipped” in Attachment 2, list NASBA as an oversight activity and CAC as a subset.

V. Report of the Enforcement Chief.

A. Discussion on Department of Labor *Report on Assessing the Quality of Employee Benefit Plan Audits,* May 2015.

Mr. Lee asked the PROC to consider this report and identify if there are oversight activities needing to be done differently. The members did not see necessary changes for the PROC to make as related to oversight activities.

B. Discussion on the NASBA Compliance Assurance Committee (CAC) Oversight Report on the AICPA National Peer Review Committee (NPRC).

There was no report on this agenda item.

C. Discussion on the AICPA Peer Review Program National Peer Review Committee 2013 Annual Report on Oversight.

There was no report on this agenda item.

D. Discussion of Potential Items to Include in the 2015 PROC Annual Report.

Mr. Lee asked the committee to review the 2014 PROC Annual Report and identify or suggest changes to the format, documentations or comments. Mr. Harper asked to include a suggestion for the CBA to get involved in the recruitment of peer reviewers. Ms. Salazar noted that the PROC Annual Report is the appropriate venue to elevate issues to the CBA and to work with staff on the process and methods to do so. Mr. Lee advised Mr. Harper to develop something to include in the report.

The PROC discussed items to include in the 2015 PROC Annual Report. Members discussed the significance of including a timeline and the challenges as it relates to the due processing time. The committee decided to maintain the existing initial presentation format, which includes strike-outs, underlines, and clean copies for the PROC. They agreed the Annual Report is intended to report on the PROC's oversight activities to the CBA. The committee recognized that the CalCPA and AICPA peer review programs are inter-related, and confirmed a need to appropriately identify topics to forward to the CBA. The CBA will determine the topics the PROC should explore and provide direction, which may turn into oversight activities.

Mr. Lee reiterated that some of the items discussed will be incorporated in the next PROC meeting, as there will be changes in the peer review landscape in the next couple of years. Agenda items for future PROC meetings will include information on: the shift in education, AICPA changing its tenor and tone, the need for the PROC to look at the remedial aspects and consider punitive actions, and CalCPA's roles, processes, and activities as AICPA adapts its program to address the Department of Labor (DOL).

Ms. McCoy suggested modifying meeting dates in the PROC Annual Report to reflect total number of meetings versus individual line items for each meeting.

Mr. Lee made a final comment referencing the last CBA meeting, where Ms. Salazar recommended that Ms. McCoy, Ms. Corrigan, and Ms. Allanson get reappointed. This recommendation was approved.

VI. Closing Business.

A. Public Comments for Items Not on the Agenda.

Ms. McCrone provided copies of documents regarding the November 2014 AICPA peer review, which was finalized in May 2015. Ms. McCrone and Mr. Franzella discussed the status of redefining the exclusion language for "Preparation Engagement." Mr. Franzella believes the language is sufficiently broad to exclude preparation engagements by being more descriptive and less ambiguous. The Licensing Division will take a paper on the impact of preparation engagements on continuing education and its evaluation to the September CBA meeting.

B. Agenda Items for Future PROC Meetings.

The PROC reviewed items to include in upcoming PROC meeting agendas. The potential agenda items to include are:

- Items presented by Ms. McCrone,
- Overview for new PROC members,
- Facilitated State Board Access (FSBA) and how it affects the PROC,
- A proposal for PROC to review failed peer reviews,
- Monitoring of website news updates from NASBA and AICPA as they relate to peer review,
- Revisiting the PROC manual and PROC/CAC checklists,
- Considering NASBA's videos,
- Following-up on training manuals and flow chart

Mr. Lee thanked committee members for the list of future agenda items and adjourned the meeting.

VII. Adjournment.

There being no further business, Mr. Lee adjourned the meeting at 11:10 a.m. on Friday, August 21, 2015.

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Robert Lee, CPA Chair

Siek Run, Enforcement Analyst, prepared the PROC meeting minutes. If you have any questions, please call (916) 561-4343.

