



**SOUTH DAKOTA  
BOARD OF ACCOUNTANCY**  
301 E. 14<sup>th</sup> Street, Suite 200  
Sioux Falls, SD 57104  
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Agenda  
South Dakota Board of Accountancy Meeting  
Department of Legislative Audit – Conf. Room  
8:30 a.m. (CDT)  
April 30, 2012

A=Action

D=Discussion

I=Information

Page

A-Approval of Minutes of Meeting March 26, 2012.....	2-3
A-Approval of Certificates & Firm Permits.....	4-5
A-Financial Statements through March 2012.....	6-15
A-Report to Board on Grades.....	16-17
D-Executive Director's Report.....	18-19
9:00 Presentation on Peer Review by James Brackens, AICPA.....	20-24
11:00 Hearing for Dawn Imrie.....	25-29
D-SD CPA Society with Laura Coome.....	Oratory

**AICPA**

I-Annual Report for the AICPA Peer Review Program.....	30-83
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**NASBA**

I-Compliance Assurance Committee Report on the AICPA National Peer Review Committee...	84-85
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**EXECUTIVE SESSION**

Equivalent Reviews for Board Approval.....	Spt. Pkt.
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**FUTURE MEETING DATES (all times CT)**

TBD



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BOARD OF ACCOUNTANCY**

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South Dakota Board of Accountancy  
Minutes of Meeting-Conference Call  
March 26, 2012-9:00 a.m.

The Board of Accountancy held a meeting by conference call on Monday, March 26, 2012. Chair Holly Brunick called the meeting to order at 9:16 a.m.

Roll call was taken to confirm that the following members were present: Holly Brunick, Marty Guindon, John Linn, Jr., John Mitchell, and John Peterson. A quorum was present.

Also present were Nicole Kasin, Executive Director; Tricia Nussbaum, Secretary; and Aaron Arnold, Legal Counsel.

Chair Holly Brunick asked if there were any additions to the agenda. There were two additions:  
Addition to Executive Director's Report  
Addition Recap of NASBA Legal Counsel Conference

A motion was made by John Mitchell and seconded by Marty Guindon to approve the January 23, 2012, meeting minutes. A roll call vote was taken. The motion unanimously carried.

A motion was made by Marty Guindon and seconded by John Linn, Jr. to approve the issuance of individual certificates and firm permits through March 19, 2012. A roll call vote was taken. The motion unanimously carried.

A motion was made by Marty Guindon and seconded by John Mitchell to approve the financial statements through February 2012. A roll call vote was taken. The motion unanimously carried.

Todd Kolden, Department of Labor & Regulation, joined the meeting at 9:20 a.m.

The Board discussed the NASBA Western Regional Conference that will be held in Anchorage, AK on June 27-29, 2012.

A motion was made by John Peterson and seconded by John Mitchell to approve travel for the Executive Director and Board Members: John Linn, Jr. and Holly Brunick to attend the NASBA Western Regional Conference that will be held in Anchorage, AK on June 27-29, 2012. A roll call vote was taken. The motion unanimously carried. The Executive Director will submit the necessary documents for approval.

Nicole Kasin explained in her Executive Director's Report the progress on the webpage updates, and other database enhancements. She reminded the Board that James Brackens from the AICPA will be attending the April 30th board meeting in Pierre. John Peterson and Executive Director Kasin met with Laura Coome on March 19<sup>th</sup> to discuss ideas for the firm fee structure. A variety of issues were discussed and at the April 30<sup>th</sup> meeting those will be brought to the Board for a more in depth discussion and vetting of ideas on how and if to move forward. Executive Director Kasin explained the report on CPE Audits and there is one hearing scheduled for April 30<sup>th</sup> in Pierre. Executive Director Kasin reminded the board of NASBA Committee assignments. The due date for submission is April 9<sup>th</sup>. Executive Director Kasin gave a recap of the NASBA Executive Director's Conference and Aaron Arnold gave a recap of the NASBA Legal Counsel Conference which was held in March in San Antonio, Texas.

The Board briefly discussed the nomination letters of Carlos Johnson, Walter Davenport, and Kathy Smith for NASBA's Vice Chair Elect.

The Board briefly discussed NASBA's announcement of selection for Vice Chair-Carlos Johnson, nomination of Director at Large, Ted Long by OH, nomination of Director at Large, Ray Johnson by OR, the meeting minutes from the Board of Directors on October 21, 2011, the meeting highlights from the Board of Directors on January 20, 2012, the executive summary and responses to the Regional Director's Quarterly Questions, and the Candidate Care Report.

The Board completed the NASBA Regional Director's quarterly focus questions.

