

California Board of Accountancy

# Peer Review Oversight Committee (PROC) Meeting

May 6, 2016



**11:00 a.m. – 1:00 p.m.**

Wyndham Irvine – Orange County Hotel  
17941 Von Karmen Avenue  
Irvine, CA 92614  
Telephone: (949) 863-1999



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



**CBA MISSION:** To protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards

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

**AMENDED AGENDA**

**PROC MEETING  
NOTICE & AGENDA**

**May 6, 2016  
11:00 a.m. – 1:00 p.m.**

Wyndham Irvine – Orange County Hotel  
17941 Von Karmen Avenue  
Irvine, CA 92614  
Telephone: (949) 863-1999

**Important Notice to the Public**

All times indicated, other than those identified as “time certain,” are approximate and subject to change. Agenda items may be discussed and action taken out of order at the discretion of the PROC Chair. The meeting may be canceled without notice. For verification of the meeting, call (916) 561-4366 or access the CBA website at [www.cba.ca.gov](http://www.cba.ca.gov).

- I. Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks (**Robert Lee, Chair**).
- II. Report of the Committee Chair (**Robert Lee**).
  - A. Approval of the January 29, 2016 PROC Meeting Minutes.
  - B. Report on the March 17-18, 2016 CBA Meeting (**Robert Lee**).
  - C. Discussion of Emerging Issues and/or Changes to the American Institute of Certified Public Accountants’ (AICPA) Peer Review Standards in California Relating to Qualification and Training Requirements for Peer Reviewers, Effective May 1, 2016.
  - D. Discussion on the PROC Summary of Administrative Site Visit Checklist.
- III. Report on PROC Oversight Activities Conducted since January 29, 2016 (**Robert Lee**).
  - A. Report on the February 24, 2016 California Society of Certified Public Accountants’ (CalCPA) Report Acceptance Body (RAB) Meeting.
  - B. Report on the February 25, 2016 CalCPA RAB Meeting.**
  - C. Report on the March 22, 2016 CalCPA RAB Meeting.
  - D. Report on the April 28, 2016 CalCPA RAB Meetings.

- E. Report on the May 3, 2016 AICPA Peer Review Board (PRB) Meeting.
  - F. Report on Peer Review-Related Updates from the AICPA's and National Association of State Boards of Accountancy's (NASBA) Websites.
  - G. Discussion on the PROC Summary of Peer Review Subcommittee RAB and Peer Review Board Meeting Checklists (**Ben Simcox, Enforcement Manager**).
  - H. Assignment of Future PROC Oversight Roles, Responsibilities, Activities, and Assignments (**Siek Run, Enforcement Analyst**).
- IV. Report of the Enforcement Chief (**Dominic Franzella, Chief, Enforcement Division**).
- A. Discussion on the NASBA Compliance Assurance Committee (CAC) Oversight Report on the AICPA National Peer Review Committee (NPRC), Issued February 29, 2016.
  - B. Discussion on the NASBA Response to AICPA Exposure Draft, *Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews for Improving Transparency and Effectiveness of Peer Review*, Issued January 11, 2016.
- V. Closing Business (**Robert Lee**).
- A. Public Comments for Items Not on the Agenda.
  - B. Agenda Items for Future PROC Meetings.
- VI. Adjournment.

Action may be taken on any item on the agenda. 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. 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 Siek Run at (916) 561-4366, or by email at [Siek.Run@cba.ca.gov](mailto:Siek.Run@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:

Siek Run, Enforcement Analyst  
(916) 561-4366 or [Siek.Run@cba.ca.gov](mailto:Siek.Run@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 [www.cba.ca.gov](http://www.cba.ca.gov).



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



**PROC May 6, 2016**  
**DRAFT**

**DEPARTMENT OF CONSUMER AFFAIRS**  
**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)**

**MINUTES OF THE**  
**January 29, 2016**  
**PEER REVIEW OVERSIGHT COMMITTEE (PROC) MEETING**

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

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

Robert Lee, CPA, PROC Chair, called the meeting of the PROC to order at 11:00 a.m. on Friday, January 29, 2016. The meeting adjourned at 1:29 p.m.

Mr. Lee read the following into the record:

“The CBA’s mission is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

This mission is derived from the statutory requirement that protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.”

Members

Robert Lee, CPA, Chair	11:00 a.m. – 1:29 p.m.
Sherry McCoy, CPA, Vice-Chair	11:00 a.m. – 1:29 p.m.
Katherine Allanson, CPA	11:00 a.m. – 1:29 p.m.
Nancy Corrigan, CPA	11:00 a.m. – 1:29 p.m.
Jeffrey De Lyser, CPA	11:00 a.m. – 1:29 p.m.
Kevin Harper, CPA	11:00 a.m. – 1:29 p.m.
Renee Graves, CPA	11:00 a.m. – 1:29 p.m.

CBA Staff

Dominic Franzella, Chief, Enforcement Division

Ben Simcox, CPA, Enforcement Manager

Siek Run, Enforcement Analyst

Other Participants

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

II. Report of the Committee Chair.

A. Approval of the December 9, 2015, 2015 PROC Meeting Minutes

Mr. Lee requested members to review and provide feedback or edits to the December 9, 2015 PROC Meeting Minutes.

Ms. McCoy suggested amending page 6, item V.D., to read that the PROC supports the clarifying changes to the Exposure Draft.

Ms. McCrone recommended amending page 4, item III.E., to reflect AICPA instead of CalCPA.

**It was moved by Ms. Allanson and seconded by Mr. Harper to approve the meeting minutes with the clarifying changes.**

**Yes: Mr. Lee, Ms. McCoy, Ms. Allanson, Ms. Corrigan, Mr. De Lyser, Mr. Harper, and Ms. Graves.**

**The motion passed.**

B. Report on the January 21-22, 2016 CBA Meetings.

Mr. Lee provided the PROC a summary of the CBA January 21-22, 2016 meeting and highlighted actions taken on a wide variety of topics discussed during the meeting. The next CBA meeting will be held in Anaheim on March 17-18, 2016 and will be attended by Mr. De Lyser on behalf of Mr. Lee.

