



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

**PROC MEETING  
NOTICE & AGENDA**

Hyatt Place Ontario  
4760 E. Mills Circle  
Ontario, CA 91764  
(909) 980-2200

**Friday, August 23, 2013  
9:30 a.m. – 12:30 p.m.**

**PROC Purpose Statement**

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

- I. Roll Call and Call to Order (**Nancy J. Corrigan, Chair**).
- II. Report of the Committee Chair (**Nancy J. Corrigan**).
  - A. Approval of the June 21, 2013 PROC Minutes.
  - B. Report on the July 25, 2013 CBA Meeting.
- III. Report on PROC Activities (**Nancy J. Corrigan**).
  - A. Report on the July 10, 2013 PROC Summit in Nashville, TN.
  - B. Report on the July 25, 2013 CalCPA Advanced Peer Review Class.
  - C. Report on the August 14, 2013 AICPA PRB meeting.
  - D. Report on the August 21, 2013 RAB meeting.
  - E. Assignment of Future PROC Activities.
  - F. Discussion Regarding Proposed PROC Meeting Dates for 2014.
- IV. Reports and Status of Peer Review Program (**April Freeman, CBA Staff**).
  - A. Updates on Peer Review Reporting Forms Received and Correspondence to Licensees.
  - B. Status of PROC Roles and Responsibilities Activity Tracking.

**Break**

- V. Report of the Enforcement Chief (**Rafael Ixta, Enforcement Chief**).
  - A. Discussion Regarding the Creation of a PROC Oversight Checklist to Analyze Peer Reviews Accepted by Out-of-State Administering Entities.
  - B. Discussion of Letter to the Compliance Assurance Committee Regarding the Status of the Oversight of the National Peer Review Committee.

- C. Discussion on the Recommendations of the Task Force Created to Review the Voluntary Peer Review Survey.
  - D. Discussion Regarding AICPA's Oversight Visit Report of CalCPA.
  - E. Discussion Regarding the Status of the Confidentiality Letter Signed by all PROC Members.
  - F. Discussion and Revisions to the PROC Procedures Manual.
  - G. Discussion of Travel and Reimbursement Rates Effective July 1, 2013.
- VI. Future Agenda Items (**April Freeman**).
  - VII. Public Comment for Items Not on the Agenda.
  - VIII. Adjournment.

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

The meeting is accessible to individuals with physical disabilities. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting April Freeman at (916) 561-1720, or by email at [april.freeman@cba.ca.gov](mailto:april.freeman@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 [april.freeman@cba.ca.gov](mailto:april.freeman@cba.ca.gov)  
California Board of Accountancy  
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An electronic copy of this agenda can be found at <http://www.dca.ca.gov/cba/calendar.shtml>.



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**PROC Item II.A.**  
 August 23, 2013

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

**MINUTES OF THE  
 JUNE 21, 2013  
 PROC MEETING**

California Board of Accountancy  
 2000 Evergreen Street, Suite 250  
 Sacramento, CA 95815  
 Telephone: (916) 263-3680  
 Fax: (916) 263-3675

Roll Call and Call to Order.

PROC Vice Chair Robert Lee called the meeting to order at 9:28 a.m. on Friday, June 21, 2013 at the CBA. The meeting adjourned at 12:44 p.m.

PROC Members:

June 21, 2013

Nancy Corrigan, Chair	9:28 a.m. – 12:44 p.m.
Robert Lee, Vice Chair	9:28 a.m. – 12:44 p.m.
Katherine Allanson	9:28 a.m. – 12:44 p.m.
Jeffrey DeLyser	9:28 a.m. – 12:44 p.m.
Sherry McCoy	9:28 a.m. – 12:44 p.m.
Seid M. Sadat	9:28 a.m. – 12:44 p.m.

Staff:

Rafael Ixta, Chief, Enforcement Division  
 Julie Morrow, Peer Review Analyst  
 Sara Narvaez, Enforcement Manager

Other Participants:

Jason Fox, California Society of Certified Public Accountants (CalCPA)

- I. Report of the Committee Chair.
  - A. Approval of February 22, 2013 Minutes.

Mr. Lee asked if members had any edits to the minutes of the February 22, 2013 PROC meeting. Ms. McCoy stated that on page 3, paragraph E, the abbreviation should be "SSARS."

**It was motioned by Mr. Sadat, seconded by Ms. Allanson, and unanimously carried by those present to accept the revision and adopt the revised minutes of the February 22, 2013 PROC meeting.**

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

Ms. Corrigan stated that she attended the CBA meeting. She reported that the 2<sup>nd</sup> Annual Report of the PROC was presented and was well received by the CBA. She stated that an educational presentation was made by Kristy Shellans, DCA Legal Counsel, and Carl Sonne, Deputy Attorney General regarding their role with the CBA. She stated that President Leslie LaManna appointed a taskforce to review the experience required for issuance of a CPA license. The first meeting of the taskforce was scheduled for the May 23-24, 2013 CBA meeting.

C. Report on the May 23-24, 2013 CBA Meeting.

Ms. Corrigan stated that she attended the CBA meeting, but did not have a PROC report to present. She stated the National Association of State Boards of Accountancy (NASBA) maintains an Accounting Licensee Database (ALD) that can be used by state boards to check for CPAs licensed in other jurisdictions. There is also a public version of this database that is known as CPAVerify that provides similar licensing information to the public.

Ms. Corrigan also stated that the CBA members inquired if the PROC had appointed a Vice Chair as they are concerned about the continuity of the PROC. She stated that Mr. Lee, Vice Chair, would be requested to present the PROC report at the next CBA meeting.

Mr. Ixta stated that the taskforce looking at the experience for CPA licensure met for three hours and will meet again for a half day at the July CBA meeting. The core issue is what the appropriate level of experience is for CPAs. He stated that many states no longer require attest experience and most states are moving in that direction.

D. Appointment of New PROC member.

Jeff DeLyser was appointed by the CBA as a member of the PROC. He is a partner at a firm in Roseville. Prior to the start of the PROC meeting, Mr. Ixta and Ms. Corrigan gave Mr. DeLyser an orientation of the PROC and member responsibilities.

E. Reappointment of PROC members.

Ms. Corrigan stated that the PROC members, Nancy Corrigan, Robert Lee, Katharine Allanson, Sherry McCoy, and Seid Sadat, have been reappointed for another two-year term.

F. Reappointment of the PROC chair.

Ms. Corrigan stated that she was reappointed for a one-year term.

## II. Report on PROC Activities.

### A. Report on the April 18, 2013 California Society of Certified Public Accountants' (CalCPA) Report Acceptance Body (RAB) Meeting.

PROC members did not attend due to scheduling conflicts.

### B. Report on the May 7, 2013 American Institute of Certified Public Accountants (AICPA) Peer Review Board (PRB) Meeting.

Mr. Sadat attended the AICPA PRB meeting. He stated that it is a very technical committee. The biggest things they discussed were rule changes and the tracking of Matters for Further Consideration (MFC) through the AICPA PRSM system. The MFCs will be tracked across jurisdictions to gather data and promote uniformity.

### C. Report on the May 8, 2013 CalCPA Advanced Peer Review Class.

Mr. DeLyser attended the CalCPA Advanced Peer Review class. He stated that the MFCs will go to an electronic format and there will be less flexibility in how the MFCs are written. He indicated this is a concern as many firms being reviewed are small firms and may not have the level of technical sophistication to deal with the change. He stated the class was well-conducted and the instructor is well-respected.

### D. Report on the May 9-10, 2013 CalCPA Peer Review Committee (PRC) meeting.

Mr. Sadat and Ms. Allanson attended the CalCPA PRC meeting. Ms. Allanson stated that there was significant discussion about the electronic MFCs and that the peer reviewers identified a mechanism to deal with the new format by inputting the information electronically during a peer review. Ms. Allanson asked what will happen with the MFCs since new peer reviewers don't know how to write them; will the peer reviewers have access to other MFCs to use as a template? Ms. Allanson stated that the answer they received is that peer reviewers would not have access to other MFCs and will only have access to their own MFCs. Ms. Corrigan stated that the AICPA peer review manual includes samples on how to write the MFCs. She said that people don't become peer reviewers until they have a foundation and that it is a learning process.

Ms. Allanson stated that the PRC members discussed communicating to CPAs when they've had two failed peer reviews in a row. The PRC said that the CBA opens an investigation if there is a second failed peer review. Mr. Ixta stated that the CBA investigates every failed peer review to ensure the firm complies with the corrective actions. If the firm complies and there is no evidence of egregious conduct, the investigation is usually closed.

Ms. Allanson stated that if the firm doesn't agree with the peer review, there is a disagreement panel. Ms. Allanson observed the disagreement panel while she attended the meeting.

Ms. Allanson stated that there is a belief by the California PRC that the AICPA has concerns about the volume of reviews conducted by PRC reviewers at RAB meetings. Ms. Corrigan stated that the RAB members have prepared ahead of time, know the issues in the reports and are able to discuss them in detail. Mr. Lee stated the RAB members weigh in and discuss issues and know their reports. He did not see a lack of passion from the RAB members. The PROC members believe the RAB members are thorough and that they are doing their due diligence.

E. Report on the May 15-16, 2013 Administrative Site Visit of CalCPA.

Mr. Lee and Ms. McCoy performed the onsite visit to CalCPA in one visit this year. Ms. McCoy stated that CalCPA is using more electronic documents in their processes. They are also using more checklists. Mr. Lee and Ms. McCoy reviewed correspondence from other oversight entities and reviewed the RAB binder. There were 2,300 reviews on the PRSM report and out of those, approximately 600 are in progress. They conducted file reviews and looked at compliance with record retention and separation between active items and those to shred. They selected active file reviews to review for compliance and did not identify any findings.

Mr. Lee stated they had not yet received the oversight report from the AICPA, but were able to obtain it later from the AICPA website. According to the oversight report, CalCPA passed with no issues. He stated that a closure letter from the CBA needs to be finalized and sent to CalCPA.

Mr. Ixta stated that oversight checklists are going to be stored in a PROC library on the network. Ms. Morrow will send out checklists to the PROC members to ensure they have the latest version of checklists.

F. Discussion of the July 10, 2013 PROC Summit in Nashville, TN.

Mr. Ixta stated that the CBA is still waiting for approval for Mr. Lee to attend the summit. Mr. Ixta stated that Ms. Janice Gray told him that the summit would be streamed via webcast, but he has not received the details yet.

G. Discussion of Questions to Submit for Discussion at the July 10, 2013 PROC Summit.

Mr. Ixta said we can submit questions in advance of the summit. Mr. Ixta reviewed the questions that were on the issue paper. Mr. Ixta asked for additional questions. The additional questions identified by PROC members included:

- How do states request documents from an Administrating Entity?
- How are PROC members accessing Administering Entities electronic materials, such as Report Acceptance Body materials?
- Are there states with peer review program providers other than the American Institute of Certified Public Accountants?
- What criteria are used by states to evaluate new peer review program providers?
- Are there plans to allow state PROC members to participate in CAC meetings and the NPRC oversight process?
- Should a taskforce be established by the CAC to achieve uniformity in the checklists used by state PROCs?

**It was motioned by Mr. Sadat, seconded by Ms. McCoy, and unanimously carried by those present to direct staff to work with Mr. Lee to finalize questions for the July 10, 2013 PROC Summit.**

H. Assignment of Future PROC Activities.

Ms. Morrow stated that the PROC has only attended one RAB meeting. Mr. Sadat stated that there is always a RAB meeting at a PRC meeting and he attended one on May 9, 2013.

Mr. Lee confirmed the following assignments:

- July 10, 2013 PROC Summit in Nashville (pending approval) – Bob Lee
- July 10, 2013 PROC Summit in Nashville (webcast) – Kathy Allanson.
- July 25, 2013 CBA Meeting – Nancy Corrigan & Bob Lee.
- July 25, 2013 Peer Review Class (LAX) – Seid Sadat.
- August 14, 2013 AICPA Meeting – Jeff DeLyser & Sherry McCoy.
- August 21, 2013 CalCPA RAB Meeting – Seid Sadat.
- September 24, 2013 CalCPA RAB Meeting – Kathy Allanson & Nancy Corrigan.
- November 21-22, 2013 CalCPA PRC Meeting– Jeff DeLyser & Bob Lee

III. Reports and Status of Peer Review Program.

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

Ms. Morrow reported that as of As of May 21, 2013, 55,918 peer review reporting forms have been submitted to the 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	2,501	4,277	15,700	22,478	575
34-66	7/1/12	1,937	3,968	12,990	18,895	1,273
67-00	7/1/13	1,160	2,789	10,596	14,454	6,409
		5,598	11,034	39,286	55,918	8,257

Ms. Morrow stated that Enforcement staff plans to send letters to licensees notifying them of the new peer review reporting requirements effective January 1, 2014. The letters will go out at the end of July.

Mr. Sadat requested clarification regarding the 575 licensees from phase 1 who haven't reported their peer review information. Mr. Ixta indicated that some have licenses in a delinquent status, some have moved, and some aren't practicing. He added that licensees in phase 3 who have not reported will get a deficiency letter in August or September and will have 30 days to comply, otherwise, they will be issued a citation and fine.

B. Status of PROC Roles and Responsibilities Activity Tracking.

Ms. Morrow stated that the activity tracking chart for 2013 has been updated to capture recently attended activities and upcoming events as of May 23, 2013. The number of RABs attended will be updated by reviewing checklists and prior minutes to verify the number of RABs completed.

#### IV. Report of the Task Force Created to Review the Voluntary Peer Review Survey

Ms. Corrigan stated that she and Mr. Sadat comprised the taskforce assigned to review the voluntary peer review survey. She stated that following the review of the survey comments, they identified the following four recommendations:

1. Provide more education on the benefits of peer review
2. Provide more education on the concept that a CPA's primary objective is to protect the public interest.
3. Provide a simple chart showing the chronology of the peer review process.
4. CalCPA should continue to remind peer reviewers about the best approach to the peer review process when working with firms.

Mr. Sadat stated that practitioners are relying on misinformation to understand the rules of the peer review program under the AICPA and California's peer review regulations. He stated that peer review should be discussed in the CBA approved regulatory CE classes.

Mr. Ixta suggested that the PROC look at existing peer review publications and see if they can be revised to incorporate the recommendations. This will be an agenda item at the next meeting.

#### V. Report of the Enforcement Chief.

##### A. Report on Revisions to CBA Regulations 40, 43, and 45.

Mr. Ixta stated that the regulations regarding peer review were amended requiring reporting of the peer review information at the time of license renewal. Staff is in the process of revising the renewal application to incorporate the regulatory changes.

##### B. Report on Revision to Business and Professions Code section 5076.

Mr. Ixta stated that there were changes to Business and Professions Code section 5076, effective January 1, 2013. Licensees do not need a peer review if they are renewing their license in an inactive status. They will need a peer review if they renew in an active status or convert to an active status.

##### C. Discussion Regarding PROC Oversight for AICPA Peer Reviews Conducted by Administering Entities Other than CalCPA and the National Peer Review Committee (NPRC).

Mr. Ixta stated that none of the states requiring peer review are in the high or medium categories identified in the issue paper. Ms. Corrigan stated that she wanted to make sure we addressed this issue. She suggested that maybe we should create a task force to take a look at 2-3 AICPA reports a year.

Mr. Ixta stated that staff will review AICPA peer review oversight reports from states with over 10 peer reviews conducted by administering entities other than CalCPA and the NPRC and develop an oversight checklist for the PROCs consideration. This will be an agenda item for the August meeting.



D. Discussion Regarding the Percentage of CPAs Subject to Peer Review in Other States.

Mr. Ixta stated that NASBA was contacted to identify the percentage of CPAs subject to peer review in other states. Based on that information, California is in the middle with approximately 5.7 percent of the CPAs subject to peer review. Approximately 25 states have a higher percentage. However, a simple comparison across states is not possible since peer review requirements vary from state to state.

E. Discussion Regarding California's PROC compared to Other Large States' PROCs.

Mr. Ixta stated that staff looked at the five largest states, California, New York, Texas, Florida, and Illinois to determine which states have a Peer Review Oversight Committee. He indicated that the research reflected that Florida and Illinois do not have a PROC. Texas, New York, and California do have a PROC. The PROCs for each were established in 2009, 2012, and 2010, respectively.

F. Discussion and Revisions to the PROC Procedures Manual.

Mr. Ixta provided an overview of the PROC Procedures Manual. Mr. Ixta stated that revisions made prior to July 2012 are not listed in strikethrough and underline and the significant revisions include:

- Addition of the Conflict of Interest memos dated August 30, 2011 and March 2, 2012 (Appendixes D and E)
- Addition of the Peer Review Board Meeting Checklist (Appendix I)
- Addition of the Peer Review Program Provider Checklist (Appendix M)

Mr. Ixta reported that staff could not locate a checklist for the Summary of Sample Reviews. Ms. McCoy stated that sample reviews are included in the site visit checklist. Ms. McCoy stated that the manual should be updated to reflect that the sample reviews are part of the Administrative Site Visit.