A motion was made by Marty Guindon and seconded by John Peterson to enter into executive session for the deliberative process for peer reviews and complaints. A roll call vote was taken. The motion unanimously carried.

The Board came out of executive session.

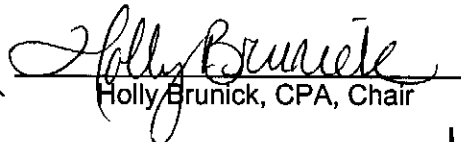
A motion was made by John Peterson and seconded by Marty Guindon to accept the peer reviews and complaints discussed in executive session. A roll call vote was taken. The motion unanimously carried.

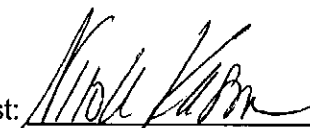
**FUTURE MEETING DATES (all times CT)**

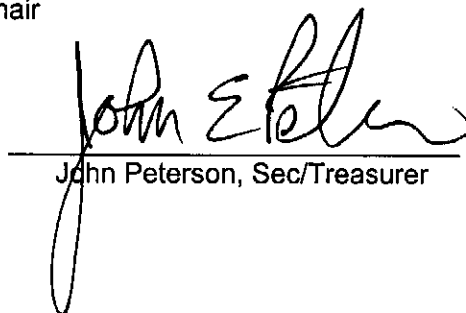
April 30- 8:30 a.m. Department of Legislative Audit, Pierre, SD

A motion was made by Marty Guindon and seconded by John Linn, Jr. to adjourn the meeting. A roll call vote was taken. The motion unanimously carried.

All business having come before the board was concluded and Chair Holly Brunick adjourned the meeting at 10:18 a.m.

  
Holly Brunick, CPA, Chair

Attest:   
Nicole Kasin, Executive Director

  
John Peterson, Sec/Treasurer

**CERTIFIED PUBLIC ACCOUNTANT CERTIFICATES  
BOARD COPY**

**Issued Through April 24, 2012**

<b>Number</b>	<b>Name</b>	<b>Date Issued</b>	<b>Location</b>
3019	Brett Joseph Peterson	3/27/12	Tulsa, OK
3020	Ryan Michael Petersen	3/29/12	Sioux Falls, SD
3021	Daniel Corie Schneider	4/03/12	Sioux Falls, SD
3022	Cory Lee Leman	4/03/12	Sioux Falls, SD
3023	Christine Rita Mauszycki	4/09/12	Mitchell, SD
3024	Benjamin Odell Temple	4/24/12	Sioux Falls, SD

**FIRM PERMITS TO PRACTICE PUBLIC ACCOUNTANCY  
BOARD COPY**

**Issued Through  
April 24, 2012**

<b>Number</b>	<b>Name</b>	<b>Date Issued</b>	<b>Basis/Comments</b>
1564	Bomberg, Roach & Hanson, PLLC Minneapolis, MN	04/03/12	New Firm
1565	McGladrey LLP Sioux Falls, SD	04/18/12	Name Change
1566	McGladrey LLP Blue Bell, PA	04/18/12	Name Change
1567	McGladrey LLP Davenport, IA	04/18/12	Name Change
1568	McGladrey LLP Des Moines, IA	04/18/12	Name Change
1569	McGladrey LLP Dubuque, IA	04/18/12	Name Change
1570	McGladrey LLP Duluth, MN	04/18/12	Name Change
1571	McGladrey LLP Minneapolis, MN	04/18/12	Name Change
1572	McGladrey LLP Omaha, NE	04/18/12	Name Change
1573	McGladrey LLP Rochester, MN	04/18/12	Name Change

AGENCY: 10 LABOR & REGULATION  
BUDGET UNIT: 1031 BOARD OF ACCOUNTANCY

COMPANY	CENTER	ACCOUNT
6503	103100061802	1140000
COMPANY/SOURCE TOTAL 6503 618		
COMP/BUDG UNIT TOTAL 6503 1031		
BUDGET UNIT TOTAL 1031		

BALANCE	DR/CR	CENTER DESCRIPTION
312,704.58	DR	BOARD OF ACCOUNTANCY
312,704.58	DR *	
312,704.58	DR **	
312,704.58	DR ***	
+ 1,138.55 0102-07 28/23 Deposited US Bank		
+ 966.95 0102-07 31/29 Deposited US Bank		
<u>\$314,810.08 QuickBooks March Balance</u>		