CALIFORNIA BOARD OF ACCOUNTANCY

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CBA Item XV.C.
January 21-22, 2016

Press Release Focus

Presented by: Matthew Stanley, Information and Planning Officer

Consumer Protection Objectives
The purpose of this agenda item is to provide suggestions for an appropriate focus for the press release to be issued following each California Board of Accountancy (CBA) meeting to inform consumers and other stakeholders of the activities of the CBA. This is a dynamic analysis based on the activities of each CBA meeting.

Action(s) Needed
No specific action is required on this agenda item.

Background
None.

Comments
The following press releases have been issued since the November 2015 CBA meeting:

- "California Board of Accountancy Elects New Officers" (**Attachment 1**)
- "CBA Suspends CPA License of Former Oroville Mayor" (**Attachment 2**)
- "California Board of Accountancy Welcomes New Board Member" (**Attachment 3**)
- Various Enforcement Action news releases (**Attachment 4**)
- "Governor Reappoints Katrina L. Salazar, CPA, and Jose A. Campos, CPA, to the California Board of Accountancy" (**Attachment 5**)

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
Staff recommendation will be made at the time of this presentation.

Attachments
1. California Board of Accountancy Elects New Officers
2. CBA Suspends CPA License of Former Oroville Mayor
3. California Board of Accountancy Welcomes New Board Member
4. Enforcement Actions News Releases
5. Governor Reappoints Katrina L. Salazar, CPA, and Jose A. Campos, CPA, to the California Board of Accountancy

CALIFORNIA BOARD OF ACCOUNTANCY

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Attachment 1

NEWS RELEASE

CALIFORNIA BOARD OF ACCOUNTANCY ELECTS NEW OFFICERS

(Sacramento, CA) –The California Board of Accountancy (CBA) elected new leadership at its meeting on November 19, 2015 in Pasadena. Ms. Katrina Salazar, CPA was elected President of the CBA, Ms. Alicia Berhow, as Vice President, and Mr. Michael Savoy, CPA, as Secretary/Treasurer.

Ms. Salazar was appointed to the CBA in December 2012 by Governor Edmund G. Brown, Jr. and served as Vice President and Secretary/Treasurer prior to her election as President in November 2015. She currently serves as the Controller for the California Correctional Peace Officers Association. She has also served as the Executive Director of the Rotary Club of Sacramento, Chief Financial Officer at the Academic Senate for California Community Colleges and the American Red Cross Sacramento Sierra Chapter. Ms. Salazar previously held several positions in public accounting, including senior audit manager for Reznick Group, and has been an adjunct accounting professor for the Los Rios Community College District. Ms. Salazar is a member of the California Society of Certified Public Accountants and the American Institute of Certified Public Accountants.

Ms. Berhow was appointed to the CBA by the Speaker of the Assembly in February 2011 and served as Secretary/Treasurer prior to her election as Vice President in November 2015. She has served as the Vice President of Workforce Development and Advocacy for the Orange County Business Council since April of 2007. Previously, she served for five years as Senior Field Representative for Congresswoman Loretta Sanchez working on education and health care issues. Ms. Berhow currently serves as a board member, chairing Economic Development for the Anaheim Workforce Investment Board, an Ambassador for the Delhi Center in Santa Ana, and as a board member for the Community Action Partnership - Orange County.

Mr. Savoy was appointed to the California Board of Accountancy in November 2014 by Governor Edmund G. Brown, Jr., a position in which he previously served since 2010. He was elected as Secretary/Treasurer in November 2015 and previously held the office of Secretary/Treasurer from 2011-2012, Vice President from 2012-2013, and President from 2013-2014. Mr. Savoy is a shareholder at Gumbiner Savett Inc., and was previously a partner at Savoy & Colin. He is a member of the finance committee, executive committee and member of the board of the Los Angeles Chapter of the

Chamber of Commerce, as well as a member of the Employee Stock Ownership Plan Association. He is a past chairman of the Board of the Americas Region of BKR International. Mr. Savoy is a member of the California Society of Certified Public Accountants and the American Institute of Certified Public Accountants.