Ms. Allanson stated that the statistics section on page seven should be revisited to determine whether they are necessary.

Ms. Corrigan suggested that we include language about oversight of out-of-state Administering Entities.

Ms. McCoy requested inclusion of a more current version of the AICPA Glossary of Terms. She also had a question on the organization chart regarding the placement of the PROC. Mr. Ixta stated that the PROC is there as an extension of the CBA and AICPA is the peer review program provider. A suggestion was made to add a sideways line to clarify the relationship between the PROC and the provider. Mr. Sadat suggested we add the titles "oversight" and "providers."

Regarding Appendix L (Application to Become a Board-recognized Peer Review Program Provider), Mr. Sadat asked if there is more to the application and if not, the PROC should review it. Mr. Ixta stated that the form is in regulation and a regulatory change is required in order to make any changes to the form.

VI. Future Agenda Items.

Future agenda items include:

- Fold recommendations of Task Force for voluntary peer review survey into current outreach materials.
- See what PROC oversight materials are available in Nevada, Oregon, Texas, and New York.
- Revisions to the PROC Procedures Manual.
- FAQs to address appeal process for peer reviewers.

VII. Public Comment for Items Not on the Agenda.

Mr. Ixta stated that at the last PROC meeting, members discussed a letter sent from a licensee requesting an exemption from peer review. The outcome was that the PROC would send a final letter to the licensee. Copies of the final letter were distributed to the PROC members.

VIII. Adjournment.

There being no further business, Vice Chair Lee adjourned the meeting at 12:24 p.m. on Friday, June 21, 2013.

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Robert Lee, CPA, Vice Chair

Julie Morrow, Peer Review Analyst, prepared the PROC meeting minutes. If you have any questions, please call (916) 561-1762.



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**PROC Item III.E.**  
August 23, 2013

### **Assignment of Future PROC Activities**

**Presented by:** Nancy J. Corrigan, Peer Review Oversight Committee (PROC) Chair  
**Date:** July 11, 2013

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#### **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 August 23, 2013 PROC meeting and be prepared to accept assignments.

#### **Background**

None.

#### **Comments**

The PROC's 2013 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's Peer Review Committee
- National Association of State Boards of Accountancy (NASBA)

#### **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**

2013 Year-at-a-Glance CBA PROC Calendar, updated July 11, 2013.

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)  
PEER REVIEW OVERSIGHT COMMITTEE (PROC)  
2013 Year-at-a-Glance Calendar**  
(as of July 11, 2013)

**JANUARY 2013**

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

**FEBRUARY 2013**

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	T-9/2 20	T-2pm 21	GL 22	23
24	25	26	27	28		

**MARCH 2013**

S	M	T	W	Th	F	S
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17	18	T-9/2 19	20	NC 21	NC 22	23
24	25	26	27	28	29	30
31						

**APRIL 2013**

S	M	T	W	Th	F	S
	1	2	3	4	5	6
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21	22	23	24	25	26	27
28	29	30				

**MAY 2013**

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

**JUNE 2013**

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

**JULY 2013**

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

**AUGUST 2013**

S	M	T	W	Th	F	S
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**SEPTEMBER 2013**

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15	16	17	18	19	20	21
22	23	T-9/2 24	T-9am 25	SC 26	SC 27	28
29	30					

**OCTOBER 2013**

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-9/2 22	T-9am 23	24	25	26
27	28	29	30	31		

**NOVEMBER 2013**

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

**DECEMBER 2013**

S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	T-2pm 16	T-9/2 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

**GENERAL LOCATION**

- NC - NORTHERN CALIFORNIA
- SC - SOUTHERN CALIFORNIA
- SAC - SACRAMENTO
- SD - SAN DIEGO
- TN - NASHVILLE, TN
- GL - GLENDALE
- ONT - ONTARIO
- LAX - LOS ANGELES
- SM - SAN MATEO
- T - TELECONFERENCE

- ON SHADED DATES CBA OFFICE IS CLOSED
- CBA MEETING
- PROC MEETING
- AICPA PRB MEETING
- CalCPA RAB MEETING
- CalCPA PRC MEETING
- PEER REVIEWER TRAINING
- ADMINISTRATIVE SITE VISIT
- NASBA PROC SUMMIT
- CalCPA PEER REVIEW CLASS - INTRO
- CalCPA PEER REVIEW CLASS - ADV



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**PROC Item III.F.**  
August 23, 2013

### **Discussion Regarding Proposed PROC Meeting Dates for 2014**

**Presented by:** Nancy J. Corrigan, Peer Review Oversight Committee (PROC) Chair  
**Date:** July 18, 2013

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

The purpose of this agenda item is to provide the Peer Review Oversight Committee (PROC) members with proposed PROC meeting dates for 2014.

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

PROC members may choose to adopt or modify the 2014 PROC meeting dates.

#### **Background**

The 2014 California Board of Accountancy (CBA) meeting dates are as follows:

- January 23-24, 2014—Southern California
- March 20-21, 2014—Northern California
- May 22-23, 2014—Southern California
- July 24, 2014—Northern California
- September 25-26, 2014—Southern California
- November 20-21, 2014—Northern California

Additionally, since there is an overlap in membership between the PROC and the Enforcement Advisory Committee (EAC), the 2014 proposed meeting dates for the EAC are as follows:

- January 30, 2014—Northern California
- May 1, 2014—Southern California
- July 10, 2014—Northern California
- October 23, 2014—Southern California
- December 11, 2014—Southern California

#### **Comments**

The proposed PROC meeting dates for 2014 are:

- February 21, 2014—Southern California
- May 16, 2014—Northern California
- August 22, 2014—Southern California
- December 5, 2014—Northern California

## **Discussion Regarding Proposed PROC Meeting Dates for 2014**

Page 2 of 2

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

None.

### **Recommendation**

Staff recommends the PROC adopt or modify the proposed dates. After adoption, the dates will be submitted to the CBA for approval.



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**PROC Item IV.**  
 August 23, 2013

### **Reports and Status of Peer Review Program**

**Presented by:** April Freeman, CBA Staff

**Date:** July 24, 2013

#### **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 July 24, 2013, 58,455 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	2,533	4,289	15,722	22,544	368
34-66	7/1/12	1,974	3,988	13,022	18,984	1,184
67-00	7/1/13	1,468	3,427	12,032	16,927	3,936
		5,975	11,704	39,286	58,455	5,629

## Reports and Status of Peer Review Program

Page 2 of 2

The breakdown of the 368 licensees in phase 1 who need to report is as follows:

- 95 Issued a citation in 2012
- 221 Issued a citation in 2013
- 37 Referred to Enforcement
  - 2 On the extension list
- 11 Peer review was done and a letter was sent to follow up on the PR-1
- 2 Other

Peer review staff will review the above information and determine whether further enforcement action is required.

### Correspondence to Licensees

In September 2013, licensing staff will send letters to all licensees and will include information pertaining to fingerprints, peer review and continuing education changes.

Additionally, peer review staff is preparing correspondence to licensees who have not met their July 1, 2013 peer review reporting obligation. In September 2013, these licensees will be mailed a deficiency letter and will have 30 days to file the required form. Licensees who fail to file the required peer review reporting form will be subject to a citation and fine.

### B. Status of PROC Roles and Responsibilities Activity Tracking

The Roles and Responsibilities Activity Tracking chart has been updated to reflect 2013 activities (**Attachment**).

### Fiscal/Economic Impact Considerations

None.

### Recommendation

None.

### Attachment

PROC Roles and Responsibilities Activity Tracking 2013, as of July 23, 2013.



**Peer Review Oversight Committee (PROC) Roles and Responsibilities  
Activity Tracking – 2013**

**Attachment 1**

As of July 23, 2013

<b>Activity*</b>	<b>Notes</b>
<p><b>PROC MEETINGS</b></p> <ul style="list-style-type: none"> <li>Conduct four one-day meetings.</li> </ul>	<ul style="list-style-type: none"> <li>PROC Meeting Held: 2/22, 6/21</li> <li>PROC Meetings Scheduled: 8/23, 11/1</li> </ul>
<p><b>ADMINISTRATIVE SITE VISIT</b></p> <ul style="list-style-type: none"> <li>Conduct, at a minimum, an annual administrative site visit of the peer review program provider.</li> </ul>	<ul style="list-style-type: none"> <li>California Society of Certified Public Accountants (CalCPA) Administrative Site Visit Held: 5/15-16</li> </ul>
<p><b>PEER REVIEW COMMITTEE MEETING</b></p> <ul style="list-style-type: none"> <li>Attend all peer review program providers' Peer Review Committee (PRC) meetings.</li> <li>Perform, at a minimum, an annual review of peer review program providers' Peer Review Committees.</li> <li>Ensure peer review program provider is adhering to California Board of Accountancy (CBA) standards.</li> </ul>	<ul style="list-style-type: none"> <li>Attended: American Institute of Certified Public Accountants (AICPA) Peer Review Board (PRB) Meeting 1/25, 5/7</li> <li>Scheduled: AICPA PRB Meeting 8/14</li> <li>Attended: CalCPA Peer Review Committee (PRC) Meeting 5/9-10</li> <li>Scheduled: CalCPA PRC Meeting 11/21-22</li> </ul>
<p><b>PEER REVIEW SUBCOMMITTEE MEETING</b></p> <ul style="list-style-type: none"> <li>Attend at least four of each peer review program provider's peer review subcommittee meetings to observe the acceptance of peer review reports.</li> <li>Perform, at a minimum, four annual reviews of peer review program provider's peer review subcommittee meetings.</li> <li>Ensure that peer reviews are being accepted in a consistent manner.</li> </ul>	<ul style="list-style-type: none"> <li>Attended: CalCPA Report Acceptance Body (RAB) Meetings 5/9-10</li> <li>Scheduled: CalCPA RAB Meetings 8/21, 9/24, 10/22, 12/16, 12/17</li> </ul>
<p><b>REVIEW SAMPLING OF PEER REVIEWS</b></p> <ul style="list-style-type: none"> <li>Perform sampling of peer review reports.</li> </ul>	<ul style="list-style-type: none"> <li>CalCPA Administrative Site Visit Held: 5/15-16</li> </ul>
<p><b>PEER REVIEWER TRAINING</b></p> <ul style="list-style-type: none"> <li>Ensure that peer reviewers are properly qualified.</li> </ul>	<ul style="list-style-type: none"> <li>Attended: Advanced Training Course 5/8</li> <li>Scheduled: Advanced Training Course 7/25</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>	<ul style="list-style-type: none"> <li>Pending receipt of application</li> </ul>
<p><b>ANNUAL REPORT TO THE CALIFORNIA BOARD OF ACCOUNTANCY</b></p> <ul style="list-style-type: none"> <li>Prepare an annual report to the CBA regarding the results of its independent oversight of the Peer Review program.</li> </ul>	<ul style="list-style-type: none"> <li>TBD</li> </ul>

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



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**PROC Item V.A.**  
August 23, 2013

**Discussion Regarding the Creation of a PROC Oversight Checklist to Analyze Peer Reviews Accepted by Out-of-State Administering Entities**

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

**Date:** July 25, 2013

---

**Purpose of the Item**

The purpose of this agenda item is to provide the Peer Review Oversight Committee (PROC) members with a checklist to assist the PROC in providing oversight of the American Institute of Certified Public Accountants' (AICPA) out-of-state administering entities (AE).

**Action(s) Needed**

It is requested that PROC members adopt or make any necessary revisions to the checklist (**Attachment**).

**Background**

The AICPA is currently the only Board-recognized peer review program provider in California. The AICPA uses 41 state certified public accountant societies and the National Peer Review Committee (NPRC) as AEs to administer the AICPA Peer Review Program throughout the 55 licensing jurisdictions. As part of the AICPA's oversight of its peer review program, each AE is reviewed by the AICPA Peer Review Board Oversight Task Force at least once every other year. The objective of the review is to determine if the AE is administering peer reviews within the standards established by the AICPA.

At the June 21, 2013 PROC meeting, members discussed how to provide oversight for peer reviews administered by AEs other than the California Society of Certified Public Accountants (CalCPA) and the NPRC. It was determined that the PROC would create a task force to review AICPA oversight reports and the state's annual report, if any, for certain number of out-of-state AEs each year.

CBA staff obtained and reviewed AICPA oversight reports for the states of Nevada, New York, Oregon, and Texas, as well as available oversight information from these states. Staff used information contained in these materials to develop a checklist for out-of-state AEs. These states were selected for review since AEs in these states accepted more than 10 peer reviews of California licensees.

## **Discussion Regarding the Creation of a PROC Oversight Checklist to Analyze Peer Reviews Accepted by Out-of-State Administering Entities**

Page 2 of 2

### **Comments**

The states of Nevada, New York, Oregon, and Texas indicated that they do not conduct independent oversight of out-of-state AEs even though their licensees may have had a peer review accepted by an out-of-state AE.

Oversight of in-state AEs is inconsistent in other jurisdictions. Most states primarily rely on oversight provided by the AICPA. Of the states contacted, only Texas provides oversight of the Texas AE.

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

None.

### **Recommendation**

CBA staff recommends the PROC adopt or make revisions to the checklist.

### **Attachment**

Summary of Oversight of Out-of-State Peer Review Administering Entity



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## Peer Review Oversight Committee

Attachment 1

### Summary of Oversight of Out-of-State Peer Review Administering Entity

**Purpose:** As part of its oversight activities, the Peer Review Oversight Committee (PROC) is entrusted to ensure that peer reviews are conducted in accordance with standards established by the California Board of Accountancy (CBA) and administered by the Board-recognized peer review program provider (Provider). Consistent with its legislative mandate, the PROC is required to provide oversight of the Provider's out-of-state administering entities if those entities accept peer review reports of California licensees. The objective of the oversight is to ensure that peer reviews conducted in other states adhere to standards established by the CBA. In conducting its oversight, the PROC may review oversight reports prepared by the Provider and the State's PROC (or equivalent). These matters are then summarized and reported to the CBA as part of the PROC reporting.

Date: \_\_\_\_\_

Name of State/Administering Entity: \_\_\_\_\_

<b>Evaluation of Provider Oversight Report</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>
1. Did the Provider perform an oversight visit to the Administering Entity (AE) of this state? If so, what is the date of the oversight visit? _____			
2. Was there a report available from the Provider?			
3. Were there any findings that are of concern?			
4. Were there any recommendations from Provider?			
5. Did the AE agree or disagree with any of the recommendations?			
6. Were there any specific problems or issues?			
<b>Evaluation of the State's Peer Review Oversight Committee (or equivalent)</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>
7. Does this state have a PROC or equivalent?			
8. Who is the contact person?			
9. Did this state prepare an oversight report of the AE? If so, what is the date of the report? _____			
10. Were there any findings or recommendations in the oversight report? (List findings/recommendations in comment section.)			
11. Did the AE agree to take any action on the problems or issues raised?			
12. Did the state follow up on the matters identified in previous years?			

**CONCLUSION**

1. Does the AE administer peer reviews in accordance with the standards established 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.



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PROC Item V.B.  
August 23, 2013

**Discussion of Letter to the Compliance Assurance Committee Regarding the Status of the Oversight of the National Peer Review Committee**

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

**Date:** July 18, 2013

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**Purpose of the Item**

The purpose of this agenda item is to provide the Peer Review Oversight Committee (PROC) members with correspondence requesting an update from the National Association of State Boards of Accountancy's (NASBA) Compliance Assurance Committee (CAC) regarding oversight of the National Peer Review Committee (NPRC).

**Action(s) Needed**

It is requested that PROC members make any necessary revisions to the draft letter (**Attachment 1**).

**Background**

On August 31, 2012, the PROC sent a letter (**Attachment 2**) to the CAC requesting information necessary for the PROC to better understand the CAC's oversight process of the NPRC. The PROC requested the following information:

- Copies of CAC oversight reports;
- Copies of third-party reviewer reports;
- Oversight statistics annually;
- A calendar of events to include CAC oversight activities, scheduling of third-party reviews and administrative site visits, and report development activities.

On October 18, 2012, the California Board of Accountancy (CBA) received a written response from the CAC (**Attachment 3**). In summary, the CAC agreed to provide the PROC with a copy of its second Annual Oversight Report, the Annual Oversight Report on the AICPA Peer Review Program, the Annual Oversight Report on the AICPA Peer Review Program National Peer Review Committee, and the third party administrative report for NPRC. The CAC is also exploring options for allowing PROC members to observe CAC meetings.

On March 5, 2013, the PROC sent a follow-up letter (**Attachment 4**) requesting an update to NASBA's decision to allow the PROC to attend the CAC teleconference meetings on a regular basis.