AGENCY 10 LABOR  
BUDGET UNIT 1031 BOARD OF ACCOUNTANCY  
CENTER-5 10310 BOARD OF ACCOUNTANCY

COMP	CENTER	ACCOUNT	DOCUMENT NUMBER	POSTING DATE	JV APPVL #, OR PAYMENT #	SHORT NAME	VENDOR NUMBER	VENDOR GROUP	AMOUNT	DR/ CR
COMPANY NO 6503										
COMPANY NAME PROFESSIONAL & LICENSING BOARDS										
6503	103100061802	51010100	CGEX120227	03/02/2012					2,729.76	DR
6503	103100061802	51010100	CGEX120313	03/16/2012					2,481.60	DR
6503	103100061802	51010100	CGEX120327	03/31/2012					2,729.76	DR
6503	103100061802	51010100	CGEX120328	03/31/2012					4,600.00	DR
OBJSUB: 5101010 F-T EMP SAL & WAGES										
6503	103100061802	51010200	CGEX120227	03/02/2012					12,541.12	DR *
6503	103100061802	51010200	CGEX120313	03/16/2012					716.05	DR
6503	103100061802	51010200	CGEX120327	03/31/2012					659.31	DR
6503	103100061802	51010200	CGEX120328	03/31/2012					733.61	DR
OBJSUB: 5101020 P-T/TEMP EMP SAL & WAGES										
6503	103100061802	51010300	CGEX120313	03/16/2012					3,258.97	DR *
6503	103100061802	51010300	CGEX120327	03/31/2012					60.00	DR
OBJSUB: 5101030 BOARD & COMM MTRS FEES										
OBJECT: 5101 EMPLOYEE SALARIES										
6503	103100061802	51020100	CGEX120227	03/02/2012					120.00	DR *
6503	103100061802	51020100	CGEX120313	03/16/2012					15,920.09	DR **
6503	103100061802	51020100	CGEX120327	03/31/2012					243.53	DR
6503	103100061802	51020100	CGEX120328	03/31/2012					225.48	DR
OBJSUB: 5102010 OASI-EMPLOYER'S SHARE										
6503	103100061802	51020200	CGEX120227	03/02/2012					1,158.34	DR *
6503	103100061802	51020200	CGEX120313	03/16/2012					206.75	DR
6503	103100061802	51020200	CGEX120327	03/31/2012					188.46	DR
6503	103100061802	51020200	CGEX120328	03/31/2012					207.81	DR
OBJSUB: 5102020 RETIREMENT-ER SHARE										
6503	103100061802	51020600	CGEX120227	03/02/2012					948.02	DR *
6503	103100061802	51020600	CGEX120313	03/16/2012					766.89	DR
6503	103100061802	51020600	CGEX120327	03/31/2012					766.89	DR
OBJSUB: 5102060 HEALTH/LIFE INS.-ER SHARE										
6503	103100061802	51020800	CGEX120227	03/02/2012					2,300.67	DR *
6503	103100061802	51020800	CGEX120313	03/16/2012					9.65	DR
6503	103100061802	51020800	CGEX120327	03/31/2012					8.79	DR
OBJSUB: 5102080 WORKER'S COMPENSATION										
6503	103100061802	51020900	CGEX120227	03/02/2012					28.14	DR *
6503	103100061802	51020900	CGEX120313	03/16/2012					3.45	DR
6503	103100061802	51020900	CGEX120327	03/31/2012					3.15	DR
OBJSUB: 5102090 UNEMPLOYMENT COMPENSATION										
OBJECT: 5102 EMPLOYEE BENEFITS										
GROUP: 51 PERSONAL SERVICES										
									10.06	DR *
									4,445.23	DR **
									20,365.32	DR ***

