

California Board of Accountancy

Peer Review Oversight Committee (PROC) Meeting

May 2, 2014



9:00 a.m. – 3:00 p.m.
Hilton Los Angeles Airport
5711 West Century Blvd
Los Angeles, CA 90045
(310) 410-4000



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

**PROC MEETING
NOTICE & AGENDA**

**Friday, May 2, 2014
9:00 a.m. – 3:00 p.m.**

Hilton Los Angeles Airport
5711 West Century Boulevard
Los Angeles, CA 90045
(310) 410-4000

PROC Purpose Statement

To act as an advisory committee and assist the CBA in its oversight of the Peer Review Program.

- I. Roll Call and Call to Order (**Nancy Corrigan, Chair**).
- II. Welcome Message from the CBA President (**Michael M. Savoy, CPA**).
- III. Report of the Committee Chair (**Nancy Corrigan**).
 - A. Approval of the January 31, 2014 PROC Minutes.
 - B. Report on the March 20-21, 2014 CBA Meeting.
- IV. Overview of California Society of Certified Public Accountants (CalCPA) Peer Review Technical Review Process (**Marcia J. Hein, CPA**).
- V. Report on PROC Activities (**Nancy Corrigan**).
 - A. Assignment of Future PROC Activities.
 - B. Report on February 25, 2014 CalCPA Report Acceptance Body (RAB) Meeting.
 - C. Report on March 19, 2014 CalCPA RAB Meeting.
 - D. Discussion of the CalCPA Annual Report on Oversight for Calendar Year 2012.
 - E. Discussion of the Compliance Assurance Committee (CAC) Report Regarding the Oversight of the National Peer Review Committee (NPRC).
 - F. Discussion of the 2014 Administrative Site Visit to CalCPA.
 - G. Discussion of the CalCPA Peer Review Committee Chair's Report on the Administrative Oversight Visit to CalCPA.

Lunch.

- VI. Overview of Changes to the National Association of State Boards of Accountancy (NASBA) CAC Oversight of the NPRC (**Janice Gray, Chair, NASBA CAC**).
 - VII. Reports and Status of Peer Review Program (**CBA Staff**).
 - A. Status of PROC Roles and Responsibilities Activity Tracking.
 - VIII. Report of the Enforcement Chief (**Rafael Ixta, Enforcement Chief**).
 - A. Discussion of Newly Developed Committee Member Resource Guide.
 - B. Discussion of the American Institute of Certified Public Accountants (AICPA) Peer Review Matching Program with Annual Audits of the Employee Retirement Income Security Act (ERISA).
 - IX. Future Agenda Items (**CBA Staff**).
 - X. Public Comment for Items Not on the Agenda.
- Adjournment.

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

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

For further information regarding this meeting, please contact:

April Freeman, Peer Review Analyst
(916) 561-1720 or afreeman@cba.ca.gov
Alice Tran, Peer Review Analyst
(916) 561-1734 or atran@cba.ca.gov
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815

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

Approval of the January 31, 2014 PROC Minutes

- Draft Minutes of the January 31, 2014 PROC Meeting.



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PROC Item III.A.
 May 2, 2014

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

**MINUTES OF THE
 JANUARY 31, 2014
 PROC MEETING**

Doubletree by Hilton Berkeley Marina
 200 Marina Blvd.
 Berkeley, CA 94710
 (510) 548 - 7920

I. Roll Call and Call to Order.

PROC Chair Nancy Corrigan called the meeting to order at 10:00 a.m. on Friday, January 31, 2014. The meeting adjourned at 12:24 p.m.

Ms. Corrigan welcomed PROC member Sherry McCoy as Vice Chair and thanked Robert Lee for his service as Vice Chair for the past year.

PROC Members:

Nancy Corrigan, Chair	10:00 a.m. – 12:24 p.m.
Sherry McCoy, Vice Chair	10:00 a.m. – 12:24 p.m.
Robert Lee	10:00 a.m. – 12:24 p.m.
Katherine Allanson	10:00 a.m. – 12:24 p.m.
Jeffrey DeLyser	10:00 a.m. – 12:24 p.m.
Seid M. Sadat	10:00 a.m. – 12:24 p.m.

Staff:

Rafael Ixta, Chief, Enforcement Division
 Sara Narvaez, Enforcement Manager
 April Freeman, Peer Review Analyst
 Alice Tran, Peer Review Analyst

Other Participants:

Linda McCrone, California Society of Certified Public Accountants (CalCPA)
 Gogi Overhoff, Investigative CPA

II. Report of the Committee Chair.

A. Approval of November 1, 2013 Minutes.

Ms. Corrigan asked if members had revisions to the minutes of the November 1, 2013 PROC meeting.

Members did not have revisions to the minutes.

It was motioned by Katherine Allanson, seconded by Robert Lee, and unanimously carried by those present to adopt the minutes of the November 1, 2013 PROC meeting.

B. Report on the November 21-22, 2013 CBA Meeting.

Ms. Corrigan's report to the CBA included an overview of the oversight procedures of the CalCPA Report Acceptance Body (RAB) meeting, the approval of the PROC's 2013 Annual Report, and the approval from the National Association of State Boards of Accountancy (NASBA) to participate in the conference calls conducted by NASBA's Compliance Assurance Committee (CAC).

Mr. Ixta advised members that the CBA continued to conduct further research on accepting academia as qualifying experience for CPA licensure, and considered hiring a consulting firm to conduct additional research.

C. Report on the January 23-24, 2014 CBA Meeting.

Ms. Corrigan attended the January 23-24, 2014 meeting. She informed members that CBA President Michael M. Savoy, CPA planned to attend each committee meeting one time per year. Mr. Savoy plans to participate in the next PROC meeting scheduled for May 2, 2014.

Ms. Corrigan stated that the CBA Sunset Review Report will be due in January 2015. However, with the Peer Review Report due in December 2014, Mr. Ixta stated that the Peer Review and Sunset Review Reports will be submitted simultaneously to the legislature in 2014.

Mr. Ixta informed members that the CBA established a taskforce to research the "Firm Mobility" Exposure Draft, allowing firms to practice across state-lines. The taskforce determined that California would not support the Exposure Draft at this time.

III. Report on PROC Activities.

A. Assignment of Future PROC Activities.

Ms. Corrigan confirmed the following assignments:

- February 25, 2014 CalCPA RAB Meeting (Conference Call) at 9:00 a.m. – Katherine Allanson
- March 19, 2014, CalCPA RAB Meeting at 2:00 p.m. (Glendale) – Sherry McCoy
- March 20-21, 2014, CBA Meeting (Pasadena) – Nancy Corrigan
- May 2, 2014, PROC Meeting (Los Angeles) at 9:00 a.m. – PROC Members (Sherry McCoy as Vice Chair)
- May 13, 2014, American Institute of Certified Public Accountants (AICPA) Peer Review Board Meeting – Nancy Corrigan and Seid Sadat
- May 22-23, 2014, CalCPA Peer Review Committee (PRC) Meeting (Dana Point) – Katherine Allanson and Seid Sadat
- May 29-30, 2014 CBA Meeting (Southern California) – Nancy Corrigan and Sherry McCoy

Mr. Ixta suggested rescheduling future PROC meetings to the day before the Enforcement Advisory Committee (EAC) meetings. After discussion, members agreed to keep the original PROC meeting calendar.

B. Report on January 22, 2014 CalCPA RAB Meeting.

Due to a scheduling conflict, Ms. Allanson was unable to attend the January 22, 2014 RAB meeting and will attend the February 25, 2014 RAB meeting. A report on the CalCPA RAB meeting will be provided at the next PROC meeting.

C. Report on November 21-22, 2013 CalCPA PRC Meeting.

Mr. Lee and Mr. DeLyser attended the November 21-22, 2013 CalCPA PRC meeting, and were impressed with the technical review process. Ms. Allanson suggested members connect with CalCPA Technical Reviewer Marcia Hein for an overview of the peer review process. Staff will coordinate with Ms. McCrone to initiate contact and invite Ms. Hein to the May PROC meeting.

D. Report on PROC Oversight of the AICPA Oversight Report of Out-of-State Administering Entities (Nevada, Texas, Oregon, and New York).

Ms. Allanson and Mr. DeLyser informed members that the oversight reports issued in New York and Texas were more voluminous and informative than the reports issued in Oregon and Nevada. Based on their observations, they agreed that California licensed firms practicing in these states had sufficient oversight from the out-of-state administering entities.

IV. Reports and Status of Peer Review Program.

A. Updates on Peer Review Reporting Forms Received and Correspondence to Licensees.

Mr. Ixta stated that commencing in January 2014, the Peer Review Program will no longer track the statistics of licensees who have reported their peer review information to the CBA. Mr. Ixta advised members that the License Renewal Unit will review the reporting forms, and refer deficiencies to the Enforcement Division for potential enforcement action. Mr. Ixta also informed members that staff will perform periodic sampling to audit the information on the Peer Review Reporting Forms for quality assurance.

Ms. Freeman advised members that staff will continue to monitor licensees under the initial phase-in periods and determine whether further enforcement action is required.

B. Status of PROC Roles and Responsibilities Activity Tracking.

Ms. Freeman stated that the activity tracking charts for 2013 and 2014 were updated to capture recently attended activities and upcoming events.

Members requested that the attendance at CBA meetings also be captured on the tracking list.

V. Report of the Enforcement Chief.

A. Approval of the 2013 Annual Report to the CBA.

Mr. Ixta gave a summary of the revisions to the 2013 Annual Report to the CBA and requested feedback from members.

Members offered various edits to the Annual Report, including adding further clarification between the "Peer Review Reporting Forms Received by the CBA" and the "Peer Review Reports Accepted by the CalCPA."

Staff will make the requested revisions to the Annual Report in advance of the CBA meeting on March 20-21, 2014.

It was motioned by Jeffrey DeLyser, seconded by Seid Sadat, and unanimously carried by those present to accept the PROC 2013 Annual Report with revisions and appoint the PROC chair to approve the final report.

B. Discussion of the AICPA's Annual Report on Oversight Regarding the Peer Review Program, issued September 27, 2013.

Mr. Ixta gave a summary of the AICPA's Annual Report on Oversight Regarding the Peer Review Program and requested comments from members.

Mr. Ixta informed members that the president of the AICPA oversight taskforce stated that the objectives of the Peer Review Board oversight program were met for the 2012 calendar year.

Ms. McCrone stated that the information provided in the report was helpful and thorough.

C. Discussion of the Report on the Administrative Oversight Visit to the National Peer Review Committee (NPRC), dated November 8, 2012.

Mr. Ixta gave a summary of the Report on the Administrative Oversight Visit to the NPRC and requested comments from members.

Ms. McCoy identified a potential error in the October 26, 2012 Letter Regarding the Administrative Oversight Visit to the NPRC. She noted that "October 18-19, 2010" should state "October 18-19, 2012."

D. Discussion of CBA Communication to New Licensees Regarding Peer Review Requirements.

Mr. Ixta gave a summary of the CBA communication to new licensees regarding peer review requirements and requested comments. Mr. Ixta stated that new licensees are notified about the requirement that they must complete a peer review within eighteen months after they complete any services subjecting them to a peer review.