## **Discussion of Letter to the Compliance Assurance Committee Regarding the Status of the Oversight of the National Peer Review Committee**

Page 2 of 2

### **Comments**

At the June 21, 2013 PROC meeting, it was suggested that Ms. Corrigan send a letter to the CAC requesting an update as to whether the PROC can attend CAC meetings.

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

None.

### **Recommendation**

CBA staff recommends approval of the letter.

### **Attachment**

1. Draft Letter to CAC
2. PROC Letter to CAC, dated August 31, 2012
3. CAC Letter to PROC, dated October 18, 2012
4. PROC Letter to CAC, dated March 5, 2013

**DEPARTMENT OF CONSUMER AFFAIRS**

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DATE

Attachment 1

Janice Gray, CPA, CVA, Chair  
Compliance Assurance Committee  
National Association of State Boards of Accountancy  
150 Fourth Avenue North, Suite 700  
Nashville, TN 37219-2417

Dear Ms. Gray:

The California Board of Accountancy (CBA) Peer Review Oversight Committee (PROC) is interested in attending the Compliance Assurance Committee (CAC) teleconference meetings as stated in our letter dated March 5, 2013. Please provide us with an update regarding your decision about allowing the PROC to attend the CAC meetings.

In addition, as they become available, please provide the PROC with CAC's second annual Oversight Report of the National Peer Review Committee (NPRC), the third party administrative report for the NPRC, and the report on oversight of the Peer Review Program to help the PROC effectively provide oversight of the NPRC. Additionally, the PROC requests that you provide updates on the projects that the CAC is currently working on.

Should you prefer to discuss these issues in person, future PROC meetings are scheduled for November 1, 2013 and February 21, 2014. The PROC welcomes your attendance.

If you have any questions or concerns, please contact Julie Morrow, Peer Review Analyst, at (916) 561-1762 or [julie.morrow@cba.ca.gov](mailto:julie.morrow@cba.ca.gov).

Sincerely,

Nancy J. Corrigan, CPA, Chair  
Peer Review Oversight Committee

c: Leslie LaManna, CPA, President, California Board of Accountancy  
Patti Bowers, Executive Officer, California Board of Accountancy





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August 31, 2012

ATTACHMENT 2

Janice Gray, CPA, CVA, Chair  
Compliance Assurance Committee  
National Association of State Boards of Accountancy  
150 Fourth Avenue North, Suite 700  
Nashville, TN 37219-2417

Dear Ms. Gray:

Thank you for attending the California Board of Accountancy (CBA) Peer Review Oversight Committee (PROC) meeting on June 15, 2012. The information you shared regarding the Compliance Assurance Committee's (CAC) role in providing oversight of the National Peer Review Committee (NPRC) was very informative in understanding the history of the NPRC and the objectives that the CAC is carrying out.

As you are aware, the PROC is legislatively mandated to provide oversight to all Board-recognized peer review program providers in California. The American Institute of Certified Public Accountants (AICPA) is authorized to administer peer reviews in California. As an AICPA administering entity, the NPRC falls under the PROC's oversight authority.

In order for the PROC to further understand the CAC's oversight process of the NPRC and in order for the PROC to make an informed decision on how best to provide oversight of the NPRC, the PROC is requesting the following information:

- Copies of CAC oversight reports;
- Copies of third-party reviewer reports;
- Oversight statistics annually;
- A calendar of events to include CAC oversight activities, scheduling of third-party reviews and administrative site visits, report development activities, etc.

The PROC would also like to attend the CAC's teleconference meetings on a regular basis. We look forward to working closely with the CAC to continue to improve the effectiveness of peer review in California and nationwide.

If you have any questions or concerns, please contact April Freeman, Peer Review Analyst, at (916) 561-1720 or [afreeman@cba.ca.gov](mailto:afreeman@cba.ca.gov).

Sincerely,

  
Nancy J. Corrigan, CPA, Chair  
Peer Review Oversight Committee

c: Marshal A. Oldman, Esq., President, California Board of Accountancy  
Patti Bowers, Executive Officer, California Board of Accountancy



National Association of State Boards of Accountancy

150 Fourth Avenue North ♦ Suite 700 ♦ Nashville, TN 37219-2417 ♦ Tel 615/880-4200 ♦ Fax 615/880-4290 ♦ Web [www.nasba.org](http://www.nasba.org)

October 18, 2012

California Board of Accountancy  
Peer Review Oversight Committee  
Nancy J. Corrigan, CPA, Chair  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815-3832

Dear Ms. Corrigan:

This correspondence is in response to your letter of August 31, 2012 to the National Association of State Boards of Accountancy (NASBA) Compliance Assurance Committee (CAC).

I was pleased to attend the California Board of Accountancy Peer Review Oversight Committee (CBAPROC) and provide you with information on the history of the National Peer Review Committee (NPRC). As we discussed, this oversight process is still very much a work in progress. The process continues to be reviewed and changes made to make certain that it provides Boards of Accountancy assurance that oversight is being performed appropriately on the NPRC.

During the August 23, 2012 meeting of the CAC, a draft of your letter was reviewed by the Committee. I will address the five requests that the CBAPROC made, as follows:

1. Copies of CAC oversight reports – The CAC will issue its second Annual Oversight Report sometime in the first quarter of 2013 and copies will be distributed to all jurisdictions in NASBA.
2. Copies of third-party reviewer reports – It is the intent of the CAC to distribute to all jurisdictions copies of the Annual Oversight Report on the American Institute of Certified Public Accountants (AICPA) Peer Review Program and the Annual Report on Oversight on the AICPA Peer Review Program National Peer Review Committee as soon as they are approved each year. These two reports for 2011 were approved at the Open session meeting of the Peer Review Board on October 9<sup>th</sup>, 2012. The third party administrative report for NPRC is in process and the report will be distributed as soon as it is made available.

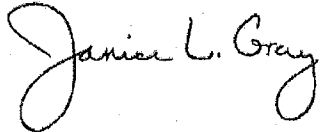
3. Oversight statistics annually – The reports on oversight for the Peer Review Program and the NPRC program include numerous statistics. The CAC will also be including additional statistics in the report that will be issued in the first quarter of 2013 regarding the oversight that the two NASBA representatives perform as members of the NPRC.
4. A calendar of events to include oversight activities, scheduling of third-party reviews and administrative site visits, report development activities, etc. – The CAC does not have such a calendar. We meet telephonically 2-3 times annually and have one face to face meeting usually in August. Following are some of the projects that the Committee will be working on in the next year:
  - Recommending a strategy to promote consistency among the existing PROCs and continuing to promote the need for a mandatory program of compliance assurance to other Boards of Accountancy
  - Planning for the 2013 bi-annual PROC Summit (date not determined)
  - Reviewing responses from the 2012 Survey
  - Developing a checklist to be used by NASBA members attending NPRC meetings to provide appropriate feedback to the CAC for the preparation of the Annual Report
  - Providing a section on the NASBA website for the inclusion of appropriate PROC information
  - Exploring the possibility of having conference calls two times a year for PROC chairs for an open exchange of ideas.
5. We appreciate and understand CBAPROC's request to attend CAC teleconference meetings on a regular basis. NASBA has historically restricted its committee meetings to committee members and staff. We do, however, also recognize your oversight mandate, as well as that of other PROCs across the country. Because of this, we are exploring options with our leadership to hopefully allow the ability of the PROC to observe CAC meetings and will respond to you regarding this request upon completion of those discussions.

California Board of Accountancy  
Peer Review Oversight Committee  
October 18, 2012  
Page Three

The CAC is committed to transparency, as evidenced above in our current initiatives. This includes the concept of periodic conference calls with PROCS. These calls will afford the opportunity for PROC chairs or other designees to ask additional questions of the CAC to fully understand its activities and deliberations and provide insight to the CAC. This would also provide a venue for information sharing amongst PROCs. And of course we are committed to continue holding our bi-annual summit for PROCs to allow for an even more in-depth exchange of best practices, as well as provide an opportunity to interact directly with the national peer review program providers and oversight bodies.

I hope this letter addresses the issues that were brought to the attention of the CAC by the CBAPROC. We will provide a further update regarding your request to observe CAC meetings in future correspondence. If we can be of further assistance, please let us know.

Sincerely,

A handwritten signature in cursive script that reads "Janice L. Gray". The signature is written in black ink and is positioned above the typed name and title.

Janice L. Gray, CPA, CVA, CFF  
Chair, NASBA Compliance Assurance Committee



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March 5, 2013

Janice Gray, CPA, CVA, Chair  
Compliance Assurance Committee  
National Association of State Boards of Accountancy  
150 Fourth Avenue North, Suite 700  
Nashville, TN 37219-2417


Dear Ms. Gray:

Thank you for responding to the California Board of Accountancy (CBA) Peer Review Oversight Committee (PROC) letter on October 18, 2012. We look forward to receiving the reports, statistics, and calendar of events to help the PROC effectively provide oversight of the National Peer Review Committee (NPRC).

When it is available, please provide us with an update regarding your decision about allowing the PROC to attend the Compliance Assurance Committee (CAC) teleconference meetings. We look forward to working closely with the CAC to continue to improve the effectiveness of peer review in California and nationwide.

If you have any questions or concerns, please contact Julie Morrow, Peer Review Analyst, at (916) 561-1762 or [julie.morrow@cba.ca.gov](mailto:julie.morrow@cba.ca.gov).

Sincerely,



Nancy J. Corrigan, CPA, Chair  
Peer Review Oversight Committee

c: Leslie LaManna, CPA, President, California Board of Accountancy  
Patti Bowers, Executive Officer, California Board of Accountancy



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**PROC Item V.C.**  
August 23, 2013

## **Discussion on the Recommendations of the Task Force Created to Review the Voluntary Peer Review Survey**

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

**Date:** July 25, 2013

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### **Purpose of the Item**

The purpose of this agenda item is to provide the Peer Review Oversight Committee (PROC) members with revised CBA publications incorporating the recommendations made by the task force to review the voluntary peer review survey.

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

It is requested that PROC members review and make any necessary edits to the publications (**Attachment 1**) and flow charts (**Attachment 2**).

### **Background**

The California Board of Accountancy (CBA) collected comments from December 9, 2010 to September 18, 2012 on a peer review voluntary survey. At the February 22, 2013 meeting, members created a task force to review the survey comments and create a summary of the comments for PROC members to review and discuss at the June 21, 2013 meeting (**Attachment 3**).

At the June 21, 2013 PROC meeting, PROC members discussed the summary, specifically the four recommendations made by the task force. CBA staff recommended that the current CBA publications be revised to include the recommendations. The recommendations made by the task force are:

- (1) Provide more education on the benefits of peer review, including (a) the promotion of quality and consistency between CPA firms, (b) the educational benefits to smaller firms, and (c) the benefit of peer review as a marketing tool.
- (2) Provide more education on the concept that a CPA's primary objective is to protect the public interest. To do this CPAs need to understand that they need to promote an environment whereby the public is protected by this primary objective, and that peer review and the regulations that we practice by are designed to ensure this.
- (3) Provide a simple chart showing the chronology of the beginning of the peer review process, who administers it and how it became to be self-policing. This is important to resolve the mystery that seems to surround peer review and its development and current process.

## **Discussion on the Recommendations of the Task Force Created to Review the Voluntary Peer Review Survey**

Page 2 of 2

- (4) CalCPA should continue to remind peer reviewers about the best approach to the peer review process when working with the firms and that it is not to be punitive in nature. Comments from firms on the voluntary survey should be shared with the peer reviewers to facilitate this process.

### **Comments**

There are three CBA publications that discuss peer reviews: a brochure titled, "Peer Review"; a booklet titled, "Consumer Assistance Booklet"; and a page on the website, titled "How to Select a CPA." These publications have been revised to include information encompassing the recommendations of the task force, as appropriate. A flow chart has also been created to describe the peer review process. Once, finalized the flow chart will be posted on the CBA's peer review webpage to assist licensees in complying with their peer review requirement.

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

None.

### **Recommendation**

CBA staff recommends PROC members adopt or make revisions to the publications and/or flow chart.

### **Attachment**

1. Publications
2. Flow Chart
3. Report of the Task Force of the PROC Summary of Voluntary Peer Review Survey  
Comments



For more information, visit the California Board of Accountancy Web site at [www.cba.ca.gov](http://www.cba.ca.gov).

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# Peer

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# REVIEW

CALIFORNIA BOARD OF ACCOUNTANCY



Mandatory peer review is part of the California Board of Accountancy's commitment to consumer protection by enhancing the quality of accounting services in California.



# What is a peer review?

A peer review is a study of a firm's accounting and auditing work, by an unaffiliated CPA following professional standards. Tax practice is not required to be monitored by peer review.



## **Peer review promotes quality.**

With ongoing changes to professional standards that are designed to deliver accuracy and quality of accounting and auditing engagements, products and services provided to consumers must meet specific standards. Peer review better equips firms to deliver high quality accounting and auditing services to consumers and helps in designing quality control systems to ensure that work products meet professional standards.

## **Peer review promotes knowledge.**

A peer review provides firms an opportunity to learn new or better ways to improve services, so they can provide up-to-date methods and practices to consumers. It provides an educational opportunity for firms to learn best-practice techniques. Peer review helps keep CPA firms knowledgeable.

## **Peer review promotes trust.**

In an ever-changing financial climate, peer review gives consumers an extra measure of assurance by knowing the CPA firm they hire has successfully completed a peer review and meets the profession's standards.

## **Peer review benefits everyone.**

A peer review provides firms an opportunity to improve services and stay competitive; enhances consumer protection for Californians, and builds trust in the quality and integrity of California's Certified Public Accountants.

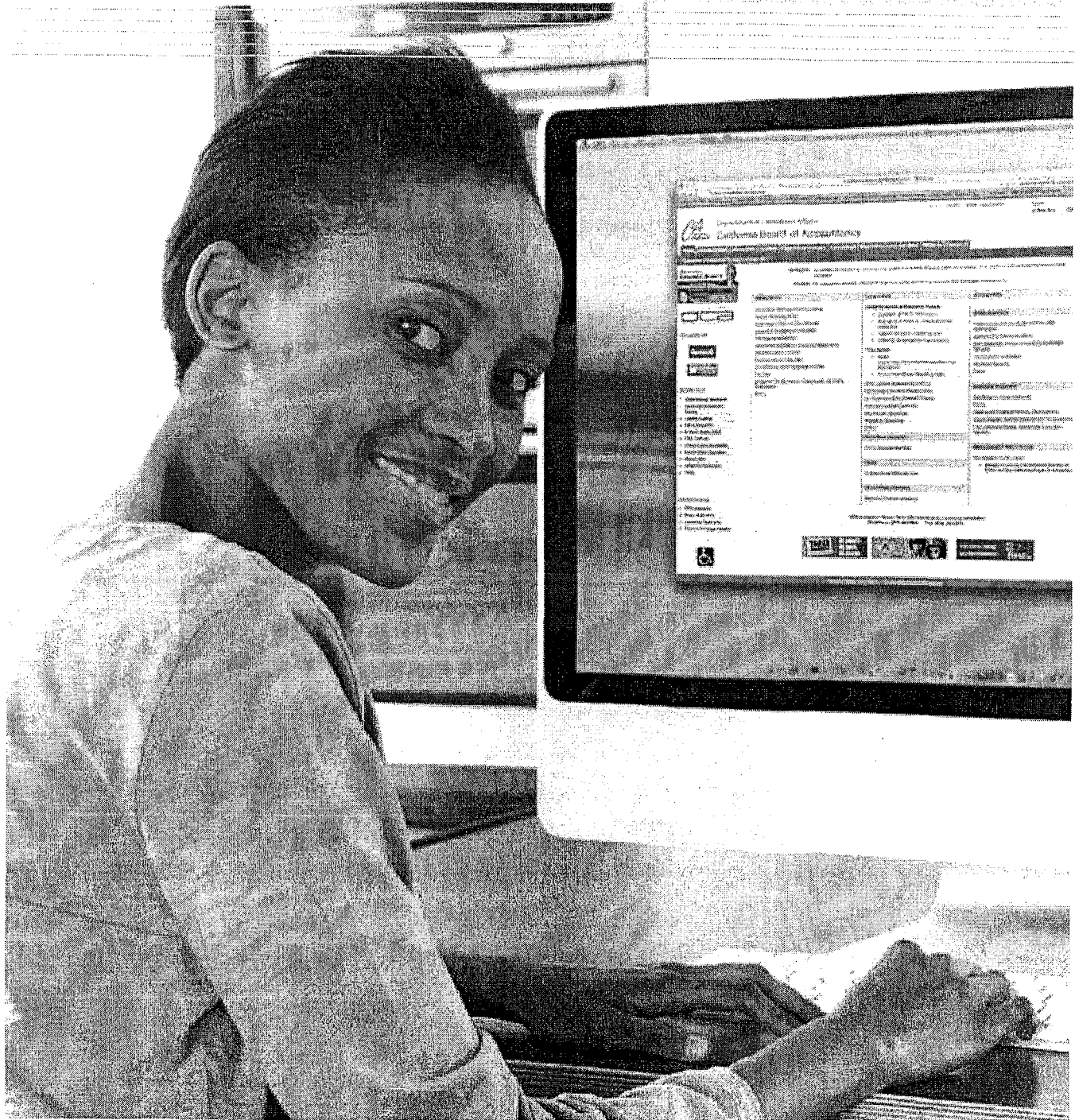
*Created by statute in 1901, the CBA's mandate requires that protection of the public shall be its highest priority in exercising licensing, regulatory, and disciplinary functions. The CBA regulates the largest group of licensed accounting professionals in the nation.*

**Peer review promotes knowledge.**

A peer review provides firms an opportunity to learn new or better ways to improve services, so they can provide up-to-date methods and practices to consumers. It provides an educational opportunity for firms to learn best-practice techniques. Peer review helps keep CPA firms knowledgeable and helps CPA firms protect the public interest.