STATE OF SOUTH DAKOTA  
MONTHLY EXPENDITURE REPORT  
FOR PERIOD ENDING: 03/31/2012

AGENCY 10 LABOR  
BUDGET UNIT 1031 BOARD OF ACCOUNTANCY  
CENTER-5 10310 BOARD OF ACCOUNTANCY

COMP	CENTER	ACCOUNT	DOCUMENT NUMBER	POSTING DATE	JV APPVL #, OR PAYMENT #	SHORT NAME	VENDOR NUMBER	VENDOR GROUP	AMOUNT	DR/ CR
6503	103100061802	52032600	DC202009	03/14/2012					506.60	DR
	OBJSUB: 5203260	AIR-COMM-OUT-OF-STATE							506.60	DR *
	OBJECT: 5203	TRAVEL							506.60	DR **
6503	103100061802	52040200	4765136	03/07/2012	99828931	FEDERATION	12012839		150.00	DR
	OBJSUB: 5204020	DUES & MEMBERSHIP FEES							150.00	DR *
6503	103100061802	52041800	DP201098	03/27/2012					60.00	DR
	OBJSUB: 5204180	COMPUTER SERVICES-STATE							60.00	DR *
	103100061802	52042000	PL201058	03/07/2012					172.30	DR
	103100061802	52042000	PL202059	03/27/2012					156.64	DR
	OBJSUB: 5204200	CENTRAL SERVICES							328.94	DR *
6503	103100061802	52042200	INV952440	03/07/2012	01989135	MARCOINC	12201534		3.82	DR
	103100061802	52042200	INV979371	03/31/2012	01991492	MARCOINC	12201534		1.55	DR
	OBJSUB: 5204220	EQUIPMENT SERV & MAINT							5.37	DR *
6503	103100061802	52042300	12SC100008 MAR12	03/27/2012	99836394	SUNSETOFFI	12043890		119.86	DR
	OBJSUB: 5204230	JANITORIAL & MAINT SERV							119.86	DR *
6503	103100061802	52043400	29514	03/23/2012	99835659	ELBOCOMPUT	12124520		52.50	DR
	OBJSUB: 5204340	COMPUTER SOFTWARE MAINT							52.50	DR *
	103100061802	52044600	H3113987	03/07/2012	01989145	MAILFINANC	12219369		597.00	DR
	103100061802	52044600	INV952440	03/07/2012	01989135	MARCOINC	12201534		93.60	DR
	103100061802	52044600	INV979371	03/31/2012	01991492	MARCOINC	12201534		93.60	DR
	OBJSUB: 5204460	EQUIPMENT RENTAL							784.20	DR *
6503	103100061802	52044900	ACCOUNTRENT2011	03/21/2012	965966	MCGINNISRO	12074040		1,269.45	DR
	OBJSUB: 5204490	RENTS-PRIVATE OWNED PROP.							1,269.45	DR *
	103100061802	52045300	TL201160	03/27/2012					96.21	DR
	103100061802	52045300	TL202160	03/27/2012					105.83	DR
	103100061802	52045300	111109001 FEB 12	03/31/2012	99837198	MIDCONTINE	12023782		100.00	DR
	103100061802	52045300	111109001 JAN 12	03/07/2012	99829029	MIDCONTINE	12023782		95.00	DR
	OBJSUB: 5204530	TELECOMMUNICATIONS SRVCS							397.04	DR *
6503	103100061802	52045400	5159417006 0212	03/07/2012	01988651	XCELENERGY	12023853		64.38	DR
	OBJSUB: 5204540	ELECTRICITY							64.38	DR *
	103100061802	52045600	99516	03/23/2012	99835408	ECOWATER	12035896		22.35	DR
	OBJSUB: 5204560	WATER							22.35	DR *
6503	103100061802	52045900	PE202033	03/27/2012					1,657.50	DR
	OBJSUB: 5204590	INS PREMIUMS & SURETY BDS							1,657.50	DR *
	103100061802	52047400	CI102A-068	03/14/2012	145913				31.00	DR
	103100061802	52047400	CI102A-068	03/14/2012	145913				31.00	CR



STATE OF SOUTH DAKOTA  
MONTHLY EXPENDITURE REPORT  
FOR PERIOD ENDING: 03/31/2012

AGENCY 10 LABOR  
BUDGET UNIT 1031 BOARD OF ACCOUNTANCY  
CENTER-5 10310 BOARD OF ACCOUNTANCY

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6503	103100061802	52047400	C1102A-068	03/14/2012	145913				31.00	DR
	OBJSUB: 5204740	BANK FEES AND CHARGES							31.00	DR *
6503	103100061802	52049600	13414415	03/14/2012	99831006	NATLASSNST	12005047		6,575.90	DR
	OBJSUB: 5204960	OTHER CONTRACTUAL SERVICE							6,575.90	DR *
	OBJECT: 5204	CONTRACTUAL SERVICES							11,518.49	DR **
6503	103100061802	52050200	1582774-0	03/07/2012	01988662	BROWNSAENG	12028533		64.39	DR
	OBJSUB: 5205020	OFFICE SUPPLIES							64.39	DR *
6503	103100061802	52050280	1596375-0	03/23/2012	01990474	BROWNSAENG	12028533		34.95	DR
6503	103100061802	52050280	1598255-0 & C255	03/31/2012	01991228	BROWNSAENG	12028533		54.67	DR
	OBJSUB: 5205028	OFFICE SUPPLIES							89.62	DR *
6503	103100061802	52053300	10443358	03/14/2012	99831001	AMERICANIN	12004400		280.00	DR
	OBJSUB: 5205330	SUPP. PUBLIC & REF MAT							280.00	DR *
	OBJECT: 5205	SUPPLIES & MATERIALS							434.01	DR **
6503	103100061802	5228000	T102-093	03/07/2012					462.20	DR
	OBJSUB: 5228000	OPER TRANS OUT -NON BUDGT							462.20	DR *
	OBJECT: 5228	NONOP EXP/NONBGTD OP TR							462.20	DR **
	GROUP: S2	OPERATING EXPENSES							12,921.30	DR ***
	COMP: 6503								33,286.62	DR ****
	CNTR: 103100061802								33,286.62	DR *****
	B. UNIT: 1031								33,286.62	DR *****