C. Discussion of Emerging Issues and/or National Standards that may have an Impact on Peer Review in California.

There was no report on this agenda item.

III. Report on PROC Oversight Activities Conducted since December 9, 2015.

A. Report on the December 15, 2015 California Society of Certified Public Accountants' (CalCPA) Report Acceptance Body (RAB) Meeting.

Ms. Corrigan participated in this conference call and reported on the meeting. She described the meeting as being brief, participants were well prepared, organized, and had no significant issues.

B. Report on the January 11, 2016 National Association of State Boards of Accountancy's (NASBA) Compliance Assurance Committee (CAC) Meeting.

Mr. Harper participated in this conference call and reported on the meeting. He explained that it consisted of 30 attendees nationwide. He observed that the meeting focused on recent changes in the peer review process and continuing education requirements. Mr. Harper explained that there were discussions on the re-organization of internal operations and improvements to the website information, drafted response to the AICPA Exposure Draft, and planning for the 2017 PROC Summit.

C. Report on the January 13, 2016 American Institute of Certified Public Accountants' (AICPA) Peer Review Board (PRB) Meeting.

Mr. De Lyser participated in this conference call and reported on the meeting. He explained that the meeting focused on the importance of the AICPA peer review program and improving audit quality.

D. Report on the January 26, 2016 and January 27, 2016 CalCPA RAB Meetings.

Mr. Harper participated in this conference call and reported on the meeting. He explained that the meeting consisted of four RAB members, who reviewed 44 reviews. He observed that the RABs participants were prepared and thorough as usual.

There was no report on the January 27, 2016 CalCPA RAB Meeting.

E. Report on the PROC Oversight of the AICPA Oversight of Out-of-State Administering Entities (New York).

Mr. De Lyser presented his findings from his oversight of New York, an Out-of-State Administering Entity. He explained that New York received four recommendations from the AICPA Oversight Taskforce:

- Technical reviewers to invest more time and greater care in their technical reviews, as the RAB received and reviewed issues that could have been resolved in the technical review level
- Issuance of a performance deficiency letter and monitor performance of a reviewer identified during the oversight visit
- Reminding all peer reviewers to document the rationale for excluding certain levels of services from any engagement selection
- Present review status reports as a standing agenda item at each other's peer review committee meetings

The State of New York responded positively to the recommendations and will work to adopt the recommendations immediately.

The PROC discussed this agenda item and made recommendations to improve the oversight of Out-of-State Administering Entities. The PROC recommended retaining prior oversight reports, referencing them during future oversight of New York and Texas, and identifying if there are improvements or repeats of negative findings.

Further, the PROC noted that if the finding is related to the state, AICPA should follow-up with the state, hold it responsible for adhering to the peer review process, and determine if it would be necessary to raise concerns to the Board.

F. Assignment of Future PROC Oversight Roles, Responsibilities, Activities, and Assignments.

Mr. Lee reviewed the PROC Assignment sheet as members volunteered for future PROC activities for the following dates and time:

CalCPA RAB Meetings

- April 28, 2016 – Ms. Allanson at 9:00 a.m. call
- April 28, 2016 – Mr. De Lyser at 2:00 p.m. call
- May 19, 2016 – Ms. Graves and Ms. McCoy (Pasadena, CA)

CalCPA PRC Meeting

- May 20, 2016 – Ms. Graves and Ms. McCoy (Pasadena, CA)

AICPA PRB Meetings

- May 3, 2016 – Ms. Corrigan, call (Duham, NC)
- August 8-11, 2016 – Pending travel approval (San Diego, CA)
- September 27, 2016 – Ms. Graves, call

PROC members and Ms. McCrone discussed the August 8-11, 2016 AICPA Conference and PRB Meeting. Members received clarification on how the AICPA education requirements will change as of May 1, 2016 for new and general peer reviewers. The PROC determined that more information is needed regarding the August 8-11, 2016 AICPA Conference and PRB Meeting and assigned Mr. De Lyser to research training updates. Ms. Graves was assigned to monitor website updates related to peer review. Ms. McCrone volunteered to send over information on how to obtain updates.

The PROC members discussed the need to complete the CalCPA Site Visit by November 2016 in order to prepare for the 2016 PROC Annual Report. Mr. Harper will coordinate with Ms. McCrone to schedule the Site Visit.

IV. Report of the Enforcement Chief.

A. Discussion on the Draft 2015 PROC Annual Report.

Mr. Franzella reviewed and reported on edits made to the 2015 PROC Annual Report (Report).

The PROC reviewed and discussed the Report and various edits to be incorporated into the final format, and decided on the appropriate language and format for final edits.

Mr. Lee requested that the PROC make a motion to have the report ready for the March CBA Meeting and advised that the motion be specific.

**It was moved by Mr. Harper and seconded by Ms. Carrigan to approve the draft 2015 PROC Annual Report with the amendments as discussed during the meeting and delegate any addition amendments for final approval to the Chair.**

**Yes: Mr. Lee, Ms. McCoy, Ms. Allanson, Ms. Corrigan, Mr. De Lyser, Mr. Harper, and Ms. Graves.**

**The motion passed.**

B. Discussion on the National Peer Review Committee (NPRC), AICPA Peer Review Program Annual Report on Oversight, Issued October 22, 2015.

Mr. Franzella introduced this report and explained that it provides important statistical information pertaining to the AICPA Peer Review Program. Ms. McCrone provided clarifications on changes to the AICPA's peer review process that will affect peer reviewers and audit quality.