Created by statute in 1901, the CBA's mandate requires that protection of the public shall be its highest priority in exercising licensing, regulatory, and disciplinary functions. The CBA currently regulates more than 97,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals, partnerships, and corporations.

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Attachment 2

NEWS RELEASE

CBA SUSPENDS CPA LICENSE OF FORMER OROVILLE MAYOR

Sacramento - The California Board of Accountancy has issued an interim suspension order to suspend the Certified Public Accountant license of Dennis D. Diver, the former mayor of Oroville. Mr. Diver pled no-contest in Butte County Superior Court to two counts of grand theft by embezzlement. He was sentenced to 180 days in jail and three years of probation for embezzling through his accounting firm, Dennis D. Diver & Assoc., CPAs.

The CBA issues interim suspension orders to immediately stop an individual from practicing public accountancy in cases where there is the potential for continuing harm to consumers. The interim suspension order allows the CBA time to file a formal accusation against a license and time for the full disciplinary process to proceed.

"The CBA will be filing a formal accusation within two weeks," said CBA Executive Officer Patti Bowers. "It is the CBA's mandate to protect the consumers of California from licensees who abuse the public trust."

During the 1990s, Mr. Diver served as the mayor of Oroville for eight years. The interim suspension order was effective November 19, 2015.

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NEWS RELEASE

Attachment 3

CALIFORNIA BOARD OF ACCOUNTANCY WELCOMES NEW BOARD MEMBER

SACRAMENTO – The California Board of Accountancy (CBA) has announced the appointment of George Famalett, of Fremont, to the CBA. Mr. Famalett has been a tax partner at PricewaterhouseCoopers LLP since 2005, where he has held several positions since 1996, including U.S. indirect tax practice leader and specialty partner tax team leader for the San Jose tax practice.

Mr. Famalett was an adjunct professor for the California Polytechnic State University Masters Program in Taxation from 2008 to 2010. He earned a Juris Doctor degree from the University of California, Hastings College of the Law and a Master of Science degree in taxation from Golden Gate University.

Mr. Famalett is a member of the American Institute of Certified Public Accountants, California Society of Certified Public Accountants and the Association of Latino Professionals in Finance and Accounting.

Mr. Famalett fills a CPA seat on the 15 member CBA, which is comprised of eight public members and seven who are CPAs. He was appointed by Governor Edmund G. Brown, Jr. on Monday, November 23, 2015.

Compensation is $100 per diem for each day actually spent in the discharge of official duties and for expenses pursuant to Business and Professions Code section 103. Mr. Famalett is a Democrat.

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Sent to business@latimes.com and Brian.Thevenot@latimes.com (The Los Angeles Times), newsroom@dailybreeze.com (Daily Breeze) and tips@patch.com (Redondo Beach/Torrance Patch) on December 30, 2015

Jennifer Lee Ammann, Torrance, CA (CPA 99695) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#A_2093

Sent to rcurley@ocregister.com and **bwolfson@ocregister.com (The Orange County Register) on December 30, 2015**

Alan Chan, Irvine, CA (CPA 32184) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#C_2028

Sent to business@latimes.com and **Brian.Thevenot@latimes.com (The Los Angeles Times), ptnews@presstelegram.com (Long Beach Press Telegram) dnmetro@dailynews.com (LA Daily News)** and **tips@patch.com (Long Beach Patch) on December 30, 2015**

Thomas A. Christie, Long Beach, CA (CPA 70718) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#C_2150

Sent to rcurley@ocregister.com and **bwolfson@ocregister.com (The Orange County Register) and tips@patch.com (Newport Beach Patch) on December 30, 2015**