**South Dakota Board of Accountancy**  
**Balance Sheet**  
As of March 31, 2012

	Mar 31, 12
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
1130000 · Local Checking - US Bank	1,297.73
1140000 · Pool Cash State of SD	314,810.08
<b>Total Checking/Savings</b>	316,107.81
Other Current Assets	
1131000 · Cash-Security Lending Collatera	14,957.90
1213000 · Investment Income Receivable	1,806.99
<b>Total Other Current Assets</b>	16,764.89
<b>Total Current Assets</b>	332,872.70
<b>Fixed Assets</b>	
1670000 · Computer Software	
Original Cost	140,063.23
1770000 · Depreciation	-101,840.23
<b>Total 1670000 · Computer Software</b>	38,223.00
<b>Total Fixed Assets</b>	38,223.00
<b>TOTAL ASSETS</b>	<b>371,095.70</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	
2110000 · Accounts Payable	5,870.50
<b>Total Accounts Payable</b>	5,870.50
Other Current Liabilities	
2810000 · Amounts Held for Others	23,535.74
<b>Total Other Current Liabilities</b>	23,535.74
<b>Total Current Liabilities</b>	29,406.24
Long Term Liabilities	
2960000 · Compensated Absences Payable	12,338.53
<b>Total Long Term Liabilities</b>	12,338.53
<b>Total Liabilities</b>	41,744.77
<b>Equity</b>	
3220000 · Unrestricted Net Assets	218,135.74
3300100 · Invested In Capital Assets	38,223.00
3900 · Retained Earnings	30,235.30
Net Income	42,756.89
<b>Total Equity</b>	329,350.93
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>371,095.70</b>