# CONSUMER ASSISTANCE BOOKLET



## What is Peer Review?

A peer review is a study of a firm's accounting and auditing work by an unaffiliated CPA following professional standards. Peer review is required for all California-licensed firms, including sole proprietorships, which perform accounting and auditing services using specified professional standards. Tax practice is not required to be monitored by peer review.

A peer review provides firms an educational opportunity to learn best-practice techniques and improve services, so they can provide up-to-date methods and practices to consumers. Peer review also better equips firms to deliver high quality accounting and auditing services to consumers and helps in designing quality control systems that ensure the work products meet professional standards. A peer review helps ensure that CPAs are able to achieve their primary objective of protecting the public interest. If the services you require include compiled, reviewed, or audited financial statements, ask the CPA if he or she participates in a peer review. If yes, ask the year and month - and the result - of the firm's most recent peer review. There are three results: pass, pass with deficiencies, and substandard (fail). If the result is pass with deficiencies or substandard, the CPA must take corrective action. Ask the CPA if the proper corrective actions have been completed.

## How to Select a CPA

*A Certified Public Accountant (CPA) is a person who has met the requirements of California state law and has been issued a license to practice public accounting by the California Board of Accountancy.*

*A Public Accountant (PA) is a person who has met the requirements of California state law and has been issued a certificate of public accounting from the California Board of Accountancy.*

*Only persons who are licensed by the CBA may call themselves a Certified Public Accountant or Public Accountant.*

CPAs and PAs are required to complete appropriate continuing education in order to be eligible to practice public accounting. A licensee who completes the required continuing education is renewed as "active." A licensee who does not complete the required continuing education is renewed as "inactive" and may not practice public accounting.

Word-of-mouth referrals from individuals who have used the services of a particular CPA are probably the best way to select a CPA.

When selecting a CPA, you should consider the following:

- Check the license status from our Web License Lookup or call the California Board of Accountancy at (916) 263-3680. Specifically, make sure the license is current and active (renewed with continuing education).
- Check whether there have been any enforcement actions against the licensee and how long he or she has been licensed.
- Interview the prospective CPA either by telephone or in person. A common inquiry is "what type of accounting work do you typically perform?" Compare the CPA's experience to your service needs.
- Ask about the office hours of the CPA; determine whether the office is open year-round; inquire if the CPA is available to take telephone inquiries. Ask what type of continuing education the licensee has taken recently.
- If the services you require include either reviewed or audited financial statements, ask the CPA if he or she participates in a peer review or quality review program? If yes, ask the year and month - and the result - of the most recent review. There are three results: pass, pass with deficiencies, and substandard (fail). If the result is pass with deficiencies or substandard, the CPA must take corrective action. Ask the CPA if the proper corrective actions have been completed.
- Effective January 1, 2002, some CPAs are authorized to perform a full range of accounting services including signing reports on attest engagements. Attest engagements include an audit, a review of financial statements, or an examination of prospective financial information. Others will be authorized to perform a full range of accounting services, including accounting, compilation preparation, management advisory, financial advisory, tax and consulting services, but will not be authorized to sign reports on attest engagements.

- Licensees are required to comply with Section 54.1 of the California Board of Accountancy Regulations. This regulation provides that no confidential information obtained by a licensee shall be disclosed without the client's permission. Therefore, you should ask whether the CPA discloses any of your confidential information to persons or entities outside the United States in connection with outsourcing any services provided by the licensee on your behalf. While other persons or entities may provide you with financial services, including tax preparation, it is important to be aware that Section 54.1 of the CBA Regulations pertains only to licensees of the California Board of Accountancy.
- Be aware that if your CPA prepares your tax return and offers you a Refund Anticipation Loan (RAL), the CPA must comply with disclosure requirements specified in the California Accountancy Act and CBA Regulations. An RAL is a loan that allows a taxpayer to borrow against an anticipated income tax refund. These loans actually are made by banks, but are frequently offered by tax preparers including CPAs in conjunction with preparation of the tax return. While these loans are most frequently described as an instant tax refund - as if they come directly from the California State Franchise Tax Board or Internal Revenue Service - they are in reality short-term loans that often have very high costs associated with them. Both the tax preparer and the lending institution often take commissions against the calculated tax refund - so the RAL is less than the amount of the actual tax return refund. CPAs offering RALs are required by Section 56 of the CBA's regulations to make specified written disclosures to consumer, including the dollar amount the CPA will receive for facilitating the loan. These disclosures must be made at or before the time of making the referral to the lender or performing other activities to facilitate the loan. These disclosures must be made at or before the time of making the referral to the lender or performing other activities to facilitate the loan, regardless of whether the taxpayer actually accepts the loan.
- Before any work is done by the CPA, it is important to make certain that you receive an engagement letter detailing the work to be performed for you, who will specifically be performing the work, including whether the work is outsourced, confirming that all private and personal information is secure, and specifying the cost of the services.



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## Attachment 2

### Are You Required to Get a Peer Review?

You need a peer review if you perform any accounting and auditing services using the following professional standards:

- Statements on Auditing Standards (SASs)
- Statements on Standards for Accounting and Review Services (SSARS)
- Statements on Standards on Attestation Engagements (SSAEs)
- Government Auditing Standards
- Audits of non-Security Exchange Commission (SEC) issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB)

The peer review must be accepted within 18 months after the first engagement or three years since your last peer review.

To enroll for a peer review, contact:  
California Society of Certified Public Accountants (CalCPA)  
at (650) 522-3094 ([www.calcpa.org](http://www.calcpa.org)), or  
National Peer Review Committee (NPRC)  
at (919) 402-4502, press 2 ([PRSupport@aicpa.org](mailto:PRSupport@aicpa.org))

CalCPA/NPRC will work with you to select a peer reviewer and schedule the peer review.

Once the peer review is completed, you are required to report the results of your peer review on the Peer Review Reporting Form (PR-1) Form to the California Board of Accountancy (CBA).

Report your peer review results by submitting the PR-1 form to the CBA with your license renewal application.

Questions? Contact the CBA's Peer Review Unit at (916) 561-1706 or visit the website at [www.cba.ca.gov](http://www.cba.ca.gov).

**Report of the Task Force of the  
Peer Review Oversight Committee  
Summary of Voluntary Peer Review Survey Comments  
Submitted from December 9, 2010 to September 18, 2012**

Following is a summary of the comments that were submitted for the period from December 9, 2010 to September 18, 2012 from the peer review voluntary surveys. These comments were maintained on a confidential basis by CBA staff and were presented in a numbered list format to the PROC sub-committee for review and summarization for the purpose of determining whether the peer review process can be improved as a result of the survey comments submitted by peer reviewed firms. There were 339 comments that were listed from the survey that were largely in response to the following survey questions:

- Do you believe that undergoing peer review has helped to improve your overall service to your clients? (Survey question 7)
- Do you, or will you, use peer review as a marketing tool to potential clients? (Survey question 9)
- To eliminate the need for future peer review, will you cease providing the services which trigger a mandatory peer review under the law? (Survey question 10)
- Do you have any additional comments on the peer review process? (Survey question 11)

The tabulation of the responses to these questions is complicated in that many of them covered multiple questions in their responses; however the PROC task force attempted to identify the salient topic of the response in including it within the tabulation. We identified nine categories of responses with their respective tabulations as follows:

(1) The profession has too many disclosure requirements and continuing education requirements along with the peer review requirement; the professional standards are overly burdensome.	6
(2) The peer review process is overly time consuming, costly, and a burden on small firms.	77
(3) The peer review process is educational, helpful and a necessity to maintain the quality of firms practicing in public accounting.	116
(4) The administration process over peer reviews, knowing who to contact, making the arrangements, due dates, having data requested by the administering entity and the peer reviewer and who to respond to with the final report, was very confusing.	35
(5) The peer review process is required too frequently for firms and should be extended over a longer period of time (five years, etc.)	8
(6) If firms perform no audits, perform only compilations without disclosure or just a few compilations with disclosure, they should be exempt from peer review.	41
(7) The process from having the peer review to being accepted is too long.	4
(8) The peer review process is not helpful, does not mean anything to clients, has no positive influence on clients, is punitive to the firms and of no benefit to the firms or their clients.	45
(9) Other.	<u>7</u>
Total responses	<u>339</u>



**Report of the Task Force of the Peer Review Oversight Committee**  
**Summary of Voluntary Peer Review Survey Comments**  
**Page 2 of 3**

Please note that category numbers 2 and 6 could be combined as they generally pertain to the time requirement and the cost of completing a peer review even if category 6 responders did not specifically mention the time or cost factor.

Additional Comments

- Numerous responding indicated that even with peer review they see substandard work when they obtain a new client, thus there is no benefit to the peer review process.
- Numerous responding did not see the impact that a few compilations have on the public (clients, bankers, etc.) and saw no risk to performing a few engagements and being exempt from peer review. They saw no value given the small practice that they have. Some believe that since they are retired or work part-time, they should not have to undergo peer review.
- Numerous responding saw no benefit to the process, and high cost, if they are only occasionally preparing financial statements without disclosures.
- Many small firm responders blame larger firms for getting their own clients and their own firms into trouble and then creating the peer review process for all firms.
- Many responding plan to reduce their practice to avoid the cost of the peer review process.
- Several responses indicated that to pay both a peer reviewer and the administering entity was unfair, with the total cost many times being all of their profits or a large percentage of what they bill the client. Many are unable to pass the cost to the client.
- Several responses compared CPAs to other professions (doctors and lawyers) who do not have similar requirements, indicating that the peer review process is punitive rather than educational. Some indicated that CPAs do not need to be regulated by the government.
- Several responded that the additional 24-hour continuing education required should be sufficient and that a peer review on top of this is excessive.

Recommendations of the Task Force

- (1) Provide more education on the benefits of peer review, including (a) the promotion of quality and consistency between CPA firms, (b) the educational benefits to smaller firms, and (c) the benefit of peer review as a marketing tool.
- (2) Provide more education on the concept that a CPA's primary objective is to protect the public interest. To do this CPAs need to understand that they need to promote an environment whereby the public is protected by this primary objective, and that peer review and the regulations that we practice by are designed to ensure this.
- (3) Provide a simple chart showing the chronology of the beginning of the peer review process, who administers it and how it became to be self-policing. This is important to resolve the mystery that seems to surround peer review and its development and current process.

**Report of the Task Force of the Peer Review Oversight Committee**  
**Summary of Voluntary Peer Review Survey Comments**  
**Page 3 of 3**

- (4) CalCPA should continue to remind peer reviewers about the best approach to the peer review process when working with the firms and that it is not to be punitive in nature. Comments from firms on the voluntary survey should be shared with the peer reviewers to facilitate this process.



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**PROC Item V.D.**  
August 23, 2013

## **Discussion Regarding AICPA's Oversight Visit Report of CalCPA**

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

**Date:** July 30, 2013

---

### **Purpose of the Item**

The purpose of this agenda item is to provide the Peer Review Oversight Committee (PROC) members with the American Institute of CPAs' (AICPA) Oversight Visit Report of the California Society of CPAs (CalCPA).

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

It is requested that PROC members review the AICPA report (**Attachment**).

### **Background**

The AICPA conducted an oversight visit of CalCPA on November 14-16, 2012. The next oversight visit will be conducted in 2014.

### **Comments**

None.

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

None.

### **Recommendation**

None.

### **Attachment**

AICPA's Acceptance Letter and Oversight Visit Report



American Institute of CPAs  
220 Leigh Farm Road  
Durham, NC 27707-8110

May 20, 2013

Michael Hurley  
Farber Hass Hurley LLP  
15600 Devonshire St., Suite 210  
Granada Hills, CA 91344-7244

Dear Mr. Hurley:

On May 6, 2013 the AICPA Peer Review Board Oversight Task Force accepted the report and letter of procedures and observations on the most recent oversight visit for the California Society of CPAs, the administering entity for the AICPA Peer Review Program, and the administering entity's response thereto. A copy of this acknowledgement, the two oversight visit documents, and your response have now been posted to the AICPA Peer Review Program Web site.

The next state oversight visit will be in 2014.

The AICPA Peer Review Board appreciates your cooperation and efforts in making the peer review program a success.

Sincerely,

*Randy Watson*

Randy Watson, Chair  
Oversight Task Force  
AICPA Peer Review Board

cc: Loretta Doon, CPA, CGMA, State Society CEO  
Susan Lamb, California Society of CPAs  
Lisa Joseph, AICPA Peer Review Program Technical Manager

## Oversight Visit Report

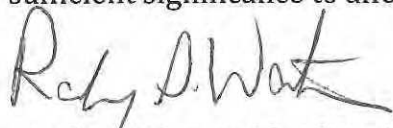
November 16, 2012

To the California Society of CPAs' Peer Review Committee

We have reviewed the California Society of CPAs' administration of the AICPA Peer Review Program as part of our oversight program. Our procedures were conducted in conformity with the guidance established by the AICPA Peer Review Board (board) as contained in the *AICPA Peer Review Program Oversight Handbook*. The administering entity is responsible for administering the AICPA Peer Review Program in compliance with the *AICPA Standards for Performing and Reporting on Peer Reviews*, interpretations, and other guidance established by the board. Our responsibility is to determine whether (1) administering entities are complying with the administrative procedures established by the board as set forth in the *AICPA Peer Review Program Administrative Manual*, (2) the reviews are being conducted and reported upon in accordance with the standards, (3) the results of the reviews are being evaluated on a consistent basis by all administering entity peer review committees, and (4) information disseminated by administering entities is accurate and timely.

Based on the results of the procedures performed, we have concluded that the California Society of CPAs has complied with the administrative procedures and standards in all material respects as established by the board.

As is customary, we have issued a letter of oversight visit procedures and observations that details the oversight procedures performed and sets forth recommendations that were not considered to be of sufficient significance to affect the conclusions expressed in this report.

A handwritten signature in black ink that reads "Randy S. Watson".

Randy S. Watson, Member, Oversight Task Force  
AICPA Peer Review Program



November 16, 2012

To the California Society of CPAs Peer Review Committee

We have reviewed the California Society of CPAs' administration of the AICPA Peer Review Program as part of our oversight program and have issued our report thereon dated November 16, 2012. That report should be read in conjunction with the observations in this letter, which were considered in determining our conclusions. The observations described below were not considered to be of sufficient significance to affect the conclusions expressed in that report.

The oversight visit was conducted according to the procedures in the *AICPA Peer Review Program Oversight Handbook*. An oversight program is designed to improve the administering entity's administration of the AICPA Peer Review Program through feedback on its policies and procedures, and to provide resource assistance from an AICPA Peer Review Board Oversight Task Force member on both technical and administrative matters.

In conjunction with the oversight visit of the California Society of CPAs, the administering entity for the program, conducted on November 14-16, 2012, the following observations are being communicated.

#### **Administrative Procedures**

On the morning of November 14, 2012, Beth Thoresen and I met with the Director, Technical Services and the Peer review Manager to review the program's administration. We believe the administrative processes were being handled in a manner consistent with peer review standards.

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

We also reviewed the policies and procedures for the granting of extensions. We found that the Director, Technical Services handles short-term extension requests up to four months with discussion from the committee when the circumstances warrant.

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

The California Society of CPAs has developed a back-up plan to support the Director, Technical Services, Peer Review Manager and the technical reviewers if they become unable to serve in their respective capacities. We believe that the backup plan is sufficient to enable the Society to maintain the administration of the program if circumstances ever warranted its implementation.

#### **Web Site and Other Media Information**

We met with the Peer Review Manager to review the administering entity's procedures to determine if the information disseminated regarding the AICPA Peer Review Program by the administering entity on their Web site and other media information is accurate and timely.

After the AICPA staff's review of the Web site material and other media information, we noted that the administering entity maintains current information as it relates to the peer review program. In addition, the administering entity has an individual who is responsible for maintaining the website on a regular basis to ensure peer review information is accurate and timely.