C. Discussion on the Administrative Oversight of the National Peer Review Committee Result Letter, Issued October 22, 2015.

Mr. Franzella introduced this letter, a response from the AICPA PRB as a result of the Administrative Oversight of the NPRC.

There was no discussion on this agenda item.

D. Discussion on the 2015 AICPA Peer Review Program Annual Report on Oversight, Issued September 18, 2015.

Mr. Franzella introduced this report and explained that it was important for the CBA to be current with statistical information and procedural findings identified by AICPA, how they affect the peer review policies, procedures, and consumers.

The PROC briefly discussed the audit quality performed by AICPA subject matter experts versus peer reviewers and the result which concluded with an increased number of non-conforming reports. The PROC agreed that there are peer reviewers who will need to improve their audit quality and wondered how AICPA will address the matter.

- E. Discussion on the California Society of CPAs Peer Review Program Annual Report on Oversight for Calendar Year 2014, Issued October 22, 2015.

There was no discussion on this agenda item.

- F. Discussion on the PROC Peer Review Oversight Checklist Updates, PROC Summary of Administrative Site Visit Checklist.

Mr. Harper and Mr. De Lyser presented on this agenda item. After a thorough discussion the PROC confirmed that the existing CalCPA Site Visit Checklist provides a complete list of what to look for during the site visit but provides no guidance as to how to observe or acquire the information to determine if the administering entity adheres to the AICPA peer review standards.

Mr. Harper recommended that prior to the CalCPA Site Visits, the PROC should complete the site visit checklist, perform a risk assessment, and identify where more information if necessary, and send PROC members to seek clarification.

Mr. Harper and Ms. McCoy volunteered to work together and develop recommendations regarding the CalCPA Site Visit Checklist to discuss on and assess at the next PROC meeting. The PROC advised referencing the RAB handbook and both the AICPA and Texas checklist for this task.

- V. Closing Business (**Robert Lee, Chair**).

- A. Public Comments for Items Not on the Agenda.

No public comments were received for this agenda item.

- B. Agenda Items for Future PROC Meetings.

There was no report on this agenda item.

- VII. Adjournment.

There being no further business, Mr. Lee adjourned the meeting at 1:29 p.m. on Friday, January 29, 2016.

---

Robert Lee, CPA Chair

Siek Run, Enforcement Analyst, prepared the PROC meeting minutes. If you have any questions, please call (916) 561-4343.



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



**PROC Item II.D.**  
May 6, 2016

## **Discussion on the PROC Summary of Administrative Site Visit Checklist**

**Presented by:** Robert Lee, CPA, Peer Review Oversight Committee Chair

---

### **Consumer Protection Objectives**

The purpose of this agenda item is to provide the Peer Review Oversight Committee (PROC) the opportunity to review and identify ways to improve the Administrative Site Visit Checklist (Checklist) to be more comprehensive. Clarifying changes to the Peer Review standards set by the American Institute of Certified Public Accountants (AICPA) are currently being considered. The Checklist may require modification to ensure that the PROC effectively oversight the California Society of Certified Public Accountants' (CalCPA) Peer Review Program and provides consumer protection.

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

It is requested that all members come prepared to discuss and contribute ideas to make the Checklist more comprehensive, and ready to accept assignments.

### **Background**

As part of its oversight activities, the PROC is charged with conducting, at a minimum, an annual administrative site visit of all Board-recognized peer review program providers and determine if the provider is administering peer review in accordance with standards adopted by the CBA.

During the January 29, 2016 PROC meeting, members expressed the need to improve the Checklist to better guide future PROC Administering Site Visits to CalCPA. PROC members were assigned to research other checklists, oversight policies and procedures, and to present their findings and recommendations to the PROC.

### **Comments**

The Checklist (**Attachment**) allows members to summarize and report to the CBA.

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic considerations.

### **Recommendation**

Staff does not have recommendations for this agenda item.

### **Attachment**

Peer Review Oversight Committee Summary of Administering Site Visit



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



Peer Review Oversight Committee

Attachment

**Summary of Administrative Site Visit**

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

Date of Visit: \_\_\_\_\_

Name of Peer Review Program Provider: \_\_\_\_\_

PROC Members Performing Visit:

\_\_\_\_\_  
 \_\_\_\_\_

1. List program staff interviewed as part of the oversight visits:			
Name:	Title:		
<b>PEER REVIEW TYPES</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>
1. Does the Provider have a review designed to test a firm's system of quality control for firms performing engagements under SASs, SSAEs, or audits of non-SEC issuers performed pursuant to the standards of the PCAOB?			
2. Does the Provider have a review designed to test a cross-section of a firm's engagements to assess whether they were performed in conformity with applicable professional standards for firms performing engagements under SSARS or SSAEs not encompassed in #1 above?			
Comments:			

<b>PEER REVIEW REPORT ISSUANCE</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>
1. For each type of review above, does the Provider issue the following type of peer review reports:			
a. Pass? System of quality control was suitably designed, or engagements were performed in conformity with applicable professional standards.			
b. Pass with Deficiencies? System of quality control was suitably designed with the exception of a certain deficiency, or engagements were performed in conformity with applicable professional standards with the exception of a certain deficiency.			
c. Substandard? System of control is not suitably designed, or engagements were not performed in conformity with applicable professional standards.			
Comments:			
<b>PEER REVIEWER QUALIFICATIONS</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>
1. Has the Provider established minimum qualifications for an individual to qualify as a peer reviewer, to include:			
a. Having a valid and active license in good standing to practice public accounting by this state or another state?			
b. Being actively involved in practicing at a supervisory level in a firm's accounting and auditing practice?			
c. Maintaining a currency of knowledge of the professional standards related to accounting and auditing, including those expressly related to the type or kind of practice to be reviewed?			
d. Furnishing his/her qualifications to be a reviewer, including recent industry experience?			
e. Association with a firm that has received a peer review report with a rating of pass or pass with deficiencies as part of the firm's last peer review?			
Comments:			