# South Dakota Board of Accountancy

## Profit & Loss Budget vs. Actual

July 2011 through March 2012

	Jul '11 - Mar 12	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4293550 · Initial Individual Certificate	1,675.00	3,000.00	-1,325.00	55.8%
4293551 · Certificate Renewals-Active	54,190.00	49,000.00	5,190.00	110.6%
4293552 · Certificate Renewals-Inactive	20,350.00	19,500.00	850.00	104.4%
4293553 · Certificate Renewals-Retired	670.00	700.00	-30.00	95.7%
4293554 · Initial Firm Permits	1,100.00	1,250.00	-150.00	88.0%
4293555 · Firm Permit Renewals	19,750.00	18,350.00	1,400.00	107.6%
4293557 · Initial Audit				
5208011 · REFUNDS	-30.00			
4293557 · Initial Audit - Other	660.00	600.00	60.00	110.0%
<b>Total 4293557 · Initial Audit</b>	<b>630.00</b>	<b>600.00</b>	<b>30.00</b>	<b>105.0%</b>
4293558 · Re-Exam Audit	1,980.00	1,890.00	90.00	104.8%
4293560 · Late Fees-Initial Certificate	100.00			
4293561 · Late Fees-Certificate Renewals	2,850.00	4,000.00	-1,150.00	71.3%
4293563 · Late Fees-Firm Permit Renewals	600.00	800.00	-200.00	75.0%
4293564 · Late Fees-Peer Review	800.00	1,100.00	-300.00	72.7%
4293566 · Firm Permit Individual	72,150.00	64,000.00	8,150.00	112.7%
4293567 · Peer Review Admin Fee	1,275.00	5,650.00	-4,375.00	22.6%
4293568 · Firm Permit Name Change	320.00	100.00	220.00	320.0%
4293569 · Initial FAR	570.00	990.00	-420.00	57.6%
4293570 · Initial REG	420.00	530.00	-110.00	79.2%
4293571 · Initial BEC	450.00	780.00	-330.00	57.7%
4293572 · Re-Exam FAR	1,260.00	1,710.00	-450.00	73.7%
4293573 · Re-Exam REG	1,770.00	1,800.00	-30.00	98.3%
4293574 · Re-Exam BEC	1,710.00	1,920.00	-210.00	89.1%
4491000 · Interest and Dividend Revenue	11,505.78	15,000.00	-3,494.22	76.7%
4896021 · Legal Recovery Cost	2,180.00	1,000.00	1,180.00	218.0%
<b>Total Income</b>	<b>198,305.78</b>	<b>193,670.00</b>	<b>4,635.78</b>	<b>102.4%</b>
<b>Gross Profit</b>	<b>198,305.78</b>	<b>193,670.00</b>	<b>4,635.78</b>	<b>102.4%</b>
<b>Expense</b>				
5101010 · F-T Emp Sal & Wages	52,502.40	66,239.00	-13,736.60	79.3%
5101020 · P-T/Temp Emp Sal & Wages	13,345.69	19,380.00	-6,034.31	68.9%
5101030 · Board & Comm Mbrs Fees	2,460.00	4,020.00	-1,560.00	61.2%
5102010 · OASI-Employer's Share	4,932.20	6,549.00	-1,616.80	75.3%
5102020 · Retirement-ER Share	4,734.28	5,147.00	-412.72	92.0%
5102060 · Health /Life Ins.-ER Share	13,455.47	17,869.00	-4,413.53	75.3%
5102080 · Worker's Compensation	170.35	133.00	37.35	128.1%
5102090 · Unemployment Insurance	60.89	55.00	5.89	110.7%
5203010 · Auto-State Owned	281.67	1,000.00	-718.33	28.2%
5203020 · Auto-Private-Owens Low Mileage	452.00	300.00	152.00	150.7%
5203030 · In State-Auto- Priv. High Miles	1,039.70	1,700.00	-660.30	61.2%
5203100 · In State-Lodging	807.74	1,000.00	-192.26	80.8%
5203120 · In State-Incidentals to Travel	0.00	100.00	-100.00	0.0%
5203140 · InState-Tax Meals Not Overnigt	32.00	100.00	-68.00	32.0%
5203150 · InState-Non-Tax Meals OverNight	269.00	500.00	-231.00	53.8%
5203230 · OS-Auto Private High Mileage	0.00	100.00	-100.00	0.0%
5203260 · OS-Air Commercial Carrier	2,286.20	6,700.00	-4,413.80	34.1%
5203280 · OS-Other Public Carrier	185.35	500.00	-314.65	37.1%
5203300 · OS-Lodging	4,103.57	7,800.00	-3,696.43	52.6%
5203320 · OS-Incidentals to Travel	249.01	350.00	-100.99	71.1%
5203350 · OS-Non-Taxable Meals Overnight	504.00	1,000.00	-496.00	50.4%
5204010 · Subscriptions	452.99	1,500.00	-1,047.01	30.2%
5204020 · Dues and Membership Fees	3,350.00	3,900.00	-550.00	85.9%
5204030 · Legal Document Fees	0.00	500.00	-500.00	0.0%
5204160 · Workshop Registration Fees	3,799.00	5,400.00	-1,601.00	70.4%
5204180 · Computer Services-State	552.00	600.00	-48.00	92.0%
5204181 · Computer Development Serv-State	1,855.20	10,400.00	-8,544.80	17.8%
5204200 · Central Services	4,751.87	7,000.00	-2,248.13	67.9%
5204220 · Equipment Service & Maintenance	46.07	300.00	-253.93	15.4%
5204230 · Janitorial/Maintenance Services	1,078.74	1,560.00	-481.26	69.2%
5204340 · Computer Software Maintenance	864.55	1,000.00	-135.45	86.5%
5204360 · Advertising-Newspapers	0.00	2,100.00	-2,100.00	0.0%
5204440 · Newsletter Publishing	0.00	1,100.00	-1,100.00	0.0%

**South Dakota Board of Accountancy**  
**Profit & Loss Budget vs. Actual**  
July 2011 through March 2012

	<u>Jul '11 - Mar 12</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
5204460 · Equipment Rental	2,633.40	4,500.00	-1,866.60	58.5%
5204480 · Microfilm and Photography	502.66	700.00	-197.34	71.8%
5204490 · Rents Privately Owned Property	11,425.05	15,531.00	-4,105.95	73.6%
5204530 · Telecommunications Services	1,682.12	2,500.00	-817.88	67.3%
5204540 · Electricity	551.59	865.00	-313.41	63.8%
5204560 · Water	134.10	240.00	-105.90	55.9%
5204590 · Insurance Premiums/Surety Bonds	1,657.50	1,710.00	-52.50	96.9%
5204740 · Bank Fees and Charges	2,723.65	2,700.00	23.65	100.9%
5205020 · Office Supplies	558.94	1,700.00	-1,141.06	32.9%
5205310 · Printing State	0.00	500.00	-500.00	0.0%
5205320 · Printing/Duplicating/Binding Co	163.57	1,000.00	-836.43	16.4%
5205330 · Supplemental Publications	630.00	700.00	-70.00	90.0%
5205340 · Microfilm Supplies/Materials	0.00	300.00	-300.00	0.0%
5205350 · Postage	1,005.85	3,100.00	-2,094.15	32.4%
5207430 · Office Machines	0.00	100.00	-100.00	0.0%
5207900 · Computer Hardware	0.00	4,800.00	-4,800.00	0.0%
5207950 · System Development	0.00	500.00	-500.00	0.0%
5207955 · Computer Hardware Other	0.00	500.00	-500.00	0.0%
5207960 · Computer Software Expense	0.00	500.00	-500.00	0.0%
5228000 · Operating Transfers Out-NonBudg	4,205.78	7,400.00	-3,194.22	56.8%
5228030 · Depreciation Expense	9,052.74	12,070.40	-3,017.66	75.0%
<b>Total Expense</b>	<u>155,548.89</u>	<u>237,818.40</u>	<u>-82,269.51</u>	<u>65.4%</u>
<b>Net Ordinary Income</b>	<u>42,756.89</u>	<u>-44,148.40</u>	<u>86,905.29</u>	<u>-96.8%</u>
<b>Net Income</b>	<u><b>42,756.89</b></u>	<u><b>-44,148.40</b></u>	<u><b>86,905.29</b></u>	<u><b>-96.8%</b></u>