VI. Future Agenda Items.

1. Request Overview of Technical Review Process from CalCPA Technical Reviewer Marcia Hein.
2. 2013 CalCPA Report.
3. Report from CBA President Michael Savoy and CBA Executive Officer Patti Bowers.
4. Compliance Assurance Committee Report.
5. Administrative Site Visit Planning.
6. AICPA Exposure Draft Regarding Financial Statements.

VII. Public Comment for Items Not on the Agenda.

There was no comment from the public for items not on the Agenda.

VIII. Adjournment.

There being no further business, Ms. Corrigan adjourned the meeting at 12:24 p.m. on Friday, January 31, 2014.

Nancy J. Corrigan, CPA, Chair

Alice Tran, Peer Review Analyst, prepared the PROC meeting minutes. If you have any questions, please call (916) 561-1734.

Assignment of Future PROC Activities

- Memo, dated March 25, 2014, with the following attachment:
 - 2014 Year-at-a-Glance CBA PROC Calendar, updated March 13, 2014.



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PROC Item V.A.
May 2, 2014

Assignment of Future PROC Activities

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

Date: March 25, 2014

Purpose of the Item

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

Action(s) Needed

It is requested that all members bring their calendars to the May 2, 2014 PROC meeting and be prepared to accept assignments.

Background

None.

Comments

The PROC's 2014 Year-at-a-Glance calendar (**Attachment**) includes meetings and activities that are currently scheduled for the following:

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

Fiscal/Economic Impact Considerations

None.

Recommendation

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

Attachment

2014 Year-at-a-Glance CBA PROC Calendar, updated March 13, 2014.

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
PEER REVIEW OVERSIGHT COMMITTEE (PROC)
2014 Year-at-a-Glance Calendar**
(as of March 13, 2014)

JANUARY 2014

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	T-2pm SC	T-9/2 23 SC	24	25
26	27	28		TC	NC	31

FEBRUARY 2014

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	T-9/2 SC	T-9am SC	27	28	

MARCH 2014

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

S	M	T	W	Th	F	S
6						
13						
20						
27						

MAY 2014

S	M	T	W	Th	F	S
				1	2	3
4	5	6	7	8	SC	10
11	12	LV	13	14	15	16
18	19	20	OC	DP	DP	23
25	26	27	28	SC	SC	31

JUNE 2014

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	SM	23	24	OC	OC	28
29	30					

JULY 2014

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	NC	25	26
27	28	29	30	31		

S	M	T	W	Th	F	S
3						
10						
17						
24						
31						

SEPTEMBER 2014

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

OCTOBER 2014

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

NOVEMBER 2014

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

S	M	T	W	Th	F	S
7						
14						
21						
28						

COMMITTEE/TASK FORCE

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

GENERAL LOCATION

- NC** - NORTHERN CALIFORNIA
- SC** - SOUTHERN CALIFORNIA
- T** - TELECONFERENCE
- SD** - SAN DIEGO
- LV** - LAS VEGAS
- DE** - DENVER
- DU** - DURHAM
- DP** - DANA POINT
- OC** - ORANGE COUNTY
- SM** - SAN MATEO



Discussion of the CalCPA Annual Report on Oversight for Calendar Year 2012

- Memo, dated March 28, 2014, with the following attachment:
 - CalCPA Peer Review Program Annual Report on Oversight for Calendar Year 2012, issued November 5, 2013.



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PROC Item V.D.
May 2, 2014

Discussion of the CalCPA Annual Report on Oversight for Calendar Year 2012

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

Date: March 28, 2014

Purpose of the Item

The purpose of this agenda item is to provide the PROC members with the California Society of Certified Public Accountants' (CalCPA) Peer Review Program Annual Report on Oversight for Calendar Year 2012, issued November 5, 2013.

Action(s) Needed

PROC members are requested to review the CalCPA's Peer Review Program Annual Report on Oversight (**Attachment**).

Background

The CalCPA Annual Report on Oversight is to provide a general overview, statistics and information, and the results of the various oversight procedures performed on the CalCPA Peer Review Program for calendar year 2012.

Comments

None.

Fiscal/Economic Impact Considerations

None.

Recommendation

None.

Attachment

CalCPA Peer Review Program Annual Report on Oversight for Calendar Year 2012, issued November 5, 2013.

**California Society of CPAs Peer Review Program
Annual Report on Oversight for Calendar Year 2012
Date Issued – November 5, 2013**

I. Summary of Peer Review Program

The California Society of CPAs (CalCPA) serves as the administering entity for the AICPA Peer Review Program for the states of California, Arizona and Alaska. CalCPA also administers the Peer Review Program for firms in those states that are not enrolled in the AICPA Peer Review Program. These programs operate the same; however there is a distinction between the two programs in that at least one owner of the firm must be a member of the AICPA to enroll in the AICPA Peer Review Program. AICPA bylaws require that members in a firm engaging in the practice of public accounting and issuing accounting and auditing reports have their firm enrolled in peer review.

The AICPA administers a peer review program through the National Peer Review Committee (NPRC) for firms required to be registered with and inspected by the Public Company Accounting Oversight Board (PCAOB). The NPRC prepares a separate annual oversight report therefore their statistics are not included in this report. Also, the AICPA Peer Review Board prepares an annual report on the oversight of all administering entities on a national basis. This report is available in the peer review section of their web site.

California, Arizona, and Alaska Boards of Accountancy require firms who issue accounting and auditing reports to be peer reviewed. The AICPA Peer Review Program is a recognized peer review program provider. Effective January 1, 2010, the California Board of Accountancy requires peer review of firms that issue reports and has adopted a three-year phase in period. The Arizona Board of Accountancy requires peer review with an exception for firms that issue only compilations without disclosures reports. The Alaska Board of Accountancy requires peer review with an exception for firms that issue only compilation reports.

Peer review is a triennial systematic review of a firm's accounting and auditing services performed by a peer reviewer who is unaffiliated with the firm being reviewed to ensure work performed conforms to professional standards. There are two types of peer reviews. System reviews are designed for firms that perform audits or other similar engagements. Engagement reviews are for firms that do not perform audits but perform other accounting work such as compilations and/or reviews. Firms can receive a rating of pass, pass with deficiency, or fail. Firms that receive ratings of pass with deficiency or fail usually must perform follow up actions. Further explanation of peer review is available at <http://www.aicpa.org/INTERESTAREAS/PEERREVIEW/Pages/PeerReviewHome.aspx>.

II. CalCPA Administering Entity Oversight Process and Procedures

The Peer Review Administrative Committee (PRAC) of the California Peer Review Committee monitors the oversight process. Each PRAC member has been approved by the Council of CalCPA and has current audit experience.

Using criteria outlined in the *AICPA Peer Review Program Oversight Handbook*, peer reviewers and/or firms are chosen for oversight. A minimum of 2% of reviews processed during the year are subjected to the oversight process. A peer review committee member or former peer review committee member performs the oversights. For system oversights, this committee member must have current audit experience. AICPA Peer Review Program Oversight Checklists are utilized on all oversights and oversight reports are prepared. The oversight reports are included in the report acceptance body process and all oversight reports are reviewed by the PRAC.

For engagement review oversights and limited system review oversights, the peer reviewer is notified after the peer review has been submitted to the administering entity of the engagements that have been selected for review. The peer reviewers then submit their work papers for review and the individual performing the oversight reviews the financial statements and any applicable firm work papers for the selected engagements.

Oversights of onsite system reviews are conducted at the reviewed firm's office while the peer reviewer is performing the peer review. The individual performing the oversight examines the peer reviewer's work papers, reviews a sample of engagements selected by the peer reviewer for review, and attends the exit conference.

Every year, one third of reviewer resumes and CPE are verified. All reviewers are verified over a three year period. Reviewers provide information about the number of engagements they are specifically involved with and in what capacity. The California Peer Review Program compares this information to the reviewer resume in the AICPA database and to the reviewer firm's most recent background information and most recent peer review.

Biennially, the AICPA Peer Review Board performs an onsite oversight of CalCPA's administration of the AICPA Peer Review Program. A member from the AICPA Peer Review Board Oversight Task Force reviews files and interviews staff at the administrative office. In addition the member attends a peer review committee meeting and observes the report acceptance process of the committee members. A report is issued and approved by the AICPA Peer Review Board. This report is posted to the peer review section of the web site of CalCPA. In the year where the AICPA Peer Review Board is not performing oversight, a member of the California Peer Review Committee performs an administrative oversight.

NOTE: The data in the following tables (sections III through VII) reflects peer review results as of November 5, 2013. The following percentages of 2012 reviews are in process, and their results are not included in the totals below.

CA – .5%

AZ – .4%

AK – There are no 2012 reviews in process

^ At least one owner of the firm must be a member of the AICPA to enroll in the AICPA Peer Review Program

III. Number of Enrolled Firms by Number of Professionals*

Per State as of November 5, 2013

California Firms	^AICPA Peer Review Program	CalCPA Peer Review Program
Sole Practitioners	971	948
2-5 Professionals	1243	876
6-10 Professionals	456	143
11-19 Professionals	197	27
20-49 Professionals	101	7
50+ Professionals	21	0
Totals	2989	2001

Arizona Firms	^AICPA Peer Review Program	CalCPA Peer Review Program
Sole Practitioners	145	53
2-5 Professionals	189	51
6-10 Professionals	74	9
11-19 Professionals	23	2
20-49 Professionals	8	1
50+ Professionals	2	0
Totals	441	116

Alaska Firms	^AICPA Peer Review Program	CalCPA Peer Review Program
Sole Practitioners	20	5
2-5 Professionals	42	3
6-10 Professionals	10	1
11-19 Professionals	6	0
20-49 Professionals	2	0
50+ Professionals	0	0
Totals	80	9

**IV. Results of Peer Reviews Performed During the Year 2012
Results by Type of Peer Review and Report Issued**

California Firms	^AICPA Peer Review Program	CalCPA Peer Review Program
System Reviews:		
Pass	356	77
Pass with Deficiencies	57	40
Fail	28	37
Subtotal – System	441	154
Engagement Reviews:		
Pass	456	367
Pass with Deficiencies	144	154
Fail	51	93
Subtotal – Engagement	651	614
Totals	1092	768

Arizona Firms	^AICPA Peer Review Program	CalCPA Peer Review Program
System Reviews:		
Pass	52	10
Pass with Deficiencies	7	6
Fail	5	1
Subtotal – System	64	17
Engagement Reviews:		
Pass	83	30
Pass with Deficiencies	29	15
Fail	4	4
Subtotal – Engagement	116	49
Totals	180	66

Alaska Firms	^AICPA Peer Review Program	CalCPA Peer Review Program
System Reviews:		
Pass	11	0
Pass with Deficiencies	2	0
Fail	1	1
Subtotal – System	14	1
Engagement Reviews:		
Pass	14	4
Pass with Deficiencies	2	0
Fail	1	1
Subtotal – Engagement	17	5
Totals	31	6

V. Number and Reasons for Report Modifications

The following lists the reasons, summarized by elements of quality control as defined by Statement on Quality Control Standards, for report modifications (when a pass with deficiency or fail report is issued) from system reviews performed for 2012. A system review can have more than one reason for modification.