<b>PLAN OF ADMINISTRATION AND ACCEPTING PEER REVIEWS (cont)</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>
e. Ensuring adequate peer reviewers to perform peer reviews?			
f. Ensuring the pool of peer reviewers have a breadth of knowledge related to industry experience.			
g. Ensuring the qualifications of peer reviewers?			
h. Evaluating a peer reviewer's performance on peer reviews?			
3. Has the Provider established a training program(s) designed to maintain or increase a peer reviewer's currency of knowledge related to performing and reporting on peer reviews?			
4. Does the Provider ensure that a firm requiring a peer review selects a peer reviewer with similar practice experience and industry knowledge, and the peer reviewer is performing a peer review for a firm with which the reviewer has similar practice experience and industry knowledge?			
5. Does the Provider require the maintenance of records of peer reviews conducted under the Program, including at minimum, written records of all firms enrolled in the peer review program and documents required for submission under Section 46, with these documents to be retained until the completion of a firm's subsequent peer review?			
Comments:			
<b>COMPOSITION OF THE PEER REVIEW COMMITTEE (PRC)</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>
1. Do the PRC members meet the peer reviewer qualification requirements as outlined in the Peer Reviewer Qualifications section above?			
2. In determining the size of the PRC, did the Provider consider the requirement for a broad industry experience and the likelihood that some members will need to recuse themselves from some reviews as a result of the member's close association to the firm or having performed the review?			
3. Is any PRC member currently serving as a member of the CBA?			
4. Do PRC members comply with all confidentiality requirements by annually signing a statement acknowledging their appointments and the responsibilities and obligations of their appointments?			
Comments:			

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

**SUMMARY (cont)**

2. Were any specific issues identified and discussed?

3. Has the Provider demonstrated improvement from any prior oversight visit?

4. Does the Provider administer peer reviews in accordance with the standards adopted by the CBA?

Meets Expectations       Does Not Meet Expectations\*

Comments:

The above checklist was prepared by:

\_\_\_\_\_

Print Name

\_\_\_\_\_

Signature

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



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



**PROC Item III.G.**  
May 6, 2016

## **Discussion on the PROC Summary of Peer Review Subcommittee Report Acceptance Body and Peer Review Board Meeting Checklists**

**Presented by:** Ben Simcox, CPA, Enforcement Manager

---

### **Consumer Protection Objectives**

The purpose of this agenda item is to provide the Peer Review Oversight Committee (PROC) the opportunity to discuss the PROC Review Acceptance Body (RAB) and the Peer Review Board (PRB) checklists. Clarifying changes to the Peer Review Standards (Standards) set by the American Institute of Certified Public Accountants (AICPA) are currently being considered. The PROC RAB and PRB checklists may require modifications to ensure that the PROC effectively oversees the RAB and PRB meetings and provide consumer protection.

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

It is requested that all members come prepared to discuss and contribute ideas to make the checklists more comprehensive, and be ready to accept assignments.

### **Background**

As part of its oversight activities, the PROC observes selected RAB and PRB meetings, which generally occurs via conference calls. These meetings are summarized and presented to the California Board of Accountancy as part of the PROC reporting.

During January 29, 2016 PROC meeting, members expressed the need to improve the PROC checklists to be more comprehensive for future PROC oversight activities. Members requested a standing agenda item to discuss and consider ways to improve all PROC oversight checklists, assign members to research, review policies and procedures outside of the PROC, and present their findings and recommendations to the PROC.

### **Comments**

The PROC RAB and PRB checklists (**Attachments 1 & 2**) allows members to summarize and report to the CBA.

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic considerations.

**Discussion on the PROC Summary of Peer Review Subcommittee Report  
Acceptance Body and Peer Review Board Meeting Checklists**

Page 2 of 2

**Recommendation**

Staff do not have recommendation on this agenda item.

**Attachments**

1. Peer Review Oversight Committee Summary of Peer Review Subcommittee RAB Meeting
2. Peer Review Oversight Committee Peer Review Board Meeting Checklist



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



Peer Review Oversight Committee

Attachment 1

**Summary of Peer Review Subcommittee Meeting**  
 (Report Acceptance Body Meeting)

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

Date of Meeting: \_\_\_\_\_

Name of Peer Review Program Provider: \_\_\_\_\_

Number of reports discussed at the meeting: \_\_\_\_\_

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

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

The above checklist was prepared by:

\_\_\_\_\_

Print Name

\_\_\_\_\_

Signature

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



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



Peer Review Oversight Committee

Attachment 1

**Summary of Peer Review Subcommittee Meeting**  
 (Report Acceptance Body Meeting)

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

Date of Meeting: \_\_\_\_\_

Name of Peer Review Program Provider: \_\_\_\_\_

Number of reports discussed at the meeting: \_\_\_\_\_

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





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



**PROC Item III.H.**  
May 6, 2016

## **Assignment of Future PROC Oversight Roles, Responsibilities, Activities, and Assignments**

**Presented by:** Siek Run, Enforcement Analyst

---

### **Consumer Protection Objectives**

The purpose of this agenda item is to provide the Peer Review Oversight Committee (PROC) the opportunity to review and assign members to specific PROC oversight activities. By performing oversight activities of the California Board of Accountancy's (CBA) recognized peer review program providers, the PROC is able to provide recommendations to the CBA on the effectiveness of the peer review program, which furthers the CBA's mission of consumer protection.

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

It is requested that all members bring their calendars to the May 6, 2016, PROC Meeting and be prepared to accept assignments.

### **Background**

None.