### **Working Paper Retention**

We reviewed the completed working papers for several reviews and found compliance with the working paper retention policies.

### **Technical Review Procedures**

We met with the technical reviewers, to discuss procedures. They perform all technical reviews and are experienced reviewers.

We reviewed the reports, letters of response, if applicable, and the working papers for 22 reviews being presented to the report acceptance body (RAB) on November 16, 2012. We believe that all review issues were addressed properly by the technical reviewers before reviews were presented to the committee. This helped the acceptance process to be effective and efficient.

### **Review Presentation**

Reviews are brought to the committee without open technical issues. Accordingly, it was not necessary for the RAB to spend a great deal of time reviewing specific technical issues.

### **Committee and RAB Procedures**

We met with the committee chair and discussed their procedures for disseminating the comments resulting from the AICPA working paper oversights to the appropriate individuals. It was determined the committee issued reviewer feedback when appropriate.

On November 15, 2012, we attended the on-site RAB and Peer Review Committee meeting. I observed the RAB's acceptance process and offered my comments at the close of discussions.

There were three report acceptance bodies (RABs) meeting simultaneously and the meetings were very orderly. We attended each of the RABs for a portion of the report acceptance considerations. It was apparent that the committee members had reviewed the reports and working papers thoroughly prior to the meeting and had a good understanding of the program to reach an appropriate decision for each review.



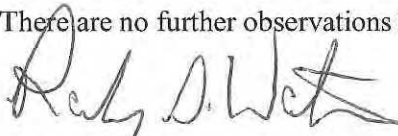
Appropriate decisions were made in the acceptance process, appropriate follow-up actions were assigned and reviewers were being appropriately monitored. Reviews were being presented to the RABs on a timely basis.

**Oversight Program**

The California Society of CPAs' peer review committee has adopted a formal oversight program that is well documented. We reviewed the document and procedures performed and found it to be comprehensive.

**Summary**

There are no further observations to be communicated to the California Society of CPAs.

A handwritten signature in black ink that reads "Randy S. Watson".

Randy S. Watson, Member, Oversight Task Force  
AICPA Peer Review Program



December 14, 2012

Randy S. Watson, Chair  
Oversight Task Force  
AICPA Peer Review Board  
Palladian I Corporate Center  
220 Leigh Farm Road  
Durham, NC 27707-8110

Re: Oversight Visit to California Society of CPAs

Dear Mr. Watson:

This letter represents our response to the report and letter of procedures and observations issued in connection with the review of the California Society of CPAs administration of the AICPA Peer Review Program performed on November 14-16, 2012. The oversight visit documents have been disseminated to all peer review program committee members, administrative staff, and technical reviewers. We are pleased to note there were no specific deficiencies or observations included in the oversight documents on which a written response was required. This letter represents our acknowledgement of the oversight visit.

We appreciate Mr. Watson's review of our administration of the AICPA Peer Review Program.

Sincerely,



Mike Hurley, Chair  
California Peer Review Committee

c: Loretta Doon, CEO  
Linda McCrone, Director



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**PROC Item V.F.**  
August 23, 2013

## **Discussion and Revisions to the PROC Procedures Manual**

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

**Date:** July 23, 2013

---

### **Purpose of the Item**

The purpose of this agenda item is to provide the Peer Review Oversight Committee (PROC) members with the revised PROC Procedures Manual.

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

PROC members are requested to review and make any revisions to the PROC Procedures Manual.

### **Background**

The PROC Procedures Manual was approved and distributed to members in December 2011. In July 2012, the California Board of Accountancy (CBA) made revisions to the role of the PROC. The changes to the role of the PROC required that revisions be incorporated into sections III and IV of the Procedures Manual, which were subsequently distributed to PROC members. At the PROC meeting on June 21, 2013, PROC members approved the revised PROC Procedures Manual and made additional revisions.

### **Comments**

Changes to the Procedures Manual are shown in strikethrough and underline text. The significant revisions are:

- Addition of language regarding oversight of other states' peer review programs
- Updated copy of the American Institute of CPAs Glossary of Terms, Acronyms, and Abbreviations, dated March 2013 (Appendix A)
- Revised Organizational Chart (Appendix B)
- Removal of the Summary of Sample Reviews Checklist (Appendix J)
- Addition of the Summary of Oversight of Out-of-State Peer Review Administering Entity Checklist (Pending Completion, Appendix M)

To facilitate the review process, appendices that were not revised are not being included for distribution. Copies of the entire PROC Procedures Manual will be available at the meeting for review.

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

None.

**Discussion and Revisions to the PROC Procedures Manual**

Page 2 of 2

**Recommendation**

CBA staff recommends approval of the August 2013 PROC Procedures Manual.

**Attachment**

PROC Procedures Manual

CALIFORNIA BOARD OF ACCOUNTANCY

PEER REVIEW OVERSIGHT COMMITTEE  
PROCEDURES MANUAL



June-August 2013

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## SECTION I - INTRODUCTION

This procedure manual contains guidance assembled by the California Board of Accountancy's (CBA) Peer Review Oversight Committee (PROC) to be used by the PROC and the CBA in its peer review oversight roles and responsibilities as described herein. The peer review process utilizes a significant number of terms and acronyms which have been presented in a glossary (APPENDIX A). In addition, to provide a visual aid for the PROC's place in the peer review process, an organizational structure chart is included (APPENDIX B).

### A. AUTHORITY

The PROC derives its authority from Section 5076.1 of the Business and Professions Code (B&P) as follows: The CBA shall appoint a peer review oversight committee of certified public accountants of this state who maintain a license in good standing and who are authorized to practice public accountancy to provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

The composition and function of the PROC is further defined in Title 16, California Code of Regulations (CCR) Section 47.

### B. PURPOSE

The purpose of the PROC is to provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review. (B&P §5076.1)

### C. MEMBERSHIP

The PROC shall be comprised of not more than seven (7) licensees. The licensees shall maintain a valid and active license to practice public accounting in California issued by the CBA. No member of the committee shall be a current member or employee of the CBA. (B&P §5076.1(a), CCR §47)

All members of the PROC, at a minimum, must:

- Be a California-licensed CPA with an active license to practice in good standing in this state, with the authority to sign attest reports.
- Be currently active in the practice of public accounting in the accounting and auditing function of a firm enrolled in the AICPA Peer Review Program as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities.
- Regularly sign attest reports and have extensive experience in performing accounting and auditing engagements.
- Have completed the 24-hour Accounting and Auditing and eight-hour Fraud continuing education requirements for license renewal, as prescribed by [Title 16, CCR, Section 87. of the Accountancy Regulations.](#)
- Be associated with a firm, or all firms if associated with multiple firms, that received a report with the peer review rating of pass for its most recent peer review.
- Have extensive knowledge of the AICPA's *Standards for Performing and Reporting on Peer Reviews*.

#### D. TENURE

PROC members shall be appointed to two-year terms and may serve a maximum of four (4) consecutive terms. (B&P §5076.1)

#### E. CONFIDENTIALITY

All PROC members shall sign a confidentiality letter.

Any information obtained by the PROC in conjunction with its review of peer review program providers shall not be a public record, and shall be exempt from public disclosure, provided, however, this information may be disclosed under any of the following circumstances:

- In connection with disciplinary proceedings of the CBA
- In connection with legal proceedings in which the CBA is a party
- In response to an official inquiry by a federal or state governmental regulatory agency
- In compliance with a subpoena or summons enforceable by court order
- As otherwise specifically required by law

All PROC members are required to sign a confidentiality letter (APPENDIX C).

#### F. CONFLICTS OF INTEREST

PROC members shall not participate in any discussions with respect to a reviewed firm when the member lacks independence as defined by Title 16, CCR, ~~California Code of Regulations~~ Section 65 or has a conflict of interest.

PROC members are allowed to conduct peer reviews as self-employed individuals, employees of a firm, or as an owner/partner of a firm. However, if any decisions involving the peer reviewed firm come before the PROC, the PROC member would have to disqualify himself/herself from all of the issues/decisions before the PROC.

Members are required to file the Fair Political Practices Commission's Form 700 upon appointment, annually, and upon leaving office. Members of the PROC are designated as Disclosure Category 4, which means that they must report:

All interests in real property and investments and business positions in, and any income, including gifts, loans and travel payments from, a business entity, professional association or individual where the business entity, professional association or individual's profession is regulated by or offers programs or courses qualifying for licensing or continuing education credit by the official's or employee's license agency.

If any PROC member receives any income, gifts, loans, or travel payments from any person or entity (as defined by the Act) regulated by the CBA, he or she must disclose the financial interest on the Form 700. This would be true even if such person or entity is not regulated in any manner by the PROC since Disclosure Category 4 requires disclosure when the regulation stems from the "official's or employee's licensing agency." A PROC member would be deemed to have a financial interest in a decision if certain financial limits are met.



The PROC received additional guidance from The Department of Consumer Affairs' Legal Office as outlined in APPENDIX D and APPENDIX E.

#### G. TRAVEL REIMBURSEMENT

Each PROC member shall be reimbursed for traveling and other reasonable expenses necessarily incurred in the performance of duties. (B&P §103)

General guidelines for travel reimbursement will be provided at the time of appointment.

#### H. COMPENSATION

Each PROC member shall receive a per diem of one hundred dollars (\$100) for each day actually spent in the discharge of official duties. (B&P §103)

## SECTION II – GENERAL COMMITTEE MEETING INFORMATION

### A. MEETINGS

The PROC shall hold meetings as necessary in order to conduct business and shall report to the CBA regarding the effectiveness of mandatory peer review. This shall include the PROC Chair attending CBA meetings to report on the activities of the PROC. The PROC shall also prepare an annual report to the CBA regarding the results of its oversight, and shall include the scope of work, findings, and conclusions regarding its oversight. (CCR §47(c))

### B. OPEN/CLOSED SESSION

PROC meetings may include both open and closed sessions.

### C. QUORUM

Before any action may be taken on agenda items, a quorum must be present at the meeting. Therefore, attendance by PROC members is critical. A majority of the PROC membership shall constitute a quorum.

### D. ATTENDANCE BY MEMBERS

PROC members are expected to attend all regularly scheduled meetings of the PROC as well as assigned meetings of peer review program providers. A member who is absent from two consecutive PROC meetings will be subject to review by the Chair. Upon recommendation to the CBA, the member may be dismissed.

### E. ATTENDANCE BY OTHERS

PROC meetings may be attended by CBA members as well as the general public. Members of the general public are only allowed to attend the open session portion of the meeting.

To ensure compliance with the Bagley-Keene Open Meeting Act, Section 11122.5(c)(6), if a majority of CBA members ~~of the full California Board of Accountancy (CBA)~~ are present at a committee meeting, members who are not members of that committee may attend the meeting only as observers. CBA members who are not committee members may not sit at the table with the committee, and they may not participate in the meeting by making statements or by asking questions of any committee members.

### F. STAFF

CBA staff will be available prior to and during all PROC meetings to provide the following:

- Meeting room arrangements
- Travel arrangements
- Coordination of meeting materials
- Record meeting proceedings
- General support to members

## SECTION III – ROLES AND RESPONSIBILITIES

### A. ROLES & RESPONSIBILITIES

The PROC shall evaluate the responsibilities adopted for the PROC by the CBA to determine if the responsibilities are sufficient for the PROC to fulfill its purpose. Any recommendations for changes to the PROC's responsibilities shall be presented to the CBA for consideration and approval. Broadly stated, the PROC shall have the following roles and responsibilities (the specific oversight duty(ies) used to accomplish these goals are listed below each item):

- Hold meetings as necessary in order to conduct business and report to the CBA regarding the effectiveness of mandatory peer review.
- Ensure that Board-recognized peer review program providers (Provider) administer peer reviews in accordance with the standards set forth in Title 16, [CCR, -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.
- Evaluate any *Application to Become A Board-recognized Peer Review Provider* and recommend approval or denial to the CBA.
- Refer to the CBA any Provider that fails to respond to any request.
- Collect and analyze statistical monitoring and reporting data from each Provider on an annual basis.
- Prepare an Annual Report to the CBA regarding the results of its oversight.

The PROC shall develop a more detailed plan for performing and completing the above roles and responsibilities as outlined in the manual. This plan shall be reviewed with the CBA on a routine basis and updated as appropriate to enable the PROC to fulfill its purpose. Documents resulting from the PROC's program shall be considered drafts until approved as final by the PROC and the CBA. Final documents shall be subject to the retention schedule in place at the CBA.

## SECTION IV – PROC FUNCTIONS

The PROC oversight duties will include the following.

### A. OVERSIGHT OF BOARD-RECOGNIZED PEER REVIEW PROGRAM PROVIDERS

#### 1. Administrative Site Visits

The PROC shall conduct, at a minimum, an annual administrative site visit of all Providers. The visit will be to determine if the Provider is administering peer reviews in accordance with the standards adopted by the CBA.

Each PROC member performing an administrative site visit shall complete a “Summary of Administrative Site Visit” checklist (APPENDIX F) and submit to the CBA office within thirty (30) days of the administrative site visit.

#### 2. Peer Review Committee Meetings

The PROC shall attend all peer review committee meetings conducted by a Provider to monitor that the Provider is adhering to the minimum standards set forth by the CBA.

Each PROC member attending a peer review committee meeting shall complete a “Summary of Peer Review Committee Meeting” checklist (APPENDIX G) and submit to the CBA office within thirty (30) days of the peer review committee meeting.

#### 3. Peer Review Subcommittee Meetings (Report Acceptance Bodies)

The PROC shall attend at least four meetings per year of any peer review subcommittee created by a Provider for the purposes of accepting peer review reports. These meetings are commonly referred to as “Report Acceptance Body (RAB)” meetings. The PROC will monitor to ensure that peer reviews are performed and reported on in accordance with the Provider’s established standards.

Each PROC member attending a subcommittee meeting shall complete a “Summary of Peer Review Subcommittee Meeting” checklist (APPENDIX H) and submit to the CBA office within thirty (30) days of the peer review subcommittee meeting.

#### 4. Peer Review Board Meetings

The PROC shall attend selected Peer Review Board (PRB) meetings to observe how the PRB executes its duties in the meeting and to determine whether or not this aspect of the peer review process is operating effectively in the state of California. The PRB meetings generally occur via conference call.

Each PROC member attending a peer review board meeting shall complete a “Peer Review Board Meeting Checklist” (APPENDIX I) and submit to the CBA office within thirty (30) days of the peer review board meeting.

#### 5. Sample Reviews

The PROC shall conduct reviews of peer reviews accepted by a Provider on a sample basis. The review may include, but is not limited to, the peer review report; reviewers' working papers prepared or reviewed by the Provider's peer review committee 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.

Sample reviews may be conducted during the Administrative Site Visit.

Each PROC member conducting a sample review of peer reviews shall ~~complete a "Summary of Sample Reviews" checklist (APPENDIX J) and submit to the CBA office within thirty (30) days of the completion of the review. Notate it on the "Summary of Administrative Site Visit" checklist (APPENDIX F).~~

## 6. Peer Reviewer Training

The PROC shall attend, on a regular basis, peer review training courses offered by a Provider. The PROC shall monitor the Provider's training program to ensure that the program is designed to maintain or increase peer reviewer's currency of knowledge related to performing and reporting on peer reviews.

Each PROC member attending a subcommittee meeting shall complete a "Summary of Peer Reviewer Training Course" checklist (APPENDIX ~~KJ~~) and submit to the CBA office within thirty (30) days of the peer reviewer training course.

## 7. Statistics

The PROC shall collect statistical monitoring and reporting data on a regular basis; such data should be in a mutually agreed upon format to be prepared by the Provider, and shall include, but not be limited to, the following:

- Types (system vs. engagement) and numbers of reviews in process
- Types (system vs. engagement) and numbers of reviews completed by month, and cumulatively for the annual reporting period
- Types (system vs. engagement) and numbers of reviews receiving a pass, pass with deficiencies, or fail rating
- Extensions requested and status (granted, denied, and completed)
- Corrective action matters (various types: overdue peer review reports, disagreements pending resolution, etc.)
- Delinquent reviews
- Firms expelled from the program

If not included in the statistical data reports, the PROC shall obtain a written outline of the administering entity's risk assessment process in conducting its peer review program activities.

## 8. OVERSIGHT OF OTHER STATES' PEER REVIEW PROGRAMS

The PROC shall determine if peer reviews were accepted by an out-of-state Administering Entity (AE) administering a Board-recognized peer review program

provider and shall determine the appropriate level of oversight of the AE. The PROC shall complete a “Summary of Oversight of Out-of-State Peer Review Administering Entity (Pending Completion)” (APPENDIX M) and submit to the CBA office within 30 days of the completion of the review.