Reasons for Report Modifications California Firms	^AICPA Peer Review Program	CalCPA Peer Review Program
Leadership Responsibilities for Quality	20	22
Relevant Ethical Requirements	0	1
Engagement Performance	73	70
Human Resources	10	6
Acceptance & Continuance of Clients & Engagements	6	6
Monitoring	45	55
Totals	154	160

Reasons for Report Modifications Arizona Firms	^AICPA Peer Review Program	CalCPA Peer Review Program
Leadership Responsibilities for Quality	4	0
Relevant Ethical Requirements	0	0
Engagement Performance	10	5
Human Resources	3	1
Acceptance & Continuance of Clients & Engagements	0	1
Monitoring	3	1
Totals	20	8

Reasons for Report Modifications Alaska Firms	^AICPA Peer Review Program	CalCPA Peer Review Program
Leadership Responsibilities for Quality	1	0
Relevant Ethical Requirements	0	0
Engagement Performance	3	1
Human Resources	1	1
Acceptance & Continuance of Clients & Engagements	0	0
Monitoring	0	0
Totals	5	2

VI. Number of Engagements Not Performed In Accordance with Professional Standards

The following shows the total number of engagements reviewed and the number identified as “not performed in accordance with Professional Standards” from peer reviews performed during 2012. The Standards state that an engagement is ordinarily considered not performed in accordance with Professional Standards when deficiencies, individually or in aggregate, exist that are material to understanding the report or the financial statements accompanying the report, or represents omission of a critical accounting, auditing, or attestation procedure required by professional standards.

California Firms				
Engagement Type	^AICPA Peer Review Program		CalCPA Peer Review Program	
	Number of Engagements		Number of Engagements	
	Reviewed	Not Performed in Accordance with Professional Standards	Reviewed	Not Performed in Accordance with Professional Standards
Audits – Single Audit Act (A-133)	161	23	27	11
Audits – GAS– All Others	130	11	25	14
Audits – ERISA	232	26	32	15
Audits – FDICIA	0	0	0	0
Audit – Broker/Dealer	8	0	3	1
Audits – Other	482	49	141	44
Reviews	679	70	260	68
Compilations with Disclosures	435	48	199	49
Compilations without Disclosures	1179	268	900	312
SSAEs - SOC Engagements	2	0	0	0
SSAEs - Other	94	3	16	2
Totals	3402	498	1603	516
% Substandard		14.7%		32.2%

Arizona Firms				
Engagement Type	^AICPA Peer Review Program		CalCPA Peer Review Program	
	Number of Engagements		Number of Engagements	
	Reviewed	Not Performed in Accordance with Professional Standards	Reviewed	Not Performed in Accordance with Professional Standards
Audits – Single Audit Act (A-133)	22	4	1	0
Audits – GAS – All Others	20	1	2	0

Audits – ERISA	43	7	2	1
Audits – FDICIA	0	0	0	0
Audit – Broker/Dealer	0	0	0	0
Audits – Other	64	6	20	2
Reviews	100	9	33	8
Compilations with Disclosures	68	8	25	6
Compilations without Disclosures	215	49	67	21
SSAEs - SOC Engagements	0	0	0	0
SSAEs - Other	17	0	2	0
Totals	549	84	152	38
% Substandard		15.3%		25%

Alaska Firms				
Engagement Type	^AICPA Peer Review Program		CalCPA Peer Review Program	
	Number of Engagements		Number of Engagements	
	Reviewed	Not Performed in Accordance with Professional Standards	Reviewed	Not Performed in Accordance with Professional Standards
Audits – Single Audit Act (A-133)	14	4	0	0
Audits – GAS – All Others	6	0	0	0
Audits – ERISA	6	0	0	0
Audits – FDICIA	0	0	0	0
Audit – Broker/Dealer	0	0	0	0
Audits – Other	17	0	2	2
Reviews	32	4	6	2
Compilations with Disclosures	18	3	4	0
Compilations without Disclosures	19	1	2	1
SSAEs - SOC Engagements	0	0	0	0
SSAEs - Other	5	0	1	1
Totals	117	12	15	6
% Substandard		10.2%		40%

VII. Summary of Required Follow-up Actions

The Peer Review Committee is authorized by the Standards to decide on the need for and nature of any additional follow-up actions required as a condition of acceptance of the firm's peer review. During the report acceptance process, the peer review committee evaluates the need for follow-up actions based on the nature, significance, pattern, and pervasiveness of engagement deficiencies. The peer review committee also considers the comments noted by the reviewer and the firm's response thereto. If the firm's response contains remedial actions which are comprehensive, genuine, and feasible, then the committee may decide to not recommend further follow-up actions. Follow-up actions are remedial and educational in nature and are imposed in an attempt to strengthen the performance of the firm. A review can have multiple follow-up actions. For 2012, the following represents the type of follow-up actions required.

(TC = Team Captain)

California Firms Type of Follow-up Action	^AICPA Peer Review Program	CalCPA Peer Review Program
Submit proof of purchase of manuals	1	0
Submit proof of CPE taken	197	262
Submit copy of monitoring report	27	22
Submit to TC revisit-general	15	12
Submit to TC review of sub engagements w/ workpapers	32	26
Agree to have accelerated review	1	0
Does not perform any audit engagements	7	13
Team Captain to review QCD	0	1
Totals	280	336

Arizona Firms Type of Follow-up Action	^AICPA Peer Review Program	CalCPA Peer Review Program
Submit proof of CPE taken	35	22
Submit copy of monitoring report	1	1
Submit to TC revisit -- general	2	0
Submit to TC review of sub engagements w/ workpapers	3	3
Agree to have accelerated review	1	0
Does not perform any audit engagements	3	0
Totals	45	26

Alaska Firms Type of Follow-up Action	^AICPA Peer Review Program	CalCPA Peer Review Program
Submit proof of CPE taken	3	1
Submit to TC review of sub engagements w/ workpapers	3	1
Totals	6	2

VII. Oversight Process

**Oversight Results
Peer reviews**

California Firms					
^AICPA Member Firms			Non-AICPA Member Firms		
Type of Peer Review (Sys, Eng, Rpt)	Must Select Engagement (ERISA, GAGAS, FDICA, NONE)	Total Oversights	Type of Peer Review (Sys, Eng, Rpt)	Must Select Engagement (ERISA, GAGAS, FDICA, NONE)	Total Oversights
System	GAGAS - 6	9	System	GAGAS - 5	10
	ERISA - 4			ERISA - 2	
Engagement		16	Engagement		5

Arizona Firms					
^AICPA Member Firms			Non-AICPA Member Firms		
Type of Peer Review (Sys, Eng, Rpt)	Must Select Engagement (ERISA, GAGAS, FDICA, NONE)	Total Oversights	Type of Peer Review (Sys, Eng, Rpt)	Must Select Engagement (ERISA, GAGAS, FDICA, NONE)	Total Oversights
System	GAGAS - 1	2	System	GAGAS-0	0
	ERISA - 1			ERISA-0	
Engagement		4	Engagement		1

Alaska Firms					
^AICPA Member Firms			Non-AICPA Member Firms		
Type of Peer Review (Sys, Eng, Rpt)	Must Select Engagement (ERISA, GAGAS, FDICA, NONE)	Total Oversights	Type of Peer Review (Sys, Eng, Rpt)	Must Select Engagement (ERISA, GAGAS, FDICA, NONE)	Total Oversights
System	GAGAS - 2	2	System	GAGAS-0	0
	ERISA - 2			ERISA-0	
Engagement		2	Engagement		0

Verification of reviewer's resumes

State	Total Number of Peer Reviewers	Total Number of Resume's Verified for Year	% of Total Verified
California	156	54	35%
Arizona	16	5	31%
Alaska	2	0	0%
Total	174	59	34%

Administrative oversights

Date of Last Administrative Oversight Performed by the Administering Entity	November 30, 2011
Date of Last On-site Oversight Performed by the AICPA Oversight Task Force (covers only the AICPA Peer Review Program)	November 14-16, 2012

Discussion of the CalCPA Peer Review Committee Chair's Report on the Administrative Oversight Visit to CalCPA

- Memo, dated April 11, 2014, with the following attachment:
 - Report on Administrative Oversight Visit to the CalCPA, dated December 3, 2013.



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PROC Item V.G.
May 2, 2014

**Discussion of the CalCPA Peer Review Committee Chair's Report on the
Administrative Oversight Visit to CalCPA**

Presented by: Nancy J. Corrigan, Peer Review Oversight Committee (PROC) Chair
Date: April 11, 2014

Purpose of the Item

The purpose of this agenda item is to provide the PROC members with the Peer Review Committee Chair's report on the Administrative Oversight Visit to the California Society of Certified Public Accountants (CalCPA).

Action(s) Needed

PROC members are requested to review the report on the Administrative Oversight Visit to CalCPA, dated December 3, 2013 (**Attachment**).

Background

On December 3, 2013, Peer Review Committee Chair, David E. Vaughn, CPA, conducted an Administrative Oversight Visit to the CalCPA. The report summarizing the visit was also issued on December 3, 2013 (**Attachment**).

Comments

None.

Fiscal/Economic Impact Considerations

None.

Recommendation

None.

Attachment

Report on Administrative Oversight Visit to the CalCPA, dated December 3, 2013.



David E. Vaughn CPA (209) 957-8806. fax (209) 957-9589

4540 Gnekow Drive, Stockton, Ca. 95212-1307

ATTACHMENT

December 3, 2013

To the Peer Review Committee
California Society of CPAs
San Mateo, CA

Re: Administrative Oversight Visit to California Society of CPAs

Ladies and Gentlemen:

The oversight visit was conducted according to the administrative oversight procedures in the *AICPA Peer Review Program Oversight Handbook*. The administrative oversight program is designed to ensure that the AICPA Peer Review Program is being administered in accordance with guidance as issued by the AICPA Peer Review Board.

In conjunction with the administrative oversight visit of the California Society of CPAs, the administering entity for the AICPA Peer Review Program (program), conducted on December 3, 2013, the following observations are being communicated.

Administrative Procedures

On December 3, 2013, I met with the director of peer review, Linda McCrone to review the program's administration. I believe the administrative processes were being handled in a manner consistent with peer review standards.

I reviewed the files, which were still open due to follow-up actions, which had not yet been completed. I found that the follow-up actions were being effectively monitored for completion by the administrative staff and the peer review committee.

I also reviewed the policies and procedures for the granting of extensions. I found that the peer review director handles short-term extension requests with discussion from the committee when the circumstances warrant.

I also reviewed the timeliness of the scheduling process, technical reviews, and the preparation of acceptance and follow-up letters. I found no problems in these areas.

I reviewed the back-up plan to support the program administrator and technical reviewer if she becomes unable to serve in that capacity.

Web Site and Other Media Information

I discussed with the director the administering entity's procedures to determine if the information disseminated regarding the AICPA Peer Review Program by the administering entity on its Web site and other media information is accurate and timely.

After reviewing the Web site material and other media information, I noted that the administering entity maintains current information as it relates to the peer review program. In addition, the administering entity director and supervisor are responsible for monitoring the Web site to ensure peer review information is accurate and timely.

Working Paper Retention

I reviewed the completed working papers and found no noncompliance with the working paper retention policies detailed in chapter 13 of the AICPA Peer Review Program Administrative Manual.