### **Comments**

The 2016 CBA Meeting Dates/Locations and 2016 PROC Year-at-a-Glance calendars and the Activity Assignments and the Roles and Responsibility Activity Tracking sheets (**Attachments 1, 2, 3, & 4**) include meetings and activities that are currently scheduled for the following:

- CBA
- PROC
- American Institute of Certified Public Accountants' (AICPA) Peer Review Board
- California Society of Certified Public Accountants' (CalCPA) Report Acceptance Body
- CalCPA Peer Review Committee
- National Association of State Boards of Accountancy (NASBA) Compliance Assurance Committee

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic considerations.

## **Assignment of Future PROC Oversight Roles, Responsibilities, Activities, and Assignments**

Page 2 of 2

### **Recommendation**

It is recommended that members continue to use the four documents provided as resources when accepting assignments to participate in meetings and activities held by the AICPA, CalCPA, and NASBA.

### **Attachments**

1. 2016 CBA Meeting Dates/Locations Calendar
2. 2016 CBA PROC Year-at-a-Glance Calendar
3. 2016 Peer Review Oversight Committee (PROC) Activity Assignments
4. 2016 Peer Review Oversight Committee (PROC) Roles and Responsibilities Activity Tracking

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)  
2016 MEETING DATES/LOCATIONS CALENDAR  
(CBA MEMBER COPY)**

**JANUARY 2016**

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

**FEBRUARY 2016**

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

**MARCH 2016**

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

**APRIL 2016**

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 NC	28	29	30

**MAY 2016**

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

**JUNE 2016**

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		

**JULY 2016**

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

**AUGUST 2016**

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

**SEPTEMBER 2016**

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

**OCTOBER 2016**

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

**NOVEMBER 2016**

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

**DECEMBER 2016**

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

**COMMITTEES**

EAC - Enforcement Advisory Committee  
 QC - Qualifications Committee  
 PROC - Peer Review Oversight Committee  
 MSG - Mobility Stakeholder Group

**GENERAL LOCATION**

NC - NORTHERN CALIFORNIA  
 SC - SOUTHERN CALIFORNIA

	<b>CBA OFFICE CLOSED</b>
	<b>CBA MEETING</b>
	<b>EAC MEETING</b>
	<b>PROC MEETING</b>
	<b>QC MEETING</b>
	<b>MSG MEETING</b>

# Attachment 2

## CALIFORNIA BOARD OF ACCOUNTANCY (CBA) PEER REVIEW OVERSIGHT COMMITTEE (PROC) 2016 Year-at-a-Glance Calendar (As of April 14, 2016)

**JANUARY 2016**

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

**FEBRUARY 2016**

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

**MARCH 2016**

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

**APRIL 2016**

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

**MAY 2016**

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				

**JUNE 2016**

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		

**JULY 2016**

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						

**AUGUST 2016**

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			

**SEPTEMBER 2016**

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	

**OCTOBER 2016**

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 2016**

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			

**DECEMBER 2016**

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

**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
- CAC - Compliance Assurance Committee

**GENERAL LOCATION**

- NC-NORTHERN CALIFORNIA
- SC-SOUTHERN CALIFORNIA
- T-TELECONFERENCE
- PR-PUERTO RICO
- D-DURHAM, NC
- NO-NEW ORLEANS, LA

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



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



## 2016 Peer Review Oversight Committee (PROC) Activity Assignments

Attachment 3

Date	Activity	Member Assigned
January 11, 2016	NASBA CAC/PROC 12:00 p.m. Call	Kevin
January 13, 2016	AICPA Peer Review Board Meeting (FL)	Jeff
January 21-22, 2016	<b>CBA Meeting (SC)</b>	Robert
January 26, 2016	CalCPA RAB 2:00 p.m. Call	Kevin
February 24, 2016	CalCPA RAB 2:00 p.m. Call	Nancy
February 25, 2016	CalCPA RAB 9:00 a.m. Call	Renee
March 17-18, 2016	<b>CBA Meeting (NC)</b>	Jeff
March 22, 2016	CalCPA RAB 2:00 p.m. Call	Kevin
April 28, 2016	CalCPA RAB 9:00 a.m. Call	Kathy
April 28, 2016	CalCPA RAB 2:00 p.m. Call	Jeff
May 3, 2016	AICP Peer Review Board Meeting, Call (Durham, NC)	Nancy
May 2016 (TBD)	Peer Review Advance PROC Training (TBD)	
May 19-20, 2016	<b>CBA Meeting (SC)</b>	
May 26, 2016	CalCPA RAB 8:30 a.m. - 3:00 p.m. (Pasadena, CA)	
May 27, 2016	CalCPA PRC 8:00 a.m. - 10:00 a.m. (Pasadena, CA)	
July 19, 2016	NASBA CAC/PROC 12:00 p.m. Call	
July 21, 2016	<b>CBA Meeting (NC)</b>	
August 2016 (TBD)	CalCPA Administrative Site Visit (TBD)	
August 8-10, 2016	AICPA Peer Review Conference (San Diego, CA)	
August 11, 2016	AICPA Peer Review Board Meeting (San Diego, CA)	
September 15-16, 2016	<b>CBA Meeting (SC)</b>	
September 27, 2016	AICPA Peer Review Board Meeting Call	Renee
November 17-18, 2016	<b>CBA Meeting (NC)</b>	