Molly Erin McGuinness (aka Molly McGuinness MacArthur), Newport Beach, CA (CPA 74486) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#M_2143

Sent to rcurley@ocregister.com and **bwolfson@ocregister.com (The Orange County Register) on December 30, 2015**

Reed A. Coley, Irvine, CA (CPA 83666)has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#C_2114

Sent to Diana.McCabe@utsandiego.com (San Diego Union Tribune) and tips@patch.com (Carlsbad Patch) on December 30, 2015

James Milton Comstock, Carlsbad, CA (CPA 63952) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#C_2125

Sent to Diana.McCabe@utsandiego.com (San Diego Union Tribune) and tips@patch.com (La Jolla Patch) on December 30, 2015

Alfonso Fierro, Jr., San Diego, CA (CPA 77331) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (9l6) 561-1718 or by email at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#F_2133

Sent to business@latimes.com and **Brian.Thevenot@latimes.com (The Los Angeles Times), dnmetro@dailynews.com (LA Daily News), tips@patch.com (Woodland Hills Patch) on December 30, 2015**

Ronald A. Marcus, Woodland Hills, CA (CPA 26338) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#M_2119

Sent to business@latimes.com and **Brian.Thevenot@latimes.com (The Los Angeles Times), dnmetro@dailynews.com (LA Daily News), tips@patch.com (Diamond Bar-Walnut Patch) on December 30, 2015**

Rehan Saeed, Walnut, CA (CPA 59167) and Acctax Accountants and Consultants, Walnut, CA (FNP 1696) have been disciplined by the California Board of Accountancy. Please utilize the attached links to the California Board of Accountancy's Web page to access details of these enforcement actions. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding these enforcement actions.

http://www.dca.ca.gov/cba/discipline/index.shtml#S_2116
http://www.dca.ca.gov/cba/discipline/index.shtml#A_2115

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Attachment 5

NEWS RELEASE

GOVERNOR REAPPOINTS KATRINA L. SALAZAR, CPA, AND JOSE A. CAMPOS, CPA, TO THE CALIFORNIA BOARD OF ACCOUNTANCY

SACRAMENTO – The California Board of Accountancy (CBA) is pleased to announce the reappointment of Katrina L. Salazar, CPA, and Jose A. Campos, CPA to the CBA by Governor Edmund G. Brown, Jr.

Ms. Salazar was first appointed to the CBA in December 2012 by Governor Brown, and currently is serving as President of the CBA, a position to which she was elected in November 2015. Ms. Salazar served as Vice President and Secretary/Treasurer prior to her election as President. She currently serves as the Controller for the California Correctional Peace Officers Association. She has also served as the Executive Director of the Rotary Club of Sacramento, Chief Financial Officer at the Academic Senate for California Community Colleges and the American Red Cross Sacramento Sierra Chapter. Ms. Salazar previously held several positions in public accounting, including senior audit manager for Reznick Group, and has been an adjunct accounting professor for the Los Rios Community College District. Ms. Salazar is a member of the California Society of Certified Public Accountants and the American Institute of Certified Public Accountants. Ms. Salazar's term will expire in 2019.

Mr. Campos was first appointed to the CBA in December 2012 by Governor Brown. He is the immediate past President of the CBA and previously served as Vice President. He is currently a partner at Deloitte and Touche LLP. Mr. Campos serves on the Board of Advisors of the Robert Day School of Finance and Economics at Claremont McKenna College and previously served as Chairman of the Finance Committee of the Board of Directors of AltaMed Health Services. Mr. Campos is a member of the California Society of Certified Public Accountants, the American Institute of Certified Public Accountants and the Association of Latino Professionals in Finance and Accounting. Mr. Campos' term will expire in 2019.

Ms. Salazar and Mr. Campos fill two licensee seats on the 15 member CBA, which is comprised of eight public members and seven licensee members. They were reappointed on Tuesday, January 5, 2016.

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