Technical Review Procedures

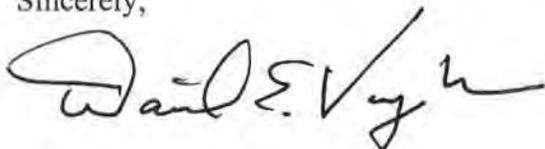
I met with one of the technical reviewers to discuss procedures. A total of four CPAs perform all technical reviews, three of them are very experienced reviewers and two of them are involved in teaching various reviewer courses.

I reviewed the reports, letters of response, if applicable, and the working papers for ten reviews. I believe that all review issues were addressed properly by the technical reviewer before reviews were presented to the committee. This helped the acceptance process to be effective and efficient.

Summary

I have no findings or recommendations for the administration of the program

Sincerely,

A handwritten signature in black ink, appearing to read "David E. Vaughn". The signature is fluid and cursive, with a prominent loop at the end.

David E. Vaughn, Chair, Peer Review Committee

California Society of CPAs

cc: Loretta Doon, CEO

Reports and Status of Peer Review Program

- Memo, dated April 15, 2014, with the following attachment:
 - PROC Roles and Responsibilities Activity Tracking 2014



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PROC Item VII.
 May 2, 2014

Reports and Status of Peer Review Program

Presented by: April Freeman, CBA Staff

Date: April 15, 2014

Purpose of the Item

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

Action(s) Needed

No specific action is needed.

Background

None.

Comments

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

As of April 15, 2014, 62,355 peer review reporting forms (PR-1) have been submitted to the California Board of Accountancy (CBA). The reporting forms are categorized as follows:

License Ending In	Reporting Deadline	Peer Review Required	Peer Review Not Required	Not Applicable (Non-firms)	Total	Licensees Still Needing to Report
01-33	7/1/11	2,637	4,307	15,770	22,714	0
34-66	7/1/12	2,180	4,008	13,179	19,367	6
67-00	7/1/13	2,131	3,909	14,234	20,274	690
		6,948	12,224	43,183	62,355	696

Reports and Status of Peer Review Program

Page 2 of 2

B. Status of PROC Roles and Responsibilities Activity Tracking

The PROC Roles and Responsibilities Activity Tracking chart has been updated to reflect 2014 activities (**Attachment**).

Fiscal/Economic Impact Considerations

None.

Recommendation

None.

Attachment

PROC Roles and Responsibilities Activity Tracking 2014

Peer Review Oversight Committee (PROC) Roles and Responsibilities
Activity Tracking – 2014
As of April 11, 2014

Activity*	Notes
PROC MEETINGS <ul style="list-style-type: none"> Conduct four one-day meetings. 	<ul style="list-style-type: none"> PROC Meetings Held: 1/31 PROC Meetings Scheduled:
ADMINISTRATIVE SITE VISIT <ul style="list-style-type: none"> Conduct, at a minimum, an annual administrative site visit of the peer review program provider. 	<ul style="list-style-type: none"> TBD
PEER REVIEW COMMITTEE MEETING <ul style="list-style-type: none"> Attend all peer review program providers' Peer Review Committee (PRC) meetings. Perform, at a minimum, an annual review of peer review program providers' Peer Review Committees. Ensure peer review program provider is adhering to California Board of Accountancy (CBA) standards. 	<ul style="list-style-type: none"> Meetings Attended: American I Public Accountants (AICPA) (PRB) 1/30 Meetings Scheduled: CalCPA Peer Committee (PRC) 5/22-23, AI
PEER REVIEW SUBCOMMITTEE MEETING <ul style="list-style-type: none"> Attend at least four of each peer review program provider's peer review subcommittee meetings to observe the acceptance of peer review reports. Perform, at a minimum, four annual reviews of peer review program provider's peer review subcommittee meetings. Ensure that peer reviews are being accepted in a consistent manner. 	<ul style="list-style-type: none"> Meetings Attended: CalCPA Repor Body (RAB) 1/22, 2/25, 3/19 Meetings Scheduled:
REVIEW SAMPLING OF PEER REVIEWS <ul style="list-style-type: none"> Perform sampling of peer review reports. 	<ul style="list-style-type: none"> TBD
PEER REVIEWER TRAINING <ul style="list-style-type: none"> Ensure that peer reviewers are properly qualified. 	<ul style="list-style-type: none"> Training Scheduled: CalCPA Peer 6/26-27
EVALUATION OF BOARD-RECOGNIZED PEER REVIEW PROGRAM PROVIDERS <ul style="list-style-type: none"> Develop policies and procedures for reviewing and recommending approval to the CBA for new peer review providers. 	<ul style="list-style-type: none"> Pending receipt of application
ANNUAL REPORT TO THE CALIFORNIA BOARD OF ACCOUNTANCY (CBA) <ul style="list-style-type: none"> Prepare an annual report to the CBA regarding the results of its independent oversight of the Peer Review program. 	<ul style="list-style-type: none"> TBD
CBA MEETINGS	<ul style="list-style-type: none"> Meetings Attended: 1/22-23, 3/
ADDITIONAL ACTIVITIES	<ul style="list-style-type: none">

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

Discussion of Newly Developed Committee Member Resource Guide

- Memo, dated March 12, 2014, with the following attachment:
 - Committee Member Resource Guide (without attachments).

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PROC Item VIII.A.
May 2, 2014

Discussion of Newly Developed Committee Member Resource Guide

Presented by: Rafael Ixta, Chief of Enforcement

Date: March 12, 2014

Purpose of the Item

The purpose of this agenda item is to inform the Peer Review Oversight Committee (PROC) of the newly developed California Board of Accountancy (CBA) Committee Member Resource Guide (Guide).

Action(s) Needed

None.

Background

The Guide (**Attachment**) is to provide new and existing committee members with important information regarding each committee's scope of work, general committee business procedures, expectations of committee members, and various statutes and regulations governing the conduct of committee business.

Comments

Staff would like to highlight and discuss the following sections of the Guide:

- Section IV – Members Responsibilities & Duties
- Section VI – Appointment/Reappointment Process

These sections discuss the various responsibilities and duties fulfilled by each committee member. The sections also provide information on the process of appointment and reappointment of committee members, including the leadership role carried out by the committee Chairperson and Vice-Chairperson.

The Guide will be available on the CBA website. PROC staff will incorporate information specific to the PROC, such as the Procedures Manual and Checklists, in the Guide to serve as the PROC Orientation Manual.

CBA staff will be available to respond to questions, feedbacks, or comments.

Fiscal/Economic Impact Considerations

None.

Recommendation

None.

Attachment

Committee Member Resource Guide (without attachments).

California Board of Accountancy

COMMITTEE MEMBER

RESOURCE GUIDE

CALIFORNIA BOARD OF
ACCOUNTANCY

March 2014



Purpose: The purpose of the Committee Member Resource Guide is to provide new and existing committee members with important information regarding: each committee's scope of work, general committee business procedures, expectations of committee members, and various statutes and regulations governing the conduct of committee business.

This guide does not cover all areas of each committee's work. Each committee may also maintain a separate handbook or manual that provides greater detail on the specifics of each committee.

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SECTION I.

THE CALIFORNIA BOARD OF ACCOUNTANCY

Created in 1901, The California Board of Accountancy (CBA) licenses and regulates over 88,000 licensees and 5,000 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, certifies and licenses individual CPAs, and registers accountancy firms. The CBA's License Renewal and Continuing Competency Program focuses on license renewal and ensures 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 at least two licensees representing a small public accounting firm and one licensee may be an educator in a program that emphasizes the study of accounting within a college, university, or four-year educational institution. The Senate Rules Committee and the Speaker of the Assembly each appoints two public members.

SECTION II.

CBA COMMITTEES

The California Legislature has created, by writing into the Accountancy Act, three standing CBA committees – Enforcement Advisory Committee, Peer Review Oversight Committee, and Qualifications Committee. Each committee serves in an advisory capacity to the CBA.

A. ENFORCEMENT ADVISORY COMMITTEE (EAC) (Ref. Business & Professions Code § 5020).

1. 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.

2. Membership.

The EAC is comprised of up to 13 licensees.

B. PEER REVIEW OVERSIGHT COMMITTEE (PROC) (Ref. Business & Professions Code § 5076.1).

1. 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.

2. Membership.

The PROC is comprised of seven licensees.

C. QUALIFICATIONS COMMITTEE (PROC) (Ref. Business & Professions Code § 5023).

1. 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.

2. Membership.

The QC is comprised of 16 licensees.

SECTION III.

MEETINGS

A. BAGLEY-KEENE OPEN MEETING ACT (Ref. Government Code § 11120-11132).

All meetings of the three standing advisory committees are subject to the Bagley-Keene Open Meeting Act. The Bagley-Keene Open Meeting Act is summarized in a document developed by the Department of Consumer Affairs (DCA) (**Appendix 1**). All meetings are to occur in an open setting, with limited exceptions available to both the EAC and QC, which may conduct specific portions of their business in closed session.

B. FREQUENCY.

1. EAC.

The EAC meets approximately five times annually, generally for one day each meeting.

2. PROC.

The PROC meets approximately four times annually, generally for one day each meeting. In addition, as part of its administrative functions, PROC members attend various California Society of CPAs Peer Review Administrative Committee and Report Acceptance Body meetings, which occur regularly throughout the year.

3. QC.

The QC meets approximately four times annually, generally for one day each meeting. QC members may conduct additional personal appearance reviews approximately one month prior to each committee meeting for those individuals not in the geographic area of the upcoming QC meeting.

C. LOCATIONS.

All meeting locations are ADA compliant, easily accessible to the public, and generally alternate between northern and southern California locales.

D. AGENDA.

For each meeting, in consultation with the committee Chairperson, staff prepares an agenda and public meeting notice. The agenda and public meeting notice for each meeting must be posted to the CBA website no less than 10 days prior to the meeting date.

E. MINUTES.

Staff prepares preliminary draft minutes and distributes to the Chairperson prior to the subsequent meeting. The minutes are provided to all committee members as part of their respective meeting materials.

After adoption of the committee minutes, they are forwarded to the next CBA meeting for consideration and adoption. Upon CBA adoption, the committee Chairperson signs the minutes, which staff retains in the CBA office as a public record of the committee activities.

F. ROLL CALL AND QUORUM.

At the beginning of each meeting, the Chairperson shall take a roll call, the purpose of which is to establish a quorum of the committee. Before any action the committee may take on agenda items, a quorum must be established.

For purposes of the committees, a quorum is based on the majority of members appointed to the committee; vacant positions do not count toward the establishment of a quorum.

G. VOTING.

Upon establishment of a quorum, on any matter for which the committee will act, the Chairperson shall call for a vote. This may only occur after the Chairperson first inquires if any members of the public wish to comment on the proposed motion.

A motion passes based on the majority votes of the established quorum.

1. Recording.

For each motion, the following information will be recorded into the minutes: the name of the person making the motion, seconding the motion, opposing, abstaining, and absent, respectively. Those absent are recorded after every motion unless the member is shown as absent from the entire meeting.

Excerpts from minutes showing a vote must be accompanied by the first two pages of the same minutes that list those in attendance.

2. Abstentions.

A committee 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 five members vote in favor of a motion, four members vote against a motion, and three abstain, the motion would carry.

H. CLOSED SESSION.

1. EAC.

The EAC is authorized to conduct portions of its business in closed session for the following reasons:

- To review and deliberate on enforcement files (Ref. Government Code § 11126(c)(2) and Business and Professions Code § 5020).
- To interview and consider disciplinary action against an individual licensee or applicant prior to the filing of an accusation or statement of issues (Ref.

Government Code § 11126(c)(2) and (f)(3) and Business and Professions Code § 5020).

2. QC.

The QC is authorized to conduct portions of its business in closed session to conduct closed hearings to interview individual applicants and employers for the purpose of CPA licensure (Ref. Government Code § 11126(c)(2) and (f)(3) and Business and Professions Code § 5023).

SECTION IV.

MEMBERS RESPONSIBILITIES & DUTIES

Committee members are responsible for carrying out the statutory requirements prescribed by the Legislature and any additional activities and expectations as communicated and prescribed by the CBA. Additionally, members must adhere to any and all statutory and regulatory requirements, as well as all policies and procedures contained in this California Board of Accountancy Committee Member Resource Guide.

A. RESPONSIBILITIES.

1. Attendance.

In accepting appointment to one or more of the committees, committee members made a commitment to dedicate the time necessary to attend the meeting and participate fully in the committee's business. Therefore, committee members are expected to attend all regularly scheduled meetings, in addition to actively volunteering for other committee business. Staff takes attendance at each meeting and provides an ongoing summary of members' attendance to the committee Chairperson, Vice-Chairperson, and CBA Executive Officer. Members that are absent for two meetings will be subject to review by the Chairperson and Vice-Chairperson. Upon recommendation by the Chairperson or CBA Executive Officer, members may be removed from the committee by action of the CBA.

2. Mentoring.

Committee Leadership and more experienced members are encouraged to act as mentors to new committee members, making themselves available to answer procedural and historical questions that may arise.

B. TENURE.

Committee members are appointed to a two-year term and may serve up to four consecutive terms. Committee members not maintaining satisfactory attendance or found not to be actively participating in committee business may be removed from the committee by action of the CBA.

C. COMMITTEE LEADERSHIP.

Annually, the CBA appoints a Chairperson and Vice-Chairperson to each committee. The appointments are made at the November CBA meeting, with the individuals assuming the appointments effective January 1 of the following year. The Chairperson and Vice-Chairperson are entrusted with leadership of the committee and are responsible for ensuring the committee meets the charges as directed by statute and the expectations as communicated by the CBA.

1. Chairperson.

The appointment tenure for Chairperson is a one-year term. The Chairperson can serve multiple one-year terms; however, in general, a committee member will not be appointed to serve as Chairperson during his/her final year on the committee. This will allow for the

Chairperson to serve in the capacity of immediate-past Chairperson and assist the new Chairperson in the role.

Duties.

- Preside over the committee meetings
- Approve agenda
- Perform evaluations of committee members
- Attend CBA meetings to provide a report on committee activities to the CBA
- Review candidate interest letters, performs candidate interviews, and makes recommendations to the CBA Vice-President and Executive Officer regarding initial appointments to the committee
- Make recommendations to the CBA Vice-President and Executive Officer regarding reappointments to the committee
- Monitor attendance, proactively addressing any attendance issues with members and reports any attendance issues to the CBA Vice-President and Executive Officer
- Mentor Vice-President

2. Vice-Chairperson.

The appointment tenure for Vice-Chairperson is a one-year term. In general, a committee member will not serve more than one year as a committee Vice-Chairperson. This allows for multiple committee members to cycle through the Vice-Chairperson position and allows the CBA a pool of candidates to select from when considering a new committee Chairperson.

Duties.

- Act in the absence of the Chairperson
- Attend CBA meeting to provide a report of committee activities when Chairperson is unable to attend
- Actively participates in the recommendation process for committee appointments and reappointments
- Assist the Chairperson in ensuring satisfactory attendance of committee members

SECTION V.

LIAISONS

In an effort to ensure the committees meet their respective charges, the committees are assigned liaisons. All committees are assigned a staff liaison, while the EAC and QC also are assigned two CBA member liaisons.

A. STAFF LIAISONS.

The staff liaison provides numerous support activities for the committee. From an administrative aspect, the staff liaison will assist members with travel arrangements and expense reimbursement. The staff liaison, working in conjunction with the Chairperson, prepares the meeting agenda, meeting materials, and minutes.

The staff liaisons for each committee are as follows:

EAC

Allison Nightingale

(916) 561-1723

Allison.Nightingale@cba.ca.gov

PROC

April Freeman

(916) 561-1720

April.Freeman@cba.ca.gov

QC

Kathryn Kay

(916) 561-1742

Kathryn.Kay@cba.ca.gov

B. CBA-APPOINTED LIAISONS.

For the EAC and QC, the CBA President appoints two CBA member liaisons, one northern and one southern. The CBA-appointed liaisons are responsible for keeping the CBA informed regarding emerging issues and recommendations made at the committee meetings. In addition, the CBA-appointed liaisons are to keep the committee informed of the CBA policies and assignments, and to make recommendations to the CBA regarding Chairperson and Vice-Chairperson appointments. Additionally, the northern and southern California liaisons are to communicate between meetings to ensure they are kept abreast of any committee issues. This process is facilitated by the staff liaison to the committee.

The CBA-appointed liaisons are responsible for evaluating committee Chairpersons, Vice-Chairpersons, and committee members for whom they have specific knowledge of their performance, and report those evaluations to the CBA Vice-President and Executive Officer, as required. The CBA-appointed liaisons perform these evaluations by completing the CBA-Appointed Liaison Committee Meeting Survey (**Appendix 2**).

SECTION VI.

APPOINTMENT/REAPPOINTMENT PROCESS

In order to ensure appropriate staffing of its committees, the CBA continually recruits new committee members and evaluates those presently serving on the committees. The CBA works to ensure that a broad cross-section of knowledge, skills, and abilities, covering public practice, private industry, and government are represented to ensure the committees can perform their respective charges. Additionally, the CBA works to ensure proper succession planning for its committees, thus, when necessary committee members may be cycled off to ensure that committee members have varying term expiration dates.

A. RECRUITMENT.

The CBA maintains a permanent page on its website focused to volunteering and serving on a CBA advisory committee. Further, as necessary, staff will coordinate recruitment efforts to ensure committees are properly staffed. Staff will use all avenues necessary to facilitate recruitment to include running articles in the CBA publication UPDATE, use of social media outlets (*i.e.* Facebook, Twitter, LinkedIn), and various professional trade associations (*i.e.* the California Society of CPAs).

Additionally, the CBA encourages present committee members to encourage qualified colleagues to consider service on one of the CBA's standing advisory committees.

B. APPLICATION.

An individual interested in serving on one or more of the CBA's standing advisory committees should submit a letter of interest, along with a resume, curriculum vitae (CV), or both to the CBA Executive Officer at the contact information below. Please include your CPA license number with any letter of interest.

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

C. INITIAL APPOINTMENT EVALUATION PROCESS.

1. Prospective Committee Member Compliance Evaluation.

Upon receipt of a letter of interest, staff will perform a prospective committee member compliance evaluation to ensure that potential appointees adhere to California's various statutory and regulatory requirements.

2. Committee Appointment Conflict Statement.

Concurrent with the compliance evaluation, a potential appointee will receive the Committee Appointment Conflict Statement (**Appendix 3**). The completed form must be returned to the CBA office prior to further consideration.

3. Interview Process.

The Chairperson will evaluate the qualifications of a potential appointee, paying attention to the Committee Skills Matrix (**Appendix 4**) that identifies the areas of need for the committee and the various expertise of the present members.

After review by the committee Chairperson, a potential appointee may be scheduled for an interview with the committee Chairperson, Vice-Chairperson, and appropriate CBA Program Chief (EAC and PROC – Enforcement Chief, QC – Licensing Chief). The interviews generally are done face-to-face, possibly in conjunction with one of the committee's regularly scheduled meetings. In those instances where a face-to-face interview cannot occur, the interview may occur telephonically.

4. Recommendations for Appointment.

After the interview process, the Chairperson shall evaluate the potential appointee with the Vice-Chairperson and CBA Program Chief to determine if a recommendation to the committee should be made. If a recommendation is warranted, the Chairperson will provide the recommendation to the CBA Vice-President and Executive Officer.

If the CBA Vice-President concurs with the recommended appointment, s/he will bring the appointment before the full CBA for consideration and possible adoption.

D. REAPPOINTMENT PROCESS.

1. Annual Evaluations.

The Chairperson is responsible for completing bi-annual evaluations of the committee members. The Chairperson shall complete the Committee Member Evaluation (**Appendix 5**). The Chairperson shall assess the committee members' interpersonal skills, communication, leadership, attendance, preparedness, technical skills, and participation.

The Chairperson shall complete the evaluations three months prior to the term expiration for a particular committee member. For example, if a committee member is set to expire on March 31, 2016, the evaluation is due no later than December 31, 2015. The Chairperson shall forward the completed evaluations to the CBA Executive Officer.

2. Committee Member Interest Survey.

Approximately three months prior to the expiration of a committee member's term, the committee member will receive the California Board of Accountancy Committee Interest Survey (**Appendix 6**) and a new Committee Appointment Conflict Statement. The committee member is responsible for submitting the completed interest survey to the CBA office no later than three months prior to the committee member's term expiration. If the committee member is seeking reappointment, s/he must submit an updated Committee Appointment Conflict Statement and updated resume, CV, or both.

3. Recommendations for Reappointment.

Upon receipt of a completed California Board of Accountancy Committee Interest Survey, in which the committee affirmatively states s/he is seeking reappointment, the committee

Chairperson, Vice-Chairperson, and appropriate CBA Program Chief will evaluate the committee member for reappointment. The Chairperson shall provide his/her recommendation, whether for reappointment or non-reappointment, to the CBA Vice-President and Executive Officer.

On those appointments with which the CBA Vice-President concurs, the CBA Vice-President will bring the appointments before the full CBA for consideration and possible adoption.

E. LEADERSHIP APPOINTMENT/REAPPOINTMENT PROCESS.

1. Committee Member Interest Survey.

Present committee members interested in serving in a Leadership capacity on the committee are requested to indicate such an intent on the Committee Member Interest Survey. As noted previously, these surveys are circulated to committee members approximately three months prior to the expiration of the present appointment term.

For those already serving in a Leadership role, they must complete the Committee Member Interest Survey annually to identify whether they wish to continue to serve in a Leadership capacity.

2. Committee Chairperson/Vice-Chairperson Evaluations.

For those individuals that have expressed interest in a committee Leadership position, the Committee Chairperson/Vice-Chairperson Evaluation (**Appendix 7**) will be circulated to all present committee members. Committee members are expected to complete the evaluation taking into consideration the following areas: interpersonal skills, communication, leadership, attendance, preparedness, technical skills, and participation. Once completed, committee members must return them to the CBA office.

3. Consideration.

Annually, the CBA Vice-President and Executive Officer will review the interest surveys and discuss appointments for committee Leadership. For Vice-Chairperson appointments, the Chairperson will participate in the evaluation process. Additionally, for a Chairperson cycling off Chairperson appointment, s/he will participate in the evaluation process.