Updated April 14, 2016

**Attachment 4**

**Peer Review Oversight Committee (PROC) Roles and Responsibilities**

**Activity Tracking – 2016**

As of April 14, 2016

Activity*	Notes
<p><b>PROC MEETINGS</b></p> <ul style="list-style-type: none"> <li>Conduct four one-day meetings.</li> </ul>	<p><b>PROC 2016 Meetings:</b></p> <ul style="list-style-type: none"> <li>PROC Meetings Scheduled: 1/29, 5/6, 8/19, 12/9</li> <li>PROC Meetings Attended: 1/29, 5/6</li> </ul>
<p><b>ADMINISTRATIVE SITE VISITS</b></p> <ul style="list-style-type: none"> <li>Conduct, at a minimum, an annual administrative site visit of the peer review program provider.</li> </ul>	<p><b>CalCPA Site Visits:</b></p> <ul style="list-style-type: none"> <li>CalCPA Administrative Site: Not Scheduled.</li> </ul>
<p><b>PEER REVIEW COMMITTEE MEETINGS</b></p> <ul style="list-style-type: none"> <li>Attend all peer review program providers' Peer Review Board (PRB) and Peer Review Committee (PRC) meetings.</li> <li>Perform, at a minimum, an annual review of peer review program providers' Peer Review Committees.</li> <li>Ensure peer review program provider is adhering to California Board of Accountancy (CBA) standards.</li> </ul>	<p><b>Meetings Attended: American Institute of Certified Public Accountants (AICPA) PRB:</b></p> <ul style="list-style-type: none"> <li>Meetings Scheduled: 1/13 JD, 5/3 NC, 8/8-11, 9/27 RG</li> <li>Meetings Attended: 1/13 JD, 5/3 NC</li> </ul>
<p><b>PEER REVIEW SUBCOMMITTEE MEETINGS</b></p> <ul style="list-style-type: none"> <li>Attend and review at least four of each peer review program provider's peer review Report Acceptance Body (RAB) subcommittee meetings to observe the acceptance of peer review reports.</li> <li>Ensure that peer reviews are being accepted in a consistent manner.</li> </ul>	<p><b>CalCPA Peer Review Subcommittees:</b></p> <ul style="list-style-type: none"> <li>RAB Meetings Scheduled: 1/26 KH, 2/24 NC, 2/25 RG, 3/22 KH, 4/28 9AM KA, 4/28 2PM KH, 5/26</li> <li>RAB Meetings Attended: 1/26 KH, 2/24 NC, 2/25 RG</li> <li>PRC Meetings Scheduled: 5/27</li> <li>PRC Meetings Attended:</li> </ul>
<p><b>NATIONAL STATE BOARDS OF ACCOUNTANCY (NASBA) MEETINGS</b></p> <ul style="list-style-type: none"> <li>Attend and review the National State Boards of Accountancy (NASBA) Compliance Assurance Committee (CAC) meetings</li> <li>Ensure effective oversight of compliance with professional standards by CPAs and their firms</li> </ul>	<p><b>Meetings Attended: NASBA CAC/PROC:</b></p> <ul style="list-style-type: none"> <li>Meetings Scheduled: 1/11 KH, 7/19</li> <li>Meetings Attended: 1/11 KH</li> </ul>
<p><b>REVIEW OF OUT-OF-STATE ADMINISTERING ENTITIES</b></p> <ul style="list-style-type: none"> <li>Each year, review AICPA oversight visit reports for a selection of out-of-state administering entities</li> </ul>	<ul style="list-style-type: none"> <li>Not yet scheduled</li> </ul>
<p><b>REVIEW SAMPLING OF PEER REVIEWS</b></p> <ul style="list-style-type: none"> <li>Perform sampling of peer review reports.</li> </ul>	<ul style="list-style-type: none"> <li>See Administrative Site Visit</li> </ul>
<p><b>PEER REVIEWER TRAININGS</b></p> <ul style="list-style-type: none"> <li>Ensure that peer reviewers are properly qualified.</li> </ul>	<ul style="list-style-type: none"> <li>Training Scheduled:</li> </ul>
<p><b>EVALUATION OF BOARD-RECOGNIZED PEER REVIEW PROGRAM PROVIDERS</b></p> <ul style="list-style-type: none"> <li>Develop policies and procedures for reviewing and recommending approval to the CBA for new peer review providers.</li> </ul>	<p><b>Evaluation of AICPA:</b></p> <ul style="list-style-type: none"> <li></li> </ul>
<p><b>ANNUAL REPORT TO THE CALIFORNIA BOARD OF ACCOUNTANCY (CBA)</b></p> <ul style="list-style-type: none"> <li>Prepare an annual report to the CBA regarding the results of its independent oversight of the Peer Review program.</li> </ul>	<p><b>2016 PROC Annual Report:</b></p> <ul style="list-style-type: none"> <li>Initiate in August 2016</li> </ul>
<p><b>CBA MEETINGS</b></p>	<ul style="list-style-type: none"> <li>Meetings Scheduled: 1/21-22, 3/17-18, 5/19-20, 7/21, 9/15-16, 11/17-18</li> <li>Meetings Attended: 1/21-22 RL, 3/17-18 JD</li> </ul>
<p><b>ADDITIONAL ACTIVITIES</b></p>	<ul style="list-style-type: none"> <li></li> </ul>

\*Activities based on the January 29, 2016 PROC Agenda Item III.F. – Role of the PROC.



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



**PROC Item IV.A.**  
May 6, 2016

**Disussion on the NASBA Compliance Assurance Committee (CAC) Oversight  
Report on the AICPA National Peer Review Committee (NPRC),  
Issued February 29, 2016**

**Presented by:** Dominic Franzella, Enforcement Chief

---

**Consumer Protection Objectives**

The purpose of this agenda item is to provide the Peer Review Oversight Committee (PROC) the opportunity to discuss the NASBA CAC Oversight Report on the American Institute of Certified Public Accountants (AICPA) NPRC (Report) for the period of November 1, 2014 to October 31, 2015. The Report provides the PROC with important statistics and information on Peer Review Program participation and an overview of the NPRC oversight process in place, which directly relates to the CBA's mission of consumer protection.

**Action(s) Needed**

No specified action is required on this agenda item.

**Background**

To provide transparency in the operation of the NPRC such that individual state boards of accountancy and their peer review oversight committees (PROCs) may rely on the effectiveness of the NPRC.

**Comments**

None.

**Fiscal/Economic Impact Considerations**

There are no fiscal/economic considerations.