#### B. EVALUATION OF BOARD-RECOGNIZED PEER REVIEW PROGRAM PROVIDERS

The PROC shall review any *Application to Become A Board-Recognized Peer Review Program Provider (01/10)* (APPENDIX ~~L~~K) received by the CBA. The PROC shall recommend approval or denial to the CBA based on the applicant’s evidence that its peer review program is comprised of a set of standards for performing, reporting on, and administering peer reviews and contain all the components outlined in Title 16, ~~CCR~~, California Code of Regulations Section 48. The PROC shall complete a “Peer Review Program Provider Checklist” (APPENDIX ~~M~~L) and submit to the CBA office within thirty (30) days of the completion of the review.

#### C. WITHDRAWAL OF BOARD RECOGNITION OF A PEER REVIEW PROGRAM PROVIDER

The PROC is authorized to request from a Provider those materials necessary to perform its review. The PROC shall refer to the CBA any Board-recognized peer review program provider that fails to respond to any request.

#### D. ANNUAL REPORT TO THE CALIFORNIA BOARD OF ACCOUNTANCY

The PROC shall report to the CBA regarding the effectiveness of mandatory peer review. This shall include an annual report to the CBA regarding the results of its oversight, and shall include the scope of work, findings, and conclusions regarding its oversight. The report should be submitted ~~at~~ to the March CBA meeting each year.

#### E. DOCUMENTATION OF OVERSIGHT ACTIVITIES

All PROC members shall document their attendance at or participation in peer review oversight activities using the checklists developed.:

All checklists should be signed by the PROC member and submitted to the CBA office within thirty (30) days of the oversight activity.

Checklists will be maintained by the CBA office in accordance with the Records Retention Policy.



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**A**

<b>Accounting and Review Services Committee (ARSC)</b>	AICPA committee whose objective is to develop, on a continuing basis, procedures and standards of reporting by CPAs on the types of accounting and review services a CPA may render in connection with unaudited financial statements, as well as unaudited financial information of an entity that is not required to file financial statements with a regulatory agency in connection with the sale or trading of its securities in a public market.
<b>Accounting Principles Board (APB)</b>	Standards-setting body for accounting principles that issued its opinions from November 1962 to June 1973. Succeeded by Financial Accounting Standards Board.
<b>Accredited in Business Valuation (ABV)</b>	Credential in business valuation awarded by the AICPA to those who have met prescribed requirements and passed an examination.
<b>Accounting Standards Codification™ (ASC)</b>	The source of authoritative generally accepted accounting principles (GAAP) recognized by the FASB to be applied to nongovernmental entities. The Codification is effective for interim and annual periods ending after September 15, 2009. All other accounting literature not included in the Codification will be considered nonauthoritative. Certain SEC content is also included in the Codification.
<b>Adverse Opinion</b>	Auditor's opinion which states that financial statements do not fairly present the financial position, results of operations, or cash flows in conformity with generally accepted accounting principles.
<b>Accounting Standards Update (ASU)</b>	Effective July 1, 2009, changes to the source of authoritative U.S. GAAP, the <i>FASB Accounting Standards Codification®</i> (FASB Codification), are communicated through an Accounting Standards Update (Update). Updates will be published for all authoritative U.S. GAAP promulgated by the FASB, regardless of the form in which such guidance may have been issued prior to release of the FASB Codification (e.g., FASB Statements, EITF Abstracts, FASB Staff Positions, etc.). Updates also will be issued for amendments to the SEC content in the FASB Codification as well as for editorial changes. Although ASUs will update the FASB Codification, the FASB does not consider Updates as authoritative in their own right.
<b>Agreed Upon Procedures</b>	Specific procedures agreed to by a CPA, a client and (usually) a specified third party. The report states what was done and what was found. Additionally, the use of the report is restricted to only those parties who agreed to the procedures.
<b>AICPA Board of Directors</b>	Executive Committee of Council which directs Institute activities between Council meetings. It is comprised of 23 members.
<b>AICPA Council</b>	AICPA governing body which determines Institute procedures and policies. It comprises of approximately 260 members representing every state and four U.S. territories.
<b>AICPA Personal Liability Umbrella Security Plan (AICPA PLUS)</b>	AICPA insurance plan which provides members and their families with up to \$5 million personal liability coverage.
<b>American Accounting Association (AAA)</b>	National professional association for those involved in accounting education in higher education.



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<b>Association to Advance Collegiate Schools of Business (AACSB)</b>	Recognized agency that accredits academic programs. The Website address is: <a href="http://www.aacsb.edu/">http://www.aacsb.edu/</a>
<b>American Taxation Association (ATA)</b>	This is the national professional association for tax professors in higher education.
<b>American Tort Reform Association (ATRA)</b>	Coalition of associations, nonprofit organization, consumer advocates, businesses, and professionals whose purpose is to restore fairness, balance, and predictability to the nation's civil justice system.
<b>Assurance Services</b>	Services which improve the quality of information, or its context, for decision-makers.
<b>Assurance Services Executive Committee (ASEC)</b>	This committee is responsible for identifying, developing, and communicating new assurance opportunities for the membership. Moreover, if measurement criteria or more detailed performance guidance is required to deliver a particular service, the Committee, or one of its task forces, will develop such criteria or guidance, working cooperatively with other senior technical committees or bodies with specialized expertise in the subject area as necessary and appropriate.
<b>Attestation Standards (AT)</b>	The attestation standards enable practitioners to examine or review non-financial statement information and to perform and report on the results of those engagements in accordance with professional standards.
<b>Audit and Accounting Guides</b>	Materials which provide CPAs with authoritative guidance regarding accounting and auditing of entities in specialized industries or other specialized areas.
<b>Audit Risk</b>	The risk that an auditor will unknowingly fail to appropriately modify his/her opinion on financial statements that are materially misstated.
<b>Audit Risk Alerts</b>	Annual updates alerting auditors to current economic, regulatory, and professional developments in various industries. These include <i>Compilation and Review Alerts</i> , and approximately 18 industry-specific alerts.
<b>Audit Sampling</b>	The application of an audit procedure to less than 100 percent of the items within an account balance or class of transactions for the purpose of evaluating some characteristic of the balance or class.
<b>Audit Committee Effectiveness Center (AudCommCtr)</b>	A key element in the corporate governance process of any organization is its audit committee. As its role expands, making the audit committee as effective and efficient as possible becomes critical. The battle for financial statement integrity and reliability depends on balancing the pressures of multiple stakeholders, including management, regulators, investors and the public interest. Guidance and tools are presented to make audit committee best practices actionable. <a href="http://www.aicpa.org/forthepublic/auditcommitteeeffectiveness/pages/acec.aspx">http://www.aicpa.org/forthepublic/auditcommitteeeffectiveness/pages/acec.aspx</a>
<b>Audit Committee</b>	This system was built for two reasons— for our members to provide them

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<b>Matching System (ACMS)</b>	with opportunities to serve on boards of directors, and as a public service to provide a list of qualified, credentialed candidates to serve on boards of directors and presumably the audit committees of those boards. <a href="http://www.aicpa.org/Volunteer/AuditCommitteeMatchingCenter/Pages/index.aspx">http://www.aicpa.org/Volunteer/AuditCommitteeMatchingCenter/Pages/index.aspx</a>
<b>Auditing Procedure Studies (APS)</b>	Studies which inform practitioners of developments and advances in auditing procedures to provide practical assistance regarding auditing procedures.
<b>Auditing Standards Board (ASB)</b>	The Auditing Standards Board (ASB) is the AICPA's senior committee for auditing, attestation, and quality control applicable to the performance and issuance of audit and attestation reports for nonissuers. Its mission is to serve the public interest by developing, updating and communicating comprehensive standards and practice guidance that enable practitioners to provide high-quality, objective audit and attestation services to nonissuers in an effective and efficient manner.

**B**

<b>Beta Alpha Psi (BAP)</b>	The premier professional accounting and business information fraternity which recognizes academic excellence and complements members' formal education by providing for interaction among students, faculty and professionals.
<b>Big Four</b>	Traditionally, the four largest CPA firms in the world. They are: PricewaterhouseCoopers; Deloitte & Touche LLP; Ernst & Young LLP; and KPMG.
<b>Board of Examiners (BOE)</b>	An executive committee of the AICPA with overall responsibility for preparing and grading the Uniform CPA examination.
<b>Business and Industry Executive Committee (BIEC)</b>	The AICPA committee charged with representing and advocating the needs of members in business and industry.
<b>Business Valuation (BV)</b>	Refers to the discipline involving a process by which a supportable opinion is derived about the worth of a business or individual assets or liabilities.

**C**

<b>Canadian Institute of Chartered Accountants (CICA)</b>	The national membership organization of Chartered Accountants of Canada, which works closely with the AICPA on several initiatives of common interest, including, but not limited to WebTrust, SysTrust, Eldercare, Performance Views and Continuous Assurance.
<b>Cascade</b>	The cascade of Sarbanes-Oxley Act (SOX) is the extension of provisions contained in SOX that apply only to SEC registrants and their auditors to

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	private companies and not for profit organizations and their CPA firms.
<b>Center for Audit Quality (CAQ)</b>	The Center for Audit Quality ( <a href="http://www.thecaq.org">www.thecaq.org</a> ) is an autonomous organization created to serve investors, public company auditors and the markets. The Center's mission is to foster confidence in the audit process and to aid investors and the capital markets by advancing constructive suggestions for change rooted in the profession's core values of integrity, objectivity, honesty and trust. U.S. accounting firms registered with the Public Company Accounting Oversight Board are eligible for membership. The CAQ is affiliated with the AICPA.
<b>Certified in Financial Forensics (CFF)</b>	Certified in Financial Forensics, a specialty credential of the AICPA. The CFF encompasses fundamental and specialized forensic accounting skills that CPA practitioners apply in a variety of service areas, including: bankruptcy and insolvency; computer forensics; economic damages; family law; fraud investigations; litigation support; stakeholder disputes and valuations.
<b>Chartered Global Management Accountant (CGMA)</b>	The Chartered Global Management Accountant is designed to elevate management accounting and further emphasize its importance for businesses worldwide. The AICPA and CIMA have joined together to form a joint venture which powers this new designation for management accountants.
<b>Chartered Institute of Management Accountants (CIMA)</b>	The Chartered Institute of Management Accountants is the world's largest professional body of management accountants, with 183,000 members and students in 168 countries. CIMA members and students work in industry, commerce, the public sector and not-for-profit organizations. CIMA regularly updates its qualification, professional experience requirements and continuing professional development. Professionalism is at the core of CIMA's activities. <a href="http://www.cimaglobal.com">www.cimaglobal.com</a>
<b>Certified Information Technology Professional (CITP)</b>	Credential in information technology awarded by the AICPA to CPAs who have met experience, life long learning and examination requirements. CITPs are involved in information strategic planning, implementation, management, and business strategies for information systems.
<b>Certified Internal Auditor (CIA)</b>	An international certification awarded by the Institute of Internal Auditors (IIA) that reflects competence in the principles and practices of internal auditing.
<b>Certified Management Accountant (CMA)</b>	Title bestowed by the Institute of Management Accountants (IMA) on persons meeting certain basic requirements, principally an examination covering economic theory, financial management, cost accounting, etc.
<b>Certified Public Accountant (CPA)</b>	A credential conferred by a state or similar governmental jurisdiction that authorized the holder to practice as a certified public accountant in that jurisdiction.
<b>Certified Public</b>	Independent organization of state CPA society chief executive officers.

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<b>Accountants' Society Executives Association (CPA/SEA)</b>	
<b>Chief Financial Officer (CFO)</b>	The individual in an organization with overall responsibility for accounting, treasury, financial management, financial reporting, finance and related functions. This position reports to the CEO and depending on the size of the organization, it could have many additional responsibilities. The CFO should be the right hand of the CEO, collaborating on strategy and business growth, while at the same time bringing ensuring compliance and conservatism. Sometimes called the VP-Finance or similar title.
<b>Chartered Accountant (CA)</b>	Professional accounting designation used in the United Kingdom, Canada and several other countries.
<b>Compilation</b>	Information presented in the form of financial statements that is the representation of management without the accountant undertaking to express any assurance on the statements.
<b>Computer based Test (CBT)</b>	Term sometimes used to refer to the Uniform CPA Examination. The Uniform CPA Examination is delivered in a computerized format, almost year-round, at test centers across the United States. Go to <a href="http://www.cpa-exam.org">www.cpa-exam.org</a> for information about the CPA Examination, applying, and scheduling.
<b>Consulting Services (CS)</b>	Consulting Services provided by CPA firms in addition to the traditional audit, accounting, and tax services (e.g. systems work, production planning). The AICPA CS Team provides educational and technical guidance to firms and private sector employees who offer consulting services to clients or employers.
Committee of Sponsoring Organizations of the Treadway Commission (COSO)	The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a joint initiative of five private sector organizations (the American Accounting Association, AICPA, Financial Executives International, the Institute of Management Accountants and the Institute of Internal Auditors) and is dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence.
<b>Continuing Professional Education (CPE) Now called Professional Development</b>	An integral part of the life-long learning required for the CPA to provide competent service to the public. The set of activities that enables accounting professionals to maintain and increase their professional competence.
<b>CPA2Biz</b>	Accounting profession's vertical portal to provide tools, support and opportunities, online & offline, to enable CPAs to enhance customer relationships & expand their portfolio of product and service offerings.

**D**

<b>DIEP</b>	Depository Institutions Expert Panel
<b>Disclaimer of Opinion</b>	Auditor's statement in which he (she) does not express an opinion on

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	financial statements.
<b>Disclosure</b>	The material matters relating to the form, arrangement, and content of financial statements that are “disclosed” during the presentation of financial statements in accordance with generally accepted accounting principles, or, if applicable with OCBOA.
<b>Discussion Memorandum (DM)</b>	Document sometimes issued for public comment to assist an authoritative body in formulating an exposure draft.

**E**

<b>Educational Competency Assessment Site (ECAS)</b>	A web-based tool to help accounting educators and program administrators integrate the skills-based competencies defined in the AICPA Core Competency Framework for Entry into the Accounting Profession.
<b>ElderCare Services</b>	A host of financial and non-financial services targeted at older adults and their family members to help those older adults maintain their independence for as long as possible and to provide peace of mind for their family members.
<b>Elijah Watt Sells Award</b>	Award presented to those CPA candidates who take all four sections of the Uniform CPA Examination at one time and receive the three highest combined grades.
<b>Emerging Issues Task Force</b>	The EITF was designed to promulgate implementation guidance within the framework of existing authoritative literature to reduce diversity in practice on a timely basis. The EITF was designed to minimize the need for the FASB to spend time and effort addressing narrow implementation, application, or other emerging issues that can be analyzed within existing GAAP.
<b>Employee Benefit Plan Audit Quality Center (EBP AQC)</b>	An AICPA firm membership Center with the objective of enhancing the quality of audits of employee benefit plans subject to ERISA.
<b>Engagement Reviews under the AICPA Peer Review Program</b>	Peer review for firms that only perform services under SSARS and/or services under the SSAEs not included in system reviews have peer reviews called engagement reviews. The objectives of an engagement review are to provide the reviewer with a reasonable basis for expressing limited assurance that: a. the financial statements or information and the related accountant’s report on the accounting and review engagements and attestation engagements submitted for review conform in all material respects with the requirements of professional standards in all material respects and b. the reviewed firm’s documentation conforms with the requirements of SSARS and the SSAEs applicable to those engagements in all material respects.
<b>Enhanced Business</b>	Enhanced Business Reporting is comprised of voluntary, globally

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<b>Reporting (EBR)</b>	recognized guidelines for providing richer disclosure of business information, allowing companies to better communicate current and expected performance while giving the investment community and other stakeholders the information they need to make better decisions. This includes financial statements, key performance indicators based on industry-specific definitions, and company-specific information about strategy, plans, opportunities and risks.
<b>Enrolled Agent</b>	A tax practitioner who, by passing an examination given by the U.S. Treasury Department, can represent taxpayers before the Internal Revenue Service.
<b>Enterprise Resource Planning (ERP)</b>	A business management system that integrates all facets of the business to the related financial reporting functionality. Software applications have emerged to help business managers implement ERP in business activities such a planning, manufacturing, sales, marketing, inventory control, order tracking, and finance. ERP attempts to integrate all departments and functions across a company to create a single software program that runs off one database.
<b>Evidential Matter</b>	Audit materials supporting the financial statements consisting of the underlying accounting data and all corroborating information available to the auditor.
<b>Examinations Committee (EC)</b>	A standing committee of NASBA which investigates and makes recommendations to boards of accountancy regarding all aspects of the Uniform CPA Examination.
<b>Examinations Review Board (ERB)</b>	A standing committee of NASBA which provides a comprehensive audit of the preparation, grading, security, and administration of the exam.
<b>Exposure Draft (ED)</b>	Document issued by the AICPA, Financial Accounting Standards Board (FASB), Governmental Accounting Standards Board (GASB), Federal Accounting Standards Advisory Board (FASAB), or other authority to invite public comment before a final accounting, auditing, or administrative standard, policy or procedure pronouncement is issued.
<b>Extensible Business Reporting Language (XBRL)</b>	Formerly code named XFRML, XBRL is a freely available electronic language for financial reporting. It is an XML-based framework that provides the financial community a standards-based method to prepare, publish in a variety of formats, reliably extract and automatically exchange financial statements of publicly held companies and the information they contain. XBRL is not about establishing new accounting standards but enhancing the usability of the ones that we have through the digital language of business. XBRL will not require additional disclosure from companies to outside audiences.