4. Recommendations.

The CBA Vice-President will bring the committee Leadership appointments before the full CBA for consideration and possible adoption at the November CBA meeting.

SECTION VII.

APPOINTMENT/REAPPOINTMENT PROCESS

After initial appointment and during their tenure on the committee, members must complete certain training and forms to ensure members are aware of, and adhere to, the applicable laws surrounding conflict of interest and ethics.

A. PAPERWORK TO COMPLETE UPON APPOINTMENT.

Upon CBA appointment, committee members will receive a package of materials, including a congratulatory letter and several documents that must be completed and returned to the CBA. These documents are included in **Appendix 8** and are referenced below. New committee members must submit all documents to the CBA prior to participating in committee business.

- Designation of Person Authorized to Receive Warrants (two originals are required)
- Oath of Office (must be notarized)
- Employee Action Request
- State Employee Race/Ethnicity Questionnaire
- Board and Committee Member Information
- Authorization to use Privately Owned Vehicle on State Business
- Employment Eligibility Verification (I-9) (include copies of supporting documents)
- Incompatible Work Activity Security Agreement (Acknowledgment Form on page 10 must be signed and returned)
- PST Retirement Plan Information

B. 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. Committee 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 committee 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 committee 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>.

Additionally, committee members should be disassociated from any involvement with an applicant and/or licensee file with whom the committee member may have a conflict of interest.

2. Financial Disclosure.

The Conflict of Interest Code also requires all committee members to file annual financial disclosure statements. This is accomplished by submitting a Form 700 – Statement of Economic Interest (**Appendix 9**). New committee members are required to file a disclosure statement within 30 days after assuming office. 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.

Committee 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 (Ref. Government Code § 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.
- 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 ?**. This policy acknowledgement is required when a member is initially appointed.

C. ETHICS TRAINING REQUIREMENT

With the passage of Assembly Bill 2179 (Statutes of 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.

SECTION VIII.

EXPENSE REIMBURSEMENT

A. PER DIEM AND TRAVEL.

1. Committee Member Travel

Staff are always available to assist members with any committee member-related travel arrangements, including flight or rental car needs. If a committee member chooses to coordinate his/her own flight arrangements, they should use www.SWABIZ.com to book their flight. Travelers not currently using SWABIZ will need to establish a traveler account. The steps for creating a traveler account are included in **Appendix 10**. (Corporate ID: 99039695, IRN: 57448).

Occasionally a committee member may need to rent a car. The State of California has a contract with Enterprise Rental Company for all car rental needs. Committee members may contact staff, or use the DCA-established web link when reserving vehicles:

http://www.enterprise.com/car_rental/deeplinkmap.do?bid=002&cust=DBCA181
(A justification may be necessary in the event car rental is needed, which staff will prepare).

Committee members are also encouraged to use 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.

2. Lodging for Committee Meeting.

Approximately four weeks before a committee meeting, the designated staff liaison will send out a memorandum detailing the name and address of the chosen hotel. Whenever possible, members are encouraged to secure same-day travel for the committee meetings. When same-day travel is not feasible, each member must contact the hotel directly to secure a room reservation. Staff are available to assist committee 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 committee members are provided with an electronic copy of the Per Diem and Travel Expense Worksheet when they are appointed (**Appendix 11**). A paper copy is also available at all meetings. Committee members must complete the worksheet, and return it to the CBA office as soon as possible following the committee 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 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 DCA has compiled a guide to assist in interpreting the various policies, which is what staff use when processing travel expense claims. The DCA Travel Guide is provided as **Appendix 12**.

SECTION IX.

LIST OF APPENDICES

APPENDIX 1	DCA Guide to the Bagley-Keene Open Meeting Act
APPENDIX 2	CBA-Appointed Liaison Committee Meeting Survey
APPENDIX 3	Committee Appointment Conflict Statement
APPENDIX 4	Committee Skills Matrix (EAC version provided for example purposes)
APPENDIX 5	Committee Member Evaluation
APPENDIX 6	Committee Member Interest Survey
APPENDIX 7	Committee Chairperson/Vice-Chairperson Evaluation
APPENDIX 8	Paperwork to Complete Upon Appointment (multiple documents)
APPENDIX 9	Form 700 – Statement of Economic Interests
APPENDIX 10	SWABIZ Traveler Accountant Setup Information
APPENDIX 11	Per Diem and Travel Expense Worksheet with Travel Reimbursement Guidelines (Attachment)
APPENDIX 12	DCA Travel Guide (Attachment)

Discussion of the American Institute of Certified Public Accountants (AICPA) Peer Review Matching Program with Annual Audits of the Employee Retirement Income Security Act (ERISA)

- Memo, dated April 11, 2014, with the following attachments:
 - Issue paper regarding the AICPA Peer Review Matching Program with Annual Audits of the ERISA.
 - Chapter 3 of the AICPA Peer Review Program Manual.



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PROC Item VIII.B.
May 2, 2014

**Discussion of the American Institute of Certified Public Accountants (AICPA)
Peer Review Matching Program with Annual Audits of the Employee Retirement
Income Security Act (ERISA)**

Presented by: Rafael Ixta, Chief of Enforcement
Date: April 11, 2014

Purpose of the Item

The purpose of this agenda item is to provide the PROC members with an issue paper regarding the AICPA Peer Review Matching Program with annual audits of the ERISA.

Action(s) Needed

PROC members are requested to review the issue paper (**Attachment 1**) prepared by the California Society of Certified Public Accountants (CalCPA) Director Technical Services, Linda McCrone. Ms. McCrone will attend the PROC meeting and will be available to respond to questions.

Background

The issue was raised by the Ohio Board and is part of an ongoing national peer review matter which includes a number of states that administer the AICPA's Peer Review program, including California. The AICPA and its Peer Review Committee is actively addressing this issue and will be making the appropriate adjustments to the peer review reporting and recalling process.

Chapter 3 of the AICPA Peer Review Program Manual is being provided as a resource to PROC members (**Attachment 2**).

Comments

None.

Fiscal/Economic Impact Considerations

None.

Recommendation

None.

Attachments

1. Issue paper regarding the AICPA Peer Review Matching Program with Annual Audits of the ERISA.
2. Chapter 3 of the AICPA Peer Review Program Manual.

Peer Review and ERISA Audits

The issue raised by the Ohio Board is part of an ongoing national peer review matter which includes a number of states that administer the AICPA's Peer Review program, including California. The AICPA and their Peer Review Committee is actively addressing this issue and will be making the appropriate adjustments to the peer review reporting / recalling process.

The issue revolves around firms that perform employee benefit plan audits. The Employee Retirement Income Security Act (ERISA) requires an annual audit report to be filed with Form 5500 (Annual Return/Report of Employee Benefit Plan) when there are more than 100 participants in a plan. The plans subject to this requirement are defined benefit pension plans, defined contribution plans, and welfare benefit plans. The Department of Labor (DOL) receives the Form 5500 with the audit report and oversees the process.

Peer review standards require that if a firm performs an ERISA audit with a plan year end within the peer review year, it must be selected. When a firm begins a peer review, they complete and sign a scheduling form that discloses to the administering entity, CalCPA, the levels of service and the audit industries of engagements performed by the firm. The various types of ERISA audits are industries specifically singled out in the scheduling form. The peer reviewer who reviews the ERISA audit must have experience with the specific types of ERISA audits performed by the firm. If an ERISA audit is reviewed, it is identified in the peer review report.

As you know, there are two types of peer reviews, system reviews and engagement reviews. System reviews are performed for firms performing audits and engagement reviews are performed for firms that do not perform audits. Therefore, firms performing ERISA audits would be expected to have a system peer review and their scheduling form should further indicate that they perform audits in the ERISA industry.

The AICPA has undertaken a matching program, matching the audits filed with Form 5500 to firms in the peer review database. This is labor intensive because there is not a unique identifier for firms, such as the Federal employer identification number. Matching must be done by comparing firm name and location. Starting in October 2013, administering entities were asked by the AICPA to research certain firms. Our research noted the following five scenarios:

- 1. Firms with a peer review in process.** Some firms had a peer review in process on the date we were notified by the AICPA. Of these firms, some had indicated the need for a system peer review in their scheduling forms but an ERISA in the industry section of the form was not listed. Other firms had indicated that they performed no audits and that an engagement peer review was appropriate, but the AICPA noted that the firms had issued an ERISA audit with a year-end within their peer review year. In each of these cases, the scheduling form was corrected and the reviewer and firm were notified. If the firm had to switch to a peer reviewer with ERISA experience, this change was also made. In these cases, the peer review included the ERISA engagement resulting in a peer review performed in accordance with the standards.

- 2. Firms with a previous engagement review that had accepted an ERISA audit after the peer review year end.** After the peer review process is complete, each firm receives an acceptance letter from the Peer Review Committee. The acceptance letter for an engagement review informs the firm of the peer review requirement to notify the administering entity if they perform an audit and to have a system

peer review performed within eighteen months of the audit year-end. This is considered an accelerated review since peer reviews are normally due three years and six months from their last peer review year. Some firms had previously had an engagement review and had not notified CalCPA that they had performed an ERISA audit subsequent to the engagement peer review year end. These firms are being scheduled for a system peer review with the new peer review year to encompass an ERISA audit year-end. These reviews are currently or have been scheduled with a due date of 90 days.

3. **Database errors.** Information was incorrectly entered into the AICPA database. The firm and peer reviewer had correctly addressed the ERISA audit. The data information has been corrected.

4. **Firms with a previous system review performed an ERISA audit in a year between peer reviews.** The firm had a system peer review and performed an ERISA audit with a year-end after their peer review year, but no longer performed an ERISA audit in their next peer review year. We informed the AICPA of the resolution of the issue and no further action is required.

5. **Firms that performed ERISA audits during their peer review year, but did not notify the Administering Entity or their reviewer of such engagements.** The firm performed an ERISA audit with a year-end during their most recent peer review year but did not inform the administering entity, and the peer review has already been accepted. In some cases the firm had a system review and in other cases the firm had an engagement review. In these cases we followed the procedures in chapter three of the *AICPA Peer Review Program Report Acceptance Body Handbook*. Depending on the circumstances either the peer review report has been recalled and a new peer review is started for the same period or an accelerated replacement peer review is performed for a later period that will include an ERISA audit. If a peer review report is recalled or if a replacement peer review is not performed by the due date, the peer review documents will be removed from the Facilitated State Board Access (FSBA) database and CalCPA will notify the CBA in writing of the removal. At their next meeting in May 2014, the AICPA Peer Review Board will be revising, streamlining, and improving the guidance for the replacement and recall of peer review reports.

CalCPA is taking steps to outreach to firms that perform this type of work to educate them of their peer review obligations associated with ERISA audits, strengthen the peer review process, and assist firms in meeting their compliance obligations.

I will be at the May PROC meeting in LA and will be available to should you or any of the PROC members have any questions.