**South Dakota Board of Accountancy**  
**PREVIOUS YEAR MONTHLY COMPARISON**  
**March 2012**

	<u>Mar 12</u>	<u>Mar 11</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4293550 · Initial Individual Certificate	150.00	100.00	50.00	50.0%
4293552 · Certificate Renewals-Inactive	0.00	50.00	-50.00	-100.0%
4293555 · Firm Permit Renewals	50.00	100.00	-50.00	-50.0%
4293557 · Initial Audit	30.00	60.00	-30.00	-50.0%
4293558 · Re-Exam Audit	330.00	390.00	-60.00	-15.4%
4293560 · Late Fees-Initial Certificate	0.00	50.00	-50.00	-100.0%
4293566 · Firm Permit Individual	390.00	325.00	65.00	20.0%
4293569 · Initial FAR	90.00	60.00	30.00	50.0%
4293570 · Initial REG	0.00	30.00	-30.00	-100.0%
4293572 · Re-Exam FAR	180.00	150.00	30.00	20.0%
4293573 · Re-Exam REG	270.00	150.00	120.00	80.0%
4293574 · Re-Exam BEC	270.00	120.00	150.00	125.0%
4896021 · Legal Recovery Cost	50.00	0.00	50.00	100.0%
<b>Total Income</b>	<u>1,810.00</u>	<u>1,585.00</u>	<u>225.00</u>	<u>14.2%</u>
<b>Gross Profit</b>	<u>1,810.00</u>	<u>1,585.00</u>	<u>225.00</u>	<u>14.2%</u>
<b>Expense</b>				
5101010 · F-T Emp Sal & Wages	12,541.12	5,407.60	7,133.52	131.9%
5101020 · P-T/Temp Emp Sal & Wages	3,258.97	1,330.78	1,928.19	144.9%
5101030 · Board & Comm Mbrs Fees	120.00	0.00	120.00	100.0%
5102010 · OASI-Employer's Share	1,158.34	484.78	673.56	138.9%
5102020 · Retirement-ER Share	948.02	404.30	543.72	134.5%
5102060 · Health /Life Ins.-ER Share	2,300.67	1,533.78	766.89	50.0%
5102080 · Worker's Compensation	28.14	11.46	16.68	145.6%
5102090 · Unemployment Insurance	10.06	5.72	4.34	75.9%
5203010 · Auto--State Owned	146.24	135.14	11.10	8.2%
5203030 · In State-Auto- Priv. High Miles	145.78	0.00	145.78	100.0%
5203100 · In State-Lodging	0.00	50.46	-50.46	-100.0%
5203140 · InState-Tax Meals Not OverNigt	14.00	9.00	5.00	55.6%
5203150 · InState-Non-Tax Meals OverNigt	9.00	26.00	-17.00	-65.4%
5203260 · OS-Air Commercial Carrier	943.00	348.31	594.69	170.7%
5203280 · OS-Other Public Carrier	36.00	163.00	-127.00	-77.9%
5203300 · OS-Lodging	1,161.65	1,525.37	-363.72	-23.8%
5203320 · OS-Incidentals to Travel	85.00	100.00	-15.00	-15.0%
5203350 · OS-Non-Taxable Meals Overnight	162.00	207.00	-45.00	-21.7%
5204010 · Subscriptions	245.49	0.00	245.49	100.0%
5204180 · Computer Services-State	75.00	57.00	18.00	31.6%
5204181 · Computer Development Serv-State	437.00	0.00	437.00	100.0%
5204200 · Central Services	156.64	172.50	-15.86	-9.2%
5204220 · Equipment Service & Maintenance	1.55	2.00	-0.45	-22.5%
5204230 · Janitorial/Maintenance Services	119.86	119.86	0.00	0.0%
5204340 · Computer Software Maintenance	52.50	0.00	52.50	100.0%
5204440 · Newsletter Publishing	0.00	496.10	-496.10	-100.0%
5204460 · Equipment Rental	93.60	93.60	0.00	0.0%
5204490 · Rents Privately Owned Property	1,269.45	1,269.45	0.00	0.0%
5204530 · Telecommunications Services	175.82	154.61	21.21	13.7%
5204540 · Electricity	64.53	62.10	2.43	3.9%
5204560 · Water	22.35	23.35	-1.00	-4.3%
5204590 · Insurance Premiums/Surety Bonds	1,657.50	0.00	1,657.50	100.0%
5204740 · Bank Fees and Charges	31.00	16.00	15.00	93.8%
5205020 · Office Supplies	204.66	0.00	204.66	100.0%
5205320 · Printing/Duplicating/Binding Co	0.00	37.95	-37.95	-100.0%
5205350 · Postage	1,000.00	5.66	994.34	17,567.8%
5228000 · Operating Transfers Out-NonBudg	462.20	530.23	-68.03	-12.8%
5228030 · Depreciation Expense	1,005.86	1,005.86	0.00	0.0%
<b>Total Expense</b>	<u>30,143.00</u>	<u>15,788.97</u>	<u>14,354.03</u>	<u>90.9%</u>
<b>Net Ordinary Income</b>	<u>-28,333.00</u>	<u>-14,203.97</u>	<u>-14,129.03</u>	<u>-99.5%</u>
<b>Net Income</b>	<u><b>-28,333.00</b></u>	<u><b>-14,203.97</b></u>	<u><b>-14,129.03</b></u>	<u><b>-99.5%</b></u>