**F**

<b>Federal Accounting Standards Advisory Board</b>	Group authorized by the accounting profession to establish generally accepted accounting principles (GAAP) applicable to federal government entities.
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<b>(FASAB)</b>	
<b>Federal Housing Administration (FHA)</b>	The Federal Housing Administration is part of the U.S. Department of Housing and Urban Development (HUD). FHA provides mortgage insurance on loans made by FHA-approved lenders throughout the United States and its territories. FHA insures mortgages on single family and multifamily homes including manufactured homes and hospitals. FHA mortgage insurance provides lenders with protection against losses as the result of homeowners defaulting on their mortgage loans. It is the largest insurer of mortgages in the world, insuring over 34 million properties since its inception in 1934.
<b>Federation of Schools of Accountancy (FSA)</b>	The organization of accredited accounting graduate programs that is dedicated to enhancing, through collegiate education, the capabilities and performance of those entering the accounting profession.
<b>FFIEC</b>	The Federal Financial Institutions Examination Council - <a href="http://www.ffiec.gov/about.htm">http://www.ffiec.gov/about.htm</a>
<b>Financial Accounting Foundation (FAF)</b>	Independent, private-sector organization whose trustees appoint the members, provide funds, and exercise general oversight of the Financial Accounting Standards Board (FASB), Governmental Accounting Standards Board (GASB), and their respective advisory councils.
<b>Financial Accounting Standards Advisory Council (FASAC)</b>	The primary function of FASAC is to advise the Board on issues related to projects on the Board's agenda, possible new agenda items, project priorities, procedural matters that may require the attention of the FASB, and other matters as requested by the chairman of the FASB. FASAC meetings provide the Board with an opportunity to obtain and discuss the views of a very diverse group of individuals from varied business and professional backgrounds.
<b>Financial Accounting Standards Board (FASB)</b>	Independent, private, non-government group which is authorized by the accounting profession to establish generally accepted accounting principles in the U.S.
Financial Reporting Executive Committee (FinREC)	FinREC is an AICPA technical committee for financial reporting. Its mission is to determine the AICPA's technical policies regarding financial reporting standards and to be the AICPA's spokesperson on those matters, with the ultimate purpose of serving the public interest by improving financial reporting.
Financial Reporting Framework (FRF)	A set of criteria used to determine measurement, recognition, presentation, and disclosure of all material items appearing in financial statements; for example, U.S. GAAP, International Financial Reporting Standards promulgated by the International Accounting Standards Board, or a special purpose framework.
<b>Financial Statements</b>	The presentation of financial data, including accompanying notes derived from accounting records and intended to communicate an entity's economic resources or obligations at a point in time, or the changes therein for a period of time, in accordance with a comprehensive basis of accounting.

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**G**

<b>Government Accountability Office (GAO)</b>	Independent, non-partisan agency which assists Congress in investigating and reporting on government's effectiveness in using public funds.
<b>Generally Accepted Accounting Principles (GAAP)</b>	Uniform minimum standards of and guidelines to financial accounting and reporting. Reference to GAAP in Rule 203 ( <i>Accounting Principles</i> ) of the AICPA Code of Professional Conduct means accounting principles promulgated by bodies designated by Council of the AICPA. Currently, the Financial Accounting Standards Board (FASB), the International Accounting Standards Board (IASB), the Governmental Accounting Standards Board (GASB) and the Federal Accounting Standards Advisory Board (FASAB) are authorized by Council to establish these principles.
<b>Generally Accepted Auditing Standards (GAAS)</b>	Statements on Auditing Standards (SASs) issued by the Auditing Standards Board (ASB), the senior committee of the AICPA designated to issue pronouncements on auditing matters for nonissuers. Rule 202 ( <i>Compliance with Standards</i> ) of the AICPA Code of Professional Conduct requires an AICPA member who performs an audit of a nonissuer to comply with standards promulgated by the ASB.
<b>Generation Skipping Transfer Tax (GSTT)</b>	This is a tax on estate tax transfers, generally through trusts that are intended to avoid estate taxes. There is a \$1 million exemption, but the taxpayer has to elect to allocate it to a transfer, and this is hard to do when it is uncertain what the future value of the transfer will be. The result has been liability for practitioners for failing to elect to allocate some of the exemption to the transfer.
<b>Global Accounting Alliance (GAA)</b>	The Global Accounting Alliance (GAA) was formed in November 2005 and is an alliance of leading professional accountancy bodies in significant capital markets. It was created to promote quality services, share information and collaborate on important international issues. The GAA works with national regulators, governments and stakeholders, through member-body collaboration, articulation of consensus views, and working in collaboration where possible with other international bodies, especially the International Federation of Accountants (IFAC).
<b>Government Audit Quality Center (GAQC)</b>	An AICPA firm membership Center with objective of enhancing the quality of audits of entities subject to GAGAS.
<b>Government Auditing Standards, a.k.a Generally Accepted Government Auditing Standards (GAGAS)</b>	Standards and guidance issued by the Comptroller General of the U.S., U.S. Government Accountability Office (GAO) for financial audits, attestation engagements, and performance audits. <i>Government Auditing Standards</i> is also known as GAGAS or the Yellow Book.
<b>Government Finance Officers Association (GFOA)</b>	Private, nonprofit organization which has actively supported the advancement of governmental accounting, auditing, and financial reporting since 1906.
<b>Governmental</b>	Official promulgations by the Governmental Accounting Standards Board



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<b>Accounting Standards (GAS)</b>	(GASB) and, if not superseded, part of generally accepted accounting principles applicable to state and local governmental entities.
Governmental Accounting Standards Advisory Council (GASAC)	The Governmental Accounting Standards Advisory Council (GASAC) is responsible for consulting with the GASB on technical issues on the Board's agenda, project priorities, matters likely to require the attention of the GASB, selection and organization of task forces, and such other matters as may be requested by the GASB or its chairman. The GASAC also is responsible for helping to develop the GASB's annual budget and aiding the Financial Accounting Foundation (FAF) in raising funds for the Board.
<b>Governmental Accounting Standards Board (GASB)</b>	Group authorized by the accounting profession to establish generally accepted accounting principles (GAAP) applicable to state and local governmental entities.
<b>Governmental Performance and Accountability Committee (GPAC)</b>	The AICPA Government Performance and Accountability Committee (GPAC) represents CPAs working in all levels of federal, state and local government. It also serves the public who depend on CPAs to help ensure government accountability. The mission of the GPAC is to 1) promote greater government accountability and the integrity of government operations, information and information systems, 2) promote and encourage increased participation and involvement by CPAs in government within the AICPA, 3) enhance the professional image and value of CPAs in government, 4) provide advice and counsel to the Institute on the needs of CPAs in government, and 5) serve as a conduit for communications among CPAs in government, the Institute and other professional organizations.

**H**

Housing and Urban Development (HUD)	The mission of the U.S. Department of Housing and Urban Development is to create strong, sustainable, inclusive communities and quality affordable homes for all. HUD supervises numerous mortgage, grant, assistance and regulatory programs. HUD's Office of Inspector General (OIG) requires program-specific audits to be conducted for recipients of HUD monies to assist HUD program managers in determining whether the auditee has complied with all of the requirements of the program as well as ensuring that the related Federal funds are correctly utilized. HUD publishes various audit guides that auditors must follow in conducting these audits.
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**I**

<b>Information Technology Executive Committee (ITEC)</b>	An AICPA committee organized to research, monitor, assess, educate, and communicate the impact of technology developments on business solutions; to enhance the quality of information technology services provided by members; to achieve recognition that the CPA is the preeminent trusted professional to provide business solutions by applying information technology; and to enable all members to provide value to their
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	clients and their employers through effective application of current, emerging and future information technologies.
<b>Information Technology Membership Section</b>	Voluntary AICPA membership section for CPA specialist in information technology.
<b>Institute of Internal Auditors (IIA)</b>	An international organization that provides certification, education, research, and technological guidance for internal audit practitioners.
<b>Institute of Management Accountants (IMA)</b>	National membership organization of CPAs and others involved in accounting, financial and data processing work for industry, commerce and government. Issues the designation Certified Management Accountant (CMA).
<b>International Accounting Standards Board (IASB)</b>	The IASB is the independent standard-setting body of the IFRS Foundation. Its members are responsible for the development and publication of IFRSs, including the IFRS for SMEs and for approving Interpretations of IFRSs as developed by the IFRS Interpretations Committee (formerly called the IFRIC). The objective is to develop a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles.
<b>International Auditing and Assurance Standards Board (IAASB)</b>	The committee authorized by the IFAC to issue International Standards on Auditing (ISAs) and guidance.
International Ethics Standards Board for Accountants (IESBA)	The International Ethics Standards Board for Accountants (IESBA) of IFAC is an independent standard-setting body that serves the public interest by setting high-quality ethical standards for professional accountants and by facilitating the convergence of international and national ethical standards, including auditor independence requirements, through the development of a robust, internationally appropriate code of ethics. The IESBA Code serves as the foundation for codes of ethics developed and enforced by members of the International Federation of Accountants (IFAC). No member body of IFAC or firm issuing reports in accordance with International Auditing and Assurance Standards is allowed to apply less stringent standards than those stated in the IESBA Code.
<b>International Federation of Accountants (IFAC)</b>	IFAC is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is comprised of 173 members and associates in 129 countries and jurisdictions, representing approximately 2.5 million accountants in public practice, education, government service, industry, and commerce. IFAC supports a number of independent standard-setting boards (such as IAASB and IESBA) and various committees.
<b>International Financial Reporting Standards (IFRS)</b>	International Financial Reporting Standards (IFRS) is a set of accounting standards, developed by the International Accounting Standards Board (IASB), that is becoming the global standard for the preparation of public company financial statements. The IASB is an independent accounting standards body, based in London.
International Financial	The International Financial Reporting Standard (IFRS) for Small and

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Reporting Standards for Small- and Medium-Sized Entities (IFRS for SMEs)	Medium-sized Entities (SMEs) is a set of high quality financial reporting principles issued by the IASB that is tailored for the capabilities of smaller businesses and for the needs of those who use small company financial statements. IFRS for SMEs is an acceptable GAAP alternative for SMEs in the United States. Entities with public accountability, such as publicly traded entities and financial institutions, should not use IFRS for SMEs.
<b>International Innovation Network (IIN)</b>	A group of Institutes located in 17 different countries meeting to exchange ideas and best practices related to innovation. These areas (or “innovation”) include new service lines, new products, new education, etc. Countries involved in this network include the US (AICPA), Canada, England and Wales, Ireland, Scotland, France, Germany, Argentina, Israel, Japan, Netherlands, Denmark, Sweden, Hong Kong, Australia, New Zealand, Spain, Italy and others.
<b>International Public Sector Accounting Standards (IPSAS)</b>	Issued by the International Public Sector Accounting Standards Board, these standards set out the requirements for financial reporting by governments and others in public sector organizations.
<b>International Public Sector Accounting Standards Board (IPSASB)</b>	This Board focuses on the accounting and financial reporting needs of national, regional and local governments, related governmental agencies, and the constituencies they serve. It addresses these needs by issuing and promoting benchmark guidance, conducting educational and research programs, and facilitating the exchange of information among accountants and those who work in the public sector or rely on its work.
Invitation to Comment (ITC)	A document issued for public comment by a standard-setter (such as FASB or GASB) in the early stages of a standard-setting project. Generally, an ITC does not include preliminary views or proposals of the standard-setter. Rather, it describes the need for the project, offers some possible solutions and solicits other ideas from constituents through the comment process.
International Standards on Auditing (ISAs)	International Standards on Auditing are issued by the IAASB and apply to the audit of historical financial information conducted by independent auditors in accordance with international standards. <a href="http://www.nasba.org/exams/igex/">http://www.nasba.org/exams/igex/</a>
<b>International Qualification Examination (IQEX)</b>	International Qualification Examination (IQEX) transitioned to a new format that uses an administration of the Uniform CPA Examination’s Regulation section. The IQEX exam is for accounting professionals who are members of non-U.S. professional associations that have entered into mutual recognition agreements with U.S. boards of accountancy.
<b>Issuer</b>	The term “issuer” means an issuer (as defined in section 3 of the Securities Exchange Act of 1934 (15 U.S.C.78c)). The securities of which are registered under section 12 of that Act (15 U.S.C.78l), or that is required to file reports under section 15(d) (15 U.S.C 78o (d)), or that files or has filed a registration statement that has not yet become effective under the Securities Act of 1933 (15 U.S.C. 77a et seq.) and that it has not withdrawn.
<b>Issues Papers</b>	Materials which provide information on financial accounting and reporting issues that the Institute believes the Financial Accounting Standards Board (FASB) or Governmental Accounting Standards Board (GASB) should consider and on which those organizations should provide guidance.

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**J**

<b>Joint Ethics Enforcement Program (JEEP)</b>	Program of cooperation between the AICPA and the state CPA societies in the enforcement of the Code of Professional Conduct.
<b>Joint Trial Board (JTB)</b>	An AICPA Board, which provides for uniform enforcement of professional standards by adjudicating disciplinary charges against AICPA and state society members. It comprises of at least 36 members.

**L**

<b>Letters of Comment (LOC)– Peer Review</b>	<p>For system reviews within the AICPA Peer Review Program, comments and recommendations issued by the review team if there are matters that the review team believes resulted in conditions being created in which there was more than a remote possibility that the firm would not conform with professional standards on accounting and auditing engagements in all material respects, but were not of such significance to cause the report to be modified or adverse.</p> <p>For engagement reviews within the AICPA Peer Review Program, comments and recommendation issued by the review team if there are departures from professional standards that are not deemed to be significant but that should be considered by the reviewed firm in evaluating the quality control policies and procedures over its accounting practice.</p>
<b>Letters of Response (LOR) – Peer Review</b>	A written response from the reviewed firm addressed to the entity administering the Peer Review Program which describes the actions taken or planned by the reviewed firm with respect to each matter in the letter of comments.

**M**

<b>Minority Initiatives Committee</b>	The AICPA committee that works to actively integrate minorities into the accounting profession to become CPAs and enhance their upward mobility.
<b>Mutual Recognition Agreements</b>	A joint NASBA-AICPA body (IQAB) considers applications from accounting organizations in other countries and issues Mutual Recognition Agreements (MRAs) to qualify their members to sit for the IQEX.

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**N**

<b>National Accreditation Commission (NAC)</b>	Senior AICPA committee that recommends and implements specialization/certification programs for CPAs and oversees existing accreditation programs.
<b>National Association of State Boards of Accountancy (NASBA)</b>	National organization representing the 54 state licensing boards/agencies which regulate the CPA profession in all states and four U.S. territories.
<b>National Council of Governmental Accounting (NCGA)</b>	Private sector standard-setting body for governmental accounting, auditing, and financial reporting from 1968 until 1984, when the Governmental Accounting Standards Board (GASB) was established.
<b>Negative Assurance</b>	An accountant's statement which says that as a result of specified procedures, nothing came to his (her) attention that caused him (her) to believe that specified matters did not meet a specified standard.
<b>Nonissuer</b>	Entities not subject to the Sarbanes-Oxley Act of 2002 or the rules of the SEC.

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**O**

<b>Office of the Comptroller of the Currency (OCC)</b>	A bureau of the U.S. Treasury Department designed to safeguard bank operations and the public interest through its general supervision over the operations of national banks.
<b>Other Comprehensive Basis of Accounting (OCBOA)</b>	OCBOA is a type of special purpose framework, which is a basis of accounting other than GAAP that an entity uses to report its assets, liabilities, equity, revenues and expenses. Examples of OCBOA include cash basis, income tax basis, regulatory basis and other basis (defined as a basis of accounting that uses a definite set of logical, reasonable criteria that is applied to all material items appearing in financial statements).
Office of Management and Budget (OMB)	OMB is the largest component of the Executive Office of the President. It is the implementation and enforcement arm of Presidential policy government-wide. One of its many responsibilities is oversight of agency performance, Federal procurement, financial management, and information/IT (including paperwork reduction, privacy, and security). OMB Circular A-133 provides audit requirements to insure that federal grants to state, local and tribal governments, colleges, universities and other non-profit organizations (non-Federal entities) are expended properly.