If a reviewer decides not to recall a peer review report, the committee's considerations to independently recall previously accepted peer review documents should take into account in the reviewer's considerations. However, the committee's decision to recall peer review documents is not fully dependent on the reviewer's recall of the peer review report. The committee's decision to recall an acceptance letter invalidates the related peer review report and letter of response, if applicable, because it creates a situation in which the firm's peer review documents are no longer accepted by the administering entity. In accordance with the standards, peer review documents cannot be publicized without acceptance by the administering entity (See paragraph .146.). See sections A.7 and B.5 in the following guidance for committee considerations when a reviewer decides not to recall the peer review report and the committee has substantial reason to question the reviewer's decision.

When it is decided that peer review documents should be recalled, the committee (or individual designated by the committee) should consult with the reviewed firm to determine how the situation should be further resolved. The possible resolutions depend upon the timing of the discovery among other things, because the peer review working paper retention period must be considered. Potential resolutions further discussed in this guidance include update and reissuance of the peer review report (ordinarily considered if within 120 days of peer review completion), full reperformance of the review of the same period, or performance of a peer review of a subsequent period.

A. Reviewed Firm Omissions and Errors

1. Confirmation of Facts by the Reviewer

Awareness of a reviewed firm's omission or error could come from various sources, such as the administering entity, publicly available information, reviewer, or substantiated and reliable sources. Such information should be immediately communicated to the reviewer, if not already known to the reviewer. If the information is of such a nature and from such a source that the reviewer would have considered it during the course of the peer review, the reviewer should, as soon as practicable, undertake measures to determine whether the information is reliable and whether the facts existed during the period covered by the peer review report or at the date of the peer review report. The reviewer should discuss the situation with the reviewed firm and request cooperation in whatever efforts may be necessary to determine the relevance and impact on the peer review and related report. Discussions with the reviewed firm should also include a suggestion that the reviewed firm consult with its legal counsel and administering entity about implications on the firm's peer review after the facts of the situation are confirmed.

2. Communication With the Administering Entity

If the reviewed firm refuses to cooperate with the reviewer in efforts to confirm the facts with regard to relevance to or impact on the peer review, the reviewer should immediately consult with the appropriate administering entity because this may constitute a failure to cooperate, and the firm would be subject to fair procedures that could result in termination of the firm's enrollment in the AICPA Peer Review Program (program).

If the subsequently discovered information is found both to be reliable and to have existed at the date of the peer review report, the reviewer should immediately notify the reviewed firm's administering entity of the situation and discuss whether the reviewer reasonably believes that the omission or error may have caused a significant shift in focus in the peer review performance, change in evaluation of results, or change in the peer review documents. This communication from the reviewer should be made in writing and addressed to the peer review committee of the administering entity whether the administering entity was the source of the information. The administering entity should promptly notify AICPA staff (staff). The situation should be documented in the Notification of Discovery letter from the administering entity on behalf of the committee, addressed to the firm, and copied to the reviewer and staff. The Notification of Discovery letter informs the reviewed firm, reviewer, and administering entity to retain all relevant peer review working papers until the matter is fully resolved or in accordance with the peer review working paper retention period, whichever is later. The reviewer's considerations and final determinations about whether to recall the peer review report should be communicated to the administering entity and firm promptly, but no later than 30 days from the date of the Notification of Discovery letter. A reviewer's failure to respond promptly within the indicated time period could be considered a matter of noncooperation.

3. *Reviewer and Committee Considerations of Relevance and Impact*

The reviewer and committee should carefully and independently consider the potential impact of the information on the results of the peer review. However, depending on the circumstances, the reviewer should take the lead in the early considerations of relevance and impact due to the reviewer's familiarity with the situation. The reviewer and committee should then take action in accordance with the procedures set out in subsequent paragraphs if the nature and effect of the matter are such that (a) the peer review procedures, report, or both would have been affected if the information had been known to the reviewer at the date of the report and had not been reflected in the peer review report (such as change in type of peer review, scope, rating, must-select industries, or deficiencies identified) and (b) the committee, reviewer, or reviewed firm believes persons are currently relying or likely to rely on the peer review report who may attach importance to the omission or error. With respect to (b), consideration should be given, among other things, to the time elapsed since the peer review report was accepted. Factors such as whether a new review can be timely performed may also be considered by the reviewer and committee in determining whether the previously accepted peer review documents should be recalled or allowed to remain as originally accepted.

For example, in a situation in which the reviewed firm neglected to inform the reviewer or administering entity that the firm performed an engagement(s) in a must-select industry and that fact might have affected the peer review, some of the factors that the reviewer and committee might consider when evaluating whether it is necessary to recall the peer review documents are as follows:

- a. If a similar engagement in the must-select industry was previously included in the peer review and the reviewer can conclude that the inclusion of the engagement would not have changed the risk assessment or engagement selection, then the reviewer may determine that the peer review report may remain as originally accepted.
- b. If a similar engagement in the must-select industry was not previously considered in the peer review, the reviewer should ordinarily consider recalling the previously issued peer review report. The committee should likewise consider recalling the acceptance of the peer review documents and consider the timing and whether the next system review is imminent. The committee should consider whether the engagement in the must-select industry would be included in the firm's list of engagements for the next peer review.

In some situations, the reviewer may consider it appropriate to review a previously omitted engagement(s) or other considerations before reaching a conclusion about whether to recall the peer review report.

The reviewer should consider consulting with his or her legal counsel due to the ramifications that may be involved with the actions contemplated herein. The reviewer and reviewed firm should also consult with the administering entity to determine implications and possible resolutions, including any regulatory effects. The reviewer must inform the administering entity of his or her decision prior to informing the firm of a decision to recall the peer review report. The reviewer must document the considerations and communicate the decisions to the peer review committee of the administering entity promptly, but no later than 30 days from the date of the Notification of Discovery letter, regardless of the final decision to uphold or recall the previously issued peer review report.

4. *Recall of Peer Review Documents*

If, after careful consideration, the reviewer determines that the reviewed firm's omission or error would have caused a significant change in the planning, performance, evaluation of results, or peer review documents, the reviewer may decide to recall the peer review report. The reviewer must summarize his or her basis for conclusion and communicate the results to the committee and reviewed firm promptly, but no later than 30 days from the date of the Notification of Discovery letter. The summary should be retained by the reviewer and administering entity in accordance with the peer review documentation and retention policy, which is 120 days after the peer review is completed. In the case of recall considerations, the peer review completion timeline would be triggered by notification of the committee's final resolution of the matter that prompted the recall considerations. If the reviewer decides to recall the peer review report, the committee of the administering entity must likewise recall its related acceptance letter because such acceptance is not effective without the underlying report. The reviewed firm has the ability to disagree with

the reviewer and committee's decision and should follow the procedures in chapter 7, "Consultations and Disagreements," of the *Report Acceptance Body Handbook* and express its disagreement in writing to the committee of the administering entity. If there are no disagreements, the reviewer and administering entity should advise the reviewed firm to consider the firm's responsibilities to notify and recall any such peer review documents from parties that might reasonably place a reliance on the peer review documents, including notification of the recalled documents to the state board of accountancy.

The decision to recall the peer review documents and confirmation of the firm's plan to resolve the matter and fulfill its peer review requirement should be discussed, documented, and communicated in the Notification of Acceptance Recall letter from the administering entity on behalf of the committee, addressed to the firm, and copied to the reviewer and staff as soon as practicable. The due dates and guidelines for the proposed resolution procedures should be included in the communication from the administering entity. Generally, for instances of reviewed firm omissions and errors, a revised or replacement peer review should be submitted to the administering entity for technical review and committee acceptance considerations within 90 days of the date of the Notification of Acceptance Recall letter. The agreement should also include acknowledgment of the reviewed firm's responsibility to communicate the recall to the state board of accountancy and any other parties relying on previously accepted peer review documents, including, but not limited to, regulators, enforcement agencies, or government agencies. Additionally, for states that have statutes allowing state boards of accountancy access to peer review documents, unless the firm has opted-out of the Facilitated State Board Access process, the administering entity may notify the state board of accountancy that access to documents previously made available has been removed and to contact the firm for further information. The appropriate representative of the reviewed firm must sign the Notification of Acceptance Recall letter and return it to the administering entity, evidencing the firm's agreement to the terms. If the firm does not sign and return the agreement within 30 days of the date of the Notification of Acceptance Recall letter, this will be considered noncooperation and will not delay the recall of the peer review documents, unless the firm has provided notification of a disagreement in accordance with chapter 7 of the *Report Acceptance Body Handbook*.

5. *Recalling Peer Review Documents If Discovery Is Within 120 Days of Peer Review Completion*

The committee (or individual designated by the committee) should discuss the situation with the reviewer and the reviewed firm to determine how the situation should be resolved if the peer review documents are recalled. If the discovery of the reviewed firm's omission or error is discovered and communicated to the administering entity within 120 days of the peer review completion, and if the reviewer is willing and able, the original reviewer may update and reissue the peer review report. (See section 5a.) Alternatively, the reviewed firm in consultation with the administering entity may have the peer review reperformed or possibly have a replacement review of a subsequent period in order to fulfill the reviewed firm's peer review requirements. (See section 6.) A replacement review is another peer review that takes the place of a previous review for which peer review documents have been recalled. In determining whether to commence another peer review, the reviewed firm and committee should consider AICPA or other voluntary membership organization requirements, licensure requirements of the state boards of accountancy, and other regulatory requirements that may be reliant upon a validly accepted peer review.

a. *Committee Considerations for Allowing a Revised Peer Review Report*

The option to have the original reviewer perform additional procedures for the purpose of issuing a revised report should ordinarily only be considered if the discovery and communication to the administering entity (prompting the Notification of Discovery letter) occurs within the peer review working paper retention period, which is within 120 days of the peer review completion date. The submission of a revised peer review report and supporting documents to the administering entity should ordinarily be made within 90 days of the date of the Notification of Acceptance Recall letter. If the Notification of Discovery letter is sent more than 120 days after the peer review completion date, it is presumed that the pertinent peer review working papers were not retained by the reviewer or administering entity. Particularly in a system review, if the peer review working papers were not retained, there would not be sufficient information or documentation available to allow the reviewer or report acceptance body to reach an appropriate conclusion about the peer review. In such case the peer review report should generally not be reissued, but rather the firm should consider having the

review reperformed or having a replacement review of a subsequent period performed as deemed appropriate by the committee.

In addition to timing, factors that might affect the committee's determination of whether the original reviewer can perform additional procedures to update and reissue the report include such considerations as the qualifications of the reviewer, independence, the nature and reason for the firm's omission or error, and expected level of change in procedures among other considerations. If the information would have changed the type of peer review from an engagement review to a system review, then the reviewer does not have the option to update and reissue the peer review report. Such situation would necessitate a completely new peer review of the same period or replacement review of a subsequent period.

If, after consultation with the committee (or individual designated by the committee), it is determined that the original reviewer can update and reissue the peer review report, any additional procedures performed by the reviewer should be completed as soon as practicable, and the revised report and supporting documentation should be submitted to the administering entity within 90 days of the date of the Notification of Acceptance Recall letter.

The committee (or report acceptance body [RAB] on behalf of the committee) should consider the reissued report and additional supporting documentation in conjunction with the retained documents from the previously accepted peer review in light of the circumstances and should follow the same review acceptance considerations as outlined in section III of this chapter.

b. Reviewer Considerations for Reissuing and Submitting a Revised Peer Review Report That Was Previously Recalled

If the Notification of Discovery letter is sent within 120 days of the peer review completion date and it is determined that the original peer review report can be recalled and reissued, the original reviewer should perform peer review procedures sufficient to update the peer review report. Any additional procedures by the reviewer may be performed at the reviewed firm's expense and should be completed as soon as practicable. The reissued report should be presented on the original reviewing firm's letterhead and be dated as of the date that the reviewer obtained enough evidence to conclude on the results of the review with consideration of the newly discovered information and communicates those results to the reviewed firm. There should not be a reference in the reissued peer review report to the previously issued and recalled report.

In addition, the reviewer should also consider requesting an update or addendum to the representations letter from the reviewed firm, specifically addressing the circumstances previously omitted or provided in error.

c. Submitting Documents to the Administering Entity for a Reissued Peer Review Report

In addition to submitting the reissued peer review report to the administering entity, the reviewer should also submit any pertinent additional peer review documentation, including at a minimum, a revised Summary Review memorandum (system reviews) or a memo detailing the situation, reviewer's additional considerations, conclusions, and changes to engagement data statistics. The revised Summary Review memorandum (system reviews) or memo should address the omission or error in detail and fully explain the impact and conclusion on significant peer review aspects, including changes in risk assessment, engagement selection, procedures, evaluation and elevation of matters, recommendations, or report rating. The reviewer should submit peer review documentation that was significantly changed as a result of additional procedures that would ordinarily be submitted to the administering entity for acceptance in accordance with the guidance. The submission should be made within 90 days of the date of the Notification of Acceptance Recall letter from the administering entity. The revised peer review documents and working papers should be subjected to technical review prior to presentation to the RAB in accordance with chapter 2, "Technical Reviewer Qualifications and Responsibilities," of this handbook. Such information should be considered in conjunction with the previously submitted and retained peer review documents and working papers that were not revised as well as the previous technical reviewer's checklist.

6. *Recalling Peer Review Documents If Discovery Is More Than 120 Days After Peer Review Completion*

The reviewer is expected to retain peer review documentation in accordance with the peer review working paper retention policy. Therefore, if the Notification of Discovery letter is sent more than 120 days after the completion of the peer review (working paper retention period), the firm should ordinarily have the review reperformed or be subjected to a new peer review. (See guidance in section 6b for the determination of a same period or review of a subsequent period.) In this case, the reviewer should complete a full set of peer review working papers and submit the new report and peer review documentation ordinarily submitted for acceptance in accordance with the guidance. The submission should ordinarily be made within 90 days of the date of the Notification of Acceptance Recall letter from the administering entity.

a. *Committee Considerations for Accepting a New Peer Review Report*

If the reviewer recalls the report and it is not appropriate to reissue (because, for instance, the recall is outside of 120 days or because the reviewer does not agree to perform sufficient procedures to reissue), a new peer review may need to be performed to enable the reviewed firm to meet its peer review requirement. The new review could be a reperformance of the same period or a subsequent period. If a new peer review is performed, the new report and customary peer review documentation should be submitted to the administering entity for technical review and committee acceptance consideration within 90 days of the date of the Notification of Acceptance Recall letter. The committee should consider the submission in light of the circumstances and should follow the same review acceptance considerations as outlined in section III of this chapter.

b. *Considerations for a Replacement Review of a Subsequent Period*

In certain situations, if the original peer review documents are recalled, it may be determined that a peer review on the same period covered by the previous review would not be appropriate, and, therefore, the firm and committee should consider whether a replacement review of a subsequent period is warranted. Such factors may also be considered by the reviewer in determining whether the previously issued peer review report should be recalled or allowed to remain as originally accepted. The committee and the firm should consider any lapse in covered periods and considerations of licensing and regulatory requirements, as well as AICPA membership requirements. The committee should also consider such factors as the significance and risk(s) related to the omitted engagement(s) or subsequently completed engagement(s), time elapsed, or whether the next review is imminent.

Example 1. Replacement review of a subsequent period may not be appropriate.

A firm failed to inform the administering entity or reviewer that a particular level of service was performed or neglected to disclose that it performed a must-select engagement during the period under review, and the firm no longer issues such an engagement after the period covered by the review. If reviewing a subsequent 12-month period would not include the engagement(s) in question, then a replacement review of a subsequent period would not be appropriate. In such situations, the peer review documents should be recalled and another peer review of the original period should be performed timely.

Example 2. Replacement review of a subsequent period may be appropriate.

A firm failed to inform the administering entity or reviewer that a particular level of service was performed or neglected to disclose that it performed a must-select engagement during the period under review, and the firm has or will continue to issue such engagement(s). If the firm has completed or has almost completed another 12-month period and the next peer review is not yet due, and a new review will include the specific or similar engagement(s) in question, then a replacement review of a subsequent period may be appropriate. In such situations, the reviewer and committee should determine whether to allow the original peer review report to remain as originally accepted or recall the report and replace it with the new peer review report which would be presented for acceptance in the near term. If the reviewed firm and committee agree that a replacement review is appropriate and can be timely

performed and submitted (within 90 days of the date of the Notification of Acceptance Recall letter), then the reviewer and committee may decide to allow the previous peer review documents to remain as originally accepted. However, if the replacement review documents are not submitted to the administering entity within the agreed upon time frame, then the committee should recall the previously accepted peer review documents.

7. Reviewer Decides Not to Voluntarily Recall Peer Review Report

If, after careful consideration, the reviewer determines that the firm's omission or error would not have caused a significant change in the planning, performance, evaluation of results, or peer review documents, then the reviewer must summarize his or her basis for conclusion and communicate the results to the committee and reviewed firm promptly, but no later than 30 days from the date of the Notification of Discovery letter. The summary should be retained by the reviewer and administering entity in accordance with the peer review working paper retention period, which is 120 days after the peer review is completed. In the case of recall considerations, the peer review completion timeline would be triggered by notification of the committee's final resolution of the matter that prompted the recall considerations. If the committee agrees with the reviewer's determination, the administering entity should send the firm a Notification of Discovery Closure letter to the reviewed firm (copied to reviewer and AICPA staff), notifying the firm that the matter is considered closed and no further action will be taken regarding the previously accepted peer review documents.

If the committee has substantial reason to question the reviewer's decision not to recall the report, then the committee may undertake further measures. The committee (or individual designated by the committee) should consult with staff, evaluate the circumstances, and determine whether the peer review acceptance letter should be recalled notwithstanding the reviewer's decision. Even if the reviewer does not make the determination to recall the report, the committee's decision to recall an acceptance letter invalidates the related peer review report and letter of response, if applicable, because it creates a situation in which the firm's peer review documents are no longer accepted by the administering entity. If, after following the committee considerations (see the subsequent list) acceptance is recalled, the committee (or individual designated by the committee) will consult with the firm about whether the firm should have the review reperfomed on the same period or possibly allow the firm to elect to have a replacement review of a subsequent period. The determination to recall the acceptance letter and related peer review documents and confirmation of the firm's plan to have the report reissued or to have another review performed should be documented in a Notification of Acceptance Recall letter from the administering entity on behalf of the committee, addressed to the firm, and copied to the reviewer and staff.

The following scenarios should be considered by the committee depending on the timing of the discovery of the omission or error:

a. Committee Considerations When Reviewer Decides Not to Recall the Peer Review Report—Discovery Within 120 Days of Peer Review Completion

After the facts are confirmed and documented by the reviewer and the committee has substantial reason to believe that the reviewer's decision not to recall the previously accepted peer review report may be inappropriate, the committee should consider notifying the reviewed firm, consult with staff, and determine the most appropriate action. The committee may decide that (onsite or offsite) additional procedures should be performed by an individual acceptable to the committee to determine if the decision not to recall the report is appropriate. This could include partial or full working paper additional procedures covering all related documents underlying the peer review. Although the review would have already been performed, the additional procedures can still be performed afterwards with the cooperation of the reviewed firm and reviewer in either providing or forwarding requested items to the person(s) performing the additional procedures. The additional procedures should be performed as soon as reasonably practical but should commence not later than 30 days following the reviewer's communication of a decision not to recall the peer review report.

The individual performing additional procedures should approach the review with a higher degree of skepticism with regard to the reviewed firm's omissions or errors and determine whether they

were able to overcome concerns about the omissions or error. The individual performing additional procedures should fully report on these procedures to the committee.

- i. If the results of the additional procedures are consistent with the documents previously accepted for the review, the committee should allow the peer review documents to remain as originally accepted.
 - ii. However, if the additional procedures results indicate that a substantially different peer review report (change in report rating, scope, must-select industries, or deficiencies identified) should have been issued as a result of the discovered error or omission, then the committee should consider recall of the previously accepted peer review documents. The administering entity should notify the reviewer of the results of the additional procedures and committee's conclusion. The committee (or individual designated by the committee) should also discuss the results with the reviewed firm and determine if the firm should undergo another full peer review. This peer review would be conducted at the reviewed firm's expense and could cover the same period or, depending on the timing or other factors, could cover a subsequent period.
- b. *Committee Considerations When Reviewer Decides Not to Recall the Peer Review Report—Discovery More Than 120 Days After Peer Review Completion*

If the notification about the reviewed firm's omission or error occurs after the peer review working paper retention period (120 days after the completion of the peer review) and the reviewer decides not to recall the peer review report, then the committee should discuss the potential implications of the omission or error and should consult with AICPA staff. If, after careful consideration and its own assessment, the committee disagrees with the reviewer's conclusion not to recall the peer review report, the committee should independently consider recalling the acceptance of the peer review documents. The committee of the administering entity should thoroughly document its considerations and reasons for recalling the peer review documents and related acceptance in opposition to the reviewer's determination.

The administering entity should notify the reviewer of the committee's decision to recall acceptance and consult with the firm to determine if or when the firm should have another review performed. See section 6 for procedures for recalling peer review documents when discovery is more than 120 days after peer review completion.

8. *Additional Considerations by Peer Review Committee or AICPA Staff*

The committee and staff should evaluate the nature, reasons, impact, and implications behind the reviewed firm's omission or error. The administering entity should advise the firm to notify the state board of accountancy and other relying parties of a situation in which the committee has decided to recall previously accepted peer review documents. The reviewed firm must acknowledge its responsibility to communicate this to the state board of accountancy and other relying parties, including regulators, enforcement agencies, or government agencies, in the Notification of Acceptance Recall letter. The Notification of Acceptance Recall letter will also inform the reviewed firm that the administering entity may notify the state board that peer review documents previously made available have been recalled and to contact the firm for further information. This would be applicable for states that have statutes to allow access to certain peer review documents and to which the firm has not opted out at the time of the recall.

In instances in which the committee believes that there has been noncompliance with standards or non-cooperation on the part of the reviewed firm, additional actions that may be considered by the committee or staff include referral to a hearing panel of the AICPA Peer Review Board for termination from the AICPA Peer Review Program. The fact that a firm's enrollment in the AICPA Peer Review Program has been terminated, with or without a hearing, will be published in such form and manner as the AICPA Council may prescribe. A firm's termination from the program could result in the termination of AICPA membership for all individuals within the firm. Depending on the circumstances, if the firm's enrollment is terminated through such procedures, staff may make a referral to the AICPA's Professional Ethics Division for individuals who may have violated the Code of Professional Conduct.