**South Dakota Board of Accountancy**  
**PREVIOUS YEAR TO DATE MONTHLY COMPARISON**  
 July 2011 through March 2012

	Jul '11 - Mar 12	Jul '10 - Mar 11	\$ Change	% Change
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4293550 · Initial Individual Certificate	1,675.00	1,750.00	-75.00	-4.3%
4293551 · Certificate Renewals-Active	54,190.00	54,850.00	-660.00	-1.2%
4293552 · Certificate Renewals-Inactive	20,350.00	20,150.00	200.00	1.0%
4293553 · Certificate Renewals-Retired	670.00	650.00	20.00	3.1%
4293554 · Initial Firm Permits	1,100.00	900.00	200.00	22.2%
4293555 · Firm Permit Renewals	19,750.00	20,050.00	-300.00	-1.5%
4293557 · Initial Audit	630.00	570.00	60.00	10.5%
4293558 · Re-Exam Audit	1,980.00	2,130.00	-150.00	-7.0%
4293560 · Late Fees-Initial Certificate	100.00	50.00	50.00	100.0%
4293561 · Late Fees-Certificate Renewals	2,850.00	5,950.00	-3,100.00	-52.1%
4293563 · Late Fees-Firm Permit Renewals	600.00	1,100.00	-500.00	-45.5%
4293564 · Late Fees-Peer Review	800.00	600.00	200.00	33.3%
4293566 · Firm Permit Individual	72,150.00	70,680.00	1,470.00	2.1%
4293567 · Peer Review Admin Fee	1,275.00	1,575.00	-300.00	-19.1%
4293568 · Firm Permit Name Change	320.00	150.00	170.00	113.3%
4293569 · Initial FAR	570.00	960.00	-390.00	-40.6%
4293570 · Initial REG	420.00	420.00	0.00	0.0%
4293571 · Initial BEC	450.00	810.00	-360.00	-44.4%
4293572 · Re-Exam FAR	1,260.00	1,200.00	60.00	5.0%
4293573 · Re-Exam REG	1,770.00	1,440.00	330.00	22.9%
4293574 · Re-Exam BEC	1,710.00	1,650.00	60.00	3.6%
4491000 · Interest and Dividend Revenue	11,505.78	16,547.72	-5,041.94	-30.5%
4896021 · Legal Recovery Cost	2,180.00	0.00	2,180.00	100.0%
<b>Total Income</b>	<b>198,305.78</b>	<b>204,182.72</b>	<b>-5,876.94</b>	<b>-2.9%</b>
<b>Gross Profit</b>	<b>198,305.78</b>	<b>204,182.72</b>	<b>-5,876.94</b>	<b>-2.9%</b>
<b>Expense</b>				
5101010 · F-T Emp Sal