**Recommendation**

It is recommended that members review the Report (**Attachment**) prior to the May 6, 2016 PROC meeting and be prepared to discuss.

**Attachment**

NASBA Compliance Assurance Committee (CAC) Oversight Report on the AICPA National Peer Review Committee (NPRC)

**NASBA Compliance Assurance Committee (CAC)  
Oversight Report on the AICPA National Peer Review Committee (NPRC)**

The American Institute of CPAs (AICPA) National Peer Review Committee (NPRC) administers peer reviews for (i) all firms who serve SEC issuer clients and, accordingly, are required to be registered with and inspected by the Public Company Accounting Oversight Board, and (ii) other firms who elect to have their peer review administered by the NPRC. The NPRC has firms that are located in every state. These are firms that provide audit services and assurance services. To provide transparency in the operations of the NPRC such that individual state boards of accountancy and their peer review oversight committees (PROCs) may rely on the effectiveness of the NPRC, NASBA and the AICPA developed a process by which the activities of the NPRC may be monitored and reports issued.

By agreement, two spots on the NPRC are designated to be filled by NASBA representatives. These appointees must meet the requirements of all members appointed to serve on the NPRC and they cannot be currently serving on any State Accountancy Board. The members are selected by the AICPA from a list of qualified individuals recommended by NASBA. The individuals serve on the NPRC as fully-participating members with full voting rights and the same responsibilities as other NPRC members.

Those NPRC members representing NASBA report periodically to NASBA's Compliance Assurance Committee (CAC) as to whether they believe:

- The NPRC is complying with the AICPA *Standards for Performing and Reporting on Peer Reviews* (Standards) and other Guidance issued by the AICPA Peer Review Board and the NPRC;
- The NPRC has an appropriate oversight process in place for the reviews it administers and its peer reviewers;
- Results of the oversight process are transparent;
- Reviews are being conducted and reported upon in accordance with the Standards;
- Results of reviews are being evaluated on a consistent basis;
- The AICPA Peer Review Program is achieving its objectives based on the administration by the NPRC; and
- Comments, suggestions and other input from these two members are given full consideration as other such matters would be from any NPRC members.

During the period November 1, 2014 – October 31, 2015 two former state board members sat as members on the NPRC. These members participated in 16 of the 27 report acceptance bodies (RABs) held during this time period which represented 59.26% of the total RABs.

NASBA Compliance Assurance Committee Report  
on the AICPA National Peer Review Committee  
Page Two

Following are the review statistics for period November 1, 2014 – October 31, 2015:

	<u>Total Reviews</u>	<u>NASBA Member Participation</u>	<u>Percent of Participation</u>
Pass	206	135	65.5%
Pass with Deficiencies	14	9	64.3%
Fail	4	1	25.0%

Based on the oral reports provided at each Compliance Assurance Committee meeting by the NASBA representatives serving as members on the NPRC, as well as reviewing the comprehensive oversight report prepared by the NPRC issued October 22, 2015, and the administrative oversight report issued by the Oversight Task Force - NPRC on October 22, 2015, we are satisfied and can report that the NPRC has operated appropriately for the period of November 1, 2014 – October 31, 2015.

John F. Dailey, Jr., CPA  
Chair, NASBA Compliance Assurance Committee  
*February 29, 2016*

**DEPARTMENT OF CONSUMER AFFAIRS**

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

**PROC Item IV.B.**

May 6, 2016

**Discussion on the NASBA Response to the AICPA Exposure Draft, *Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews for Improving Transparency and Effectiveness of Peer Review*, Issued January 11, 2016**

**Presented by:** Dominic Franzella, Chief, Enforcement Division

---

**Consumer Protection Objectives**

The purpose of this agenda item is to provide the Peer Review Oversight Committee (PROC) an opportunity to discuss the National Association of State Boards of Accountancy (NASBA) response letter to the American Institute of Certified Public Accountants (AICPA) Exposure Draft (**Attachment**). It is important for the CBA to be current and aware of feedback and how they affect the peer review policies, procedures and consumers.

**Action(s) Needed**

PROC members should review the letter and continue to evaluate the effectiveness of the NASBA and their charge as state regulator to promote the public interest.

**Background**

On January 11, 2016 the AICPA issued the Exposure Draft, *Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews for Improving Transparency and Effectiveness of the Peer Review*, in efforts to provide clarifying changes to enhance audit quality and requested comments be submitted by January 31, 2016.

**Comments**

In the letter, NASBA provided a list of items they support in the AICPA Exposure Draft. The letter suggested exploring the development of the Office of Management and Budget, Department of Labor (DOL), etc., of databases for Team Captains to access and observe if firms performed in accordance to the Yellow Book and/or DOL audits.

Furthermore, the letter provided a list of suggestions for the AICPA to consider in efforts to improve transparency and the effectiveness of peer review.

**Fiscal/Economic Impact Considerations**

There are no fiscal/economic considerations.

**Discussion on the NASBA Response to the AICPA Exposure Draft, *Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews for Improving Transparency and Effectiveness of Peer Review*, Issued January 11, 2016**  
Page 2 of 2

**Recommendations**

Staff do not have recommendation on this agenda item.

**Attachment**

NASBA Response to the AICPA Exposure Draft, Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews for Improving Transparency and Effectiveness of Peer Review, Issued January 11, 2016



National Association of State Boards of Accountancy

---

◆ 150 Fourth Avenue, North ◆ Suite 700 ◆ Nashville, TN 37219-2417 ◆ Tel 615.880-4201 ◆ Fax 615.880.4291 ◆ [www.nasba.org](http://www.nasba.org) ◆

January 11, 2016

AICPA Peer Review Program  
American Institute of CPAs  
220 Leigh Farm Road  
Durham, NC 27707-8110

Attn: Rachelle Drummond, Senior Technical Manager

PR\_expdraft@aicpa.org

**Re: Exposure Draft**

Dear Members of the AICPA Peer Review Board:

We are pleased to respond to the request for comments from the American Institute of CPAs (the “AICPA” or the “Institute”) on its *Exposure Draft – Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews for Improving Transparency and Effectiveness of Peer Review*. The National Association of State Boards of Accountancy’s (NASBA) mission is to enhance the effectiveness of the licensing authorities for public accounting firms and certified public accountants in the United States and its territories. Our comments on the Proposed Changes are made in consideration of our charge as state regulators to promote the public interest.