**P**

Private Company Council (PCC)	The PCC was established in May 2012 by the Board of Trustees of the Financial Accounting Foundation (FAF) to work with the Financial Accounting Standards Board (FASB) to determine whether and when to modify U.S. Generally Accepted Accounting Principles (GAAP) for private companies.
<b>PEEC</b>	Professional Ethics Executive Committee
<b>Peer Review</b>	An evaluation of whether a CPA firm's system of quality control for its accounting and auditing practice has been designed in accordance with quality controls standards established by the AICPA and whether the CPA firm's quality control policies and procedures were being complied with to provide the firm with reasonable assurance of conforming with professional standards or a review of the firms' accounting reports and financial statements to determine conformity with professional standards, applicable to those engagements in all material respects. Peer reviews are performed in accordance with standards established by the AICPA Peer Review Board for firms enrolled in the AICPA Peer Review Program, and by the Center for Public Company Audit Firms Peer Review Committee for firms enrolled in the Center for Public Company Audit Firms Peer Review Program. Also see Engagement, Report and System Reviews (under the AICPA Peer Review Program) and Peer Reviews under the Center for Public Company Audit Firms Peer Review Program.
<b>Peer Review Board (PRB)</b>	The executive committee having senior status with authority to establish, conduct and administer the AICPA Peer Review Program in cooperation with administering entities. Its objective is to enhance the quality of accounting and auditing engagements by CPA firms by establishing and conducting, in cooperation with the state CPA societies, a peer review program for AICPA and state CPA society members engaged in the

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	practice of public accounting.
<b>Performance View</b>	This service identifies critical success factors that lead to measures that can be tracked over time. These measures are then used to assess progress in achieving specific targets linked to an entity's vision and performance.
<b>Personal Financial Planning (PFP)</b>	Process of addressing a client's financial concerns in the context of his or her overall financial situation. The AICPA PFP Team provides support to members with a special interest in advising clients on the planning and management of their personal finances.
<b>Personal Financial Planning Section</b>	Voluntary AICPA membership section for CPA specialists in personal financial planning.
<b>Personal Financial Specialist (PFS)</b>	Credential in personal financial planning awarded by AICPA to those who have met practice requirements and passed an examination.
<b>Preliminary Views Document (PV)</b>	A Preliminary Views is a document issued by a standard-setter (such as FASB or GASB) designed to set forth and seek comments on a Board's current views at a relatively early stage in a standard-setting project. A Preliminary Views generally is issued when a Board anticipates that respondents are likely to be sharply divided on the issues or when a Board itself is sharply divided on the issues. A Preliminary Views document is a step toward an exposure draft of a final standard, but it is not an exposure draft.
<b>Private Company Financial Reporting</b>	An initiative of the AICPA to determine if, and where, privately-held companies have a need for different accounting standards than publicly-traded companies, and if so, to work to create those standards. This initiative is currently focused on working collaboratively with the FASB to meet the needs of companies, users of financial reporting and the CPAs who serve these clients.
<b>Private Companies Practice Section (PCPS)</b>	The Private Companies Practice Section (PCPS) is a firm membership section of the AICPA.
<b>Professional Ethics Executive Committee (PEEC)</b>	To develop standards of ethics, promote understanding and voluntary compliance with such standards, establish and present charges of violations of the standards and the AICPA's bylaws to the Joint Trial Board for disciplinary action in cooperation with State Societies under the Joint Ethics Enforcement Program (JEEP), improve the profession's enforcement procedures, coordinate the subcommittees of the Professional Ethics Division, and promote the efficiency and effectiveness of JEEP Program.
<b>Public Company Accounting Oversight Board (PCAOB)</b>	The PCAOB is a private-sector, non-profit corporation, created by the <a href="#">Sarbanes-Oxley Act of 2002</a> , to oversee the auditors of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports.
<b>Public Accountant (PA)</b>	Generic term for persons/firms which practice public accounting but are not CPAs. Some states license public accountants.

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**Q**

<b>Qualified Opinion</b>	Auditor’s opinion which states that, except for the effects of the matter to which a qualification relates, the financial statements fairly present financial position, results of operations, cash flows in conformity with generally accepted accounting principles.
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**R**

<b>Report Acceptance Body (RAB)</b>	Peer Review Committee members from approved state CPA society administering entities that discuss and accept peer review reports and other peer review related documents for firms enrolled in the AICPA Peer Review Program.
<b>Report Reviews Under the AICPA Peer Review Program</b>	A peer review where the objective is to enable the reviewed firm to enhance the overall quality of its compilation engagements that omit substantially all disclosure. To accomplish this objective, the reviewer provides comments and recommendations based on whether the submitted financial statements and related accountant’s reports appear to conform with the requirements of professional standards in all material respects. A report review does not provide the reviewer with a basis for expressing an opinion on the firm’s system of quality control for its accounting practice.
<b>Revenue Procedure</b>	A published official statement of the IRS regarding a matter of federal tax procedure, published by the National Office of the IRS.
<b>Revenue Ruling</b>	A published official interpretation of the tax law by the National Office of the IRS. Rulings are often based on replies to request for rulings by taxpayers.
<b>Review</b>	Performing inquiry and analytical procedures that provide the accountant with a reasonable basis for expressing limited assurance that there are no material modifications that should be made to the financial statements for them to be in conformity with GAAP or, if applicable, with OCBOA.
<b>Risk Advisory Services</b>	Services designed to identify, assess and manage risks of an entity and measure and monitor the risk management strategies implemented by that entity.

**S**

<b>Securities and Exchange Commission (SEC)</b>	Agency of the federal government that regulates the public trading of securities. The SEC has the authority to establish accounting and auditing regulations but defers to the Financial Accounting Standards Board and
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	the Public Company Accounting Oversight Board.
<b>Statement of Position (SOP)</b>	Statements which provide guidance on practice or industry financial accounting or reporting problems until the Financial Accounting Standards Board or Governmental Accounting Standards Board provides standards in those areas. They are also intended to influence the establishment of such standards, and to update, revise, or clarify audit and accounting guides or provide freestanding guidance.
<b>Statements of Tax Policy</b>	Statements which present the thinking of the AICPA's Taxation Team on questions of broad tax policy and are designed to aid in the development of federal tax legislation.
<b>Statements on Auditing Standards (SAS)</b>	Statements issued by the Auditing Standards Board to provide CPAs with guidance regarding the application of Generally Accepted Auditing Standards (GAAS).
Special Purpose Framework (SPF)	A financial reporting framework other than GAAP. Special purpose frameworks are other comprehensive bases of accounting (OCBOA) and the contractual basis of accounting.
Statements on Quality Control Standards (SQCS)	Statements issued by the Auditing Standards Board to provide guidance on a CPA firm's responsibilities for its system of quality control for its accounting and auditing practice.
<b>Statements on Standards for Accounting and Review Services (SSARS)</b>	Statements issued by the Accounting and Review Services Committee to provide CPAs with guidance regarding reporting on the unaudited financial statements or other unaudited financial information of nonpublic entities.
<b>Statements on Standards for Attestation Engagements (SSAE)</b>	Statements issued by the Auditing Standards Board, Accounting and Review Services Committee, or the Management Advisory Services Executive Committee to provide guidance to CPAs engaged to perform attest services.
<b>Statements on Standards for Consulting Services (SSCS)</b>	Statements which provides behavioral standards for the conduct of consulting services. The SSCS includes the General Standards found in Rule 201 of the AICPA Code of Professional Conduct plus three additional standards found in Rule 203, including Client Interest, Understanding with the Client and Communication with the Client.
<b>Statements on Standards for Tax Services (SSTS)</b>	Tax behavioral standards that are binding under the AICPA Code of Professional Conduct.
<b>Substantial Equivalency</b>	Substantial Equivalency is a concept that provides greater ease of mobility across state lines for CPAs both in person and electronically. Under this concept, if a CPA has a license in good standing from a state that utilizes CPA certification criteria that are essentially those outlined in the UAA, then the CPA would be qualified to practice in that state without a reciprocal license.
<b>Successor Auditor</b>	An auditor who has accepted an engagement or an auditor who has been invited to make a proposal for an engagement from an entity changing

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	auditors.
<b>System Reviews Under the AICPA Peer Review Program</b>	Peer review for firms that perform engagements under the SASs Government Auditing Standards or examinations of prospective financial statements under the SSAEs have peer reviews called system reviews. A system review is intended to provide the reviewer with a reasonable basis for expressing an opinion on whether, during the year under review: a) the reviewed firm's system of quality control for its accounting and auditing practice has been designed in accordance with quality control standards established by the AICPA and b) the reviewed firm's quality control policies and procedures were being complied with to provide the firm with reasonable assurance of conforming with professional standards.

**T**

<b>Tax Executive Committee</b>	AICPA senior technical committee responsible for formulating and articulating technical and policy positions of the AICPA in tax matters.
<b>Technical Issues Committee (TIC)</b>	AICPA committee of the PCPS whose objective is to monitor technical developments that could have a significant effect on private companies and the CPA firms that serve them and, when necessary, submit comments and recommendations in support of the interest of these firms.
Technical Practice Aid (TPA)	Nonauthoritative questions and answers published by the AICPA on accounting, auditing, attestation and specialized industry topics. The Qs & As are published in AICPA <i>Technical Practice Aids</i> , available in electronic and print formats. Recently issued TPAs are available online: <a href="http://www.aicpa.org/InterestAreas/FRC/Pages/RecentlyIssuedTechnicalQuestionsandAnswers.aspx">http://www.aicpa.org/InterestAreas/FRC/Pages/RecentlyIssuedTechnicalQuestionsandAnswers.aspx</a>
<b>Transaction Trail</b>	Chains of evidence provided through coding, cross references, and documentation connecting accounting balances and other summary results with original transactions and calculations.

**U**

<b>Uniform Accountancy Act (UAA)</b>	The Uniform Accountancy Act is a single comprehensive piece of model legislation that seeks to eliminate differing requirements on issues including CPA certification, reciprocity, and temporary practice by promoting uniformity in state accountancy licensing laws. Uniformity would be achieved by adopting the UAA in place of existing laws in the 55 American licensing jurisdictions. The AICPA and the National Association of State Boards of Accountancy (NASBA) published the first joint model bill, later renamed the Uniform Accountancy Act (UAA), in 1984.
<b>Unqualified Opinion</b>	An auditor's opinion which states that the financial statements present fairly, in all material respects, financial position, results of operations, cash flows in conformity with generally accepted accounting principles.

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**W**

<b>Work/Life and Women's Initiatives Executive Committee (WLWIEC)</b>	This executive committee of the AICPA promotes within the accounting profession a work environment that provides opportunities for the successful integration of personal and professional lives and the advancement of women to positions of leadership.
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# Peer Review Organizational Structure

Oversight

Providers

Associations

California Board of  
Accountancy  
(CBA)

California Peer Review  
Oversight Committee  
(PROC)

America Institute of  
Certified Public Accountants  
(AICPA)

Administering Entity (AE)  
~~California Society of  
Certified Public Accountants~~  
(CaICPA/NPRC/Other AE)

CaICPA  
Peer Review Committee

CaICPA  
Report Accept Body (RAB)

National Association of State  
Boards of Accountancy  
(NASBA)

Compliance Assurance  
Committee  
(CAC)



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**PROC Item V.G**  
August 23, 2013

## **Discussion of Travel and Reimbursement Rates Effective July 1, 2013**

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

**Date:** July 26, 2013

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### **Purpose of the Item**

The purpose of this agenda item is to inform the Peer Review Oversight Committee (PROC) members of changes to the lodging and Per Diem reimbursement rates.

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

No specific action is required on this agenda item.

### **Background**

The California Department of Human Resources (CalHR) issued a memorandum dated July 11, 2013 outlining lodging and Per Diem rates for official State travel (**Attachment**). These rates apply to PROC members and are effective July 1, 2013.

### **Comments**

The lodging rates are as follows:

- All Counties/Cities located in California (except as noted below):
  - Actual lodging, supported by a receipt, up to \$90 per night, plus tax.
- Napa, Riverside, and Sacramento Counties:
  - Actual lodging, supported by a receipt, up to \$95 per night, plus tax.
- Los Angeles, Orange, and Ventura Counties and Edwards AFB, excluding the city of Santa Monica:
  - Actual lodging, supported by a receipt, up to \$120 per night, plus tax.
- Alameda, Monterey, San Diego, San Mateo, and Santa Clara Counties:
  - Actual lodging, supported by a receipt, up to \$125 per night, plus tax.
- San Francisco County and City of Santa Monica:
  - Actual lodging, supported by a receipt, up to \$150 per night, plus tax.

## **Discussion of Travel and Reimbursement Rates Effective July 1, 2013**

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The Per Diem rates are as follows:

- Breakfast: \$ 8
- Lunch: \$12
- Dinner: \$20
- Incidentals \$ 6

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

None.

### **Recommendation**

None.

### **Attachment**

CalHR Memorandum dated July 11, 2013, Regarding Lodging/Per Diem Increases.

**Department of Human Resources  
Memorandum**

**TO: Personnel Management Liaisons (PML)**

<b>SUBJECT:</b> Travel/Relocation Programs – Lodging/Per Diem Increase for SEIU, CAHP, PEGC, and Excluded Employees	<b>REFERENCE NUMBER:</b> PML2013-022
<b>DATE ISSUED:</b> 7/11/2013	<b>SUPERSEDES:</b>

This memorandum should be forwarded to:

**Accounting Officers  
Budget Officers  
Claims Coordinators  
Employee Benefit Officers  
Labor Relations Officers  
Personnel Officers  
Personnel Transactions Staff  
Personnel Transactions Supervisors  
Travel and Relocation Liaisons**

**FROM:** Department of Human Resources  
Benefits and Training Division

**CONTACT:** Ray Asbell, Statewide Travel/Relocation Program Manager  
Phone: (916) 324-0526  
Fax: (916) 324-3213  
Email: Ray.Asbell@calhr.ca.gov

Effective July 1, 2013, the Department of Human Resources (CalHR) increased lodging and per diem reimbursement rates for official State travel for SEIU [Bargaining Units (BU) 1, 3, 4, 11, 14, 15, 17, 20, and 21], CAHP (BU 5), and all non-Represented/Excluded/Exempt employees. Employees represented by PEGC (BU 9) will have similar rates. Employees not represented by SEIU, CAHP, and PEGC will continue to use the rates found in their current contract.

**Short-Term Lodging Rate Increases (SEIU, CAHP, and Excluded Employees)**

- All Counties/Cities located in California (except as noted below):  
Actual lodging expense, supported by a receipt, up to \$90 per night, plus tax.
- Napa, Riverside, and Sacramento Counties:  
Actual lodging expense, supported by a receipt, up to \$95 per night, plus tax.
- Los Angeles, Orange, and Ventura Counties and Edwards AFB, excluding the city of Santa Monica:  
Actual lodging expense, supported by a receipt, up to \$120 per night, plus tax.
- Alameda, Monterey, San Diego, San Mateo, Santa Clara Counties:  
Actual lodging expense, supported by a receipt, up to \$125 per night, plus tax.
- San Francisco County and the City of Santa Monica:  
Actual lodging expense, supported by a receipt, up to \$150 per night, plus tax.



Short-Term Lodging Rate Increases (PECG Employees Only)

- All Counties/Cities located in California (except as noted below):  
Actual lodging expense, supported by a receipt, up to \$90 per night, plus tax.
- Napa, Riverside, and Sacramento Counties:  
Actual lodging expense, supported by a receipt, up to \$95 per night, plus tax.
- Los Angeles, Orange and Ventura Counties and Edwards AFB, excluding the city of Santa Monica:  
Actual lodging expense, supported by a receipt, up to \$120 per night, plus tax.
- Monterey and San Diego Counties:  
Actual lodging expense, supported by a receipt, up to \$125 per night, plus tax.
- Alameda, San Mateo, and Santa Clara Counties:  
Actual lodging expense, supported by a receipt, up to \$140 per night, plus tax.
- San Francisco County and the City of Santa Monica:  
Actual lodging expense, supported by a receipt, up to \$150 per night, plus tax.

Per Diem Rate Increases (SEIU, CAHP, PECG, and Excluded Employees)

- The new Per Diem rates are as follows:
  - Breakfast: \$ 8
  - Lunch: \$12
  - Dinner: \$20
  - Incidentals: \$ 6

Please note that employees may claim only their *actual* expense for meals. In the event of an audit, employees must be prepared to furnish receipts substantiating the amount claimed.

For departments using the California Automated Travel Expense Reimbursement System (CalATERS), a CalATERS letter will be released in the near future with information and instructions on how to address the above-referenced rate changes.

If you have questions or need assistance with the information provided above, please contact Ray Asbell at the phone number or email address listed above.

/s/Greg Beatty

Greg Beatty, Chief  
Benefits and Training Division