**OVERALL COMMENTS**

---

We support the development of initiatives to improve audit quality by modifying standards to strengthen the guidance as to each party’s responsibilities for non-conforming engagements, to heighten the reviews of firms’ systems of quality control so that causes and appropriate remediation for nonconforming engagements can be more readily identified, and to add clarification throughout that will help enhance the effectiveness and allow for greater transparency. These efforts are in line with the State Boards’ charge of protecting the public interest.

**Background**

---

**Enhancing Audit Quality Initiative**

We support the AICPA’s efforts to enhance audit quality via short-term and long-term initiatives.

## Peer Review Standards

---

### Improving Transparency and Effectiveness of Peer Review

We support efforts to improve audit quality and have no areas of major disagreement with the AICPA's Exposure Draft. In particular, we agree with:

- Par. 38- Requiring both a closing meeting and an exit conference.
- Par. 39- Removing the Team Captain's responsibility in "closing the loop" in his/her report.
- Par. .96 and .122- Updating of the peer review reports – improved language and layout for better consistency with the clarity standards.
- Par. .99 and .125- Requiring the reviewed firm to comment on Matters for Further Consideration and Findings for Further Consideration, as applicable, in Letter of Response.
- 146-3- Giving the Administrating Entity the right to communicate with certain governmental agencies that the peer review is in process and in review. Transparency in this area is paramount to State Boards to enable them to oversee licensees and firms.

While we basically agree with the following changes, we suggest some clarifications:

- Par. 38- Including the firm's plan of remediation for nonconforming engagements in the Representation Letter.

**Suggestion:** We also recommend that the Representation Letter be maintained and given to the subsequent reviewer. Further, Par. 38 should be changed to (1) eliminate the conditional language regarding a closing meeting, and (2) the language in Par. 91 that requires a closing meeting should be used.

- Par. .99 and .125- No longer requiring the Team Captain or the reviewer to provide recommendations for remedying deficiencies to the reviewed firm. The reviewed firm should be responsible for developing plans of remediation.

**Suggestion:** The Team Captan should be permitted to assist in the development of suggested remediations when appropriate.

- Par. 208-For Engagement Reviews, require the firm to specifically indicate that they do not perform engagements under the Statements on Auditing Standards (SASs) or *Government Auditing Standards*, examinations under the Statements on Standards for Attestation Engagements (SSAEs), or engagements under the Public Company Accounting Oversight Board (PCAOB) Standards that are not subject to PCAOB inspection. Several cases have come before State Boards where firms have not subjected these types of engagements to peer review and, by elevating this matter to the Representation Letter, this loophole may be closed.

**Suggestion:** Explore the development with the OMB, DOL, etc., of databases that Team Captains could access to see if the firm performed Yellow Book and/or DOL audits.

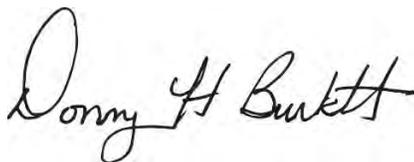
We also suggest the following issues be given some consideration:

1. Par. 38b(xiii) – It is unclear from this change whether the Team Captain is expected (or permitted) to provide the results of their evaluation of the firm’s actions, taken or planned, to the firm being reviewed. We believe this would be beneficial to the process and should be mandated.
2. Par. 75 – The definition of “systemic cause” seems to imply that every “matter” results from a systemic cause. Paragraph 70 indicates a matter is “typically one or more ‘No’ answers to questions in peer review questionnaire(s) that a reviewer concludes warrants further consideration in the evaluation of a firm’s system of quality control.” It would seem that a matter, as defined, might be determined to be isolated rather than systemic; to imply otherwise may cause reviewers to stretch the concept of “systemic” to the point that the importance of determining systemic causes is lost.
3. Related point in Par. 84 – “...if the reviewer believes that the probable systemic cause...of a matter...also exists in other engagements...” Considering whether the probability that the matter exists in other engagements should be included as part of the definition of whether the cause is systemic.
4. The guidance in proposed interpretation 83-1 is troubling in this regard: “...the failure to follow the firm’s practice aid for a particular area may have been an isolated occurrence; however, failure to follow the practice aid would still be identified as the systemic cause resulting in the matter.” This seems to indicate that every cause is a systemic cause; if so, there is no need for the adjective “systemic.”
5. Appendix A .207 (1) states: “Firms (and individuals) enrolled in the AICPA Peer Review Program are required to have a peer review, once every three years, of their accounting and auditing practice. An accounting and auditing practice for purposes of these standards is defined as all engagements performed under Statements on Auditing Standards (SASs); Statements on Standards for Accounting and Review Services (SSARS); ....” With the issuance of SSARS 21, and in particular AR-C Section 70, Preparation of Financial Statements, would this mean that this type of service would be subject to peer review? In AR-C Section 70 it is stated that such a service is not an attest service. We believe this should be clarified as State Board rules/regulations may treat this type of service differently.

\* \* \*

NASBA appreciates the opportunity to provide our perspectives on these important topics. Our comments are intended to assist the AICPA in analyzing the relevant issues and potential impacts. We encourage the AICPA to engage in active and transparent dialogue with commenters as proposed changes are considered.

Very truly yours,



Donald H. Burkett, CPA  
NASBA Chair



Ken L. Bishop  
NASBA President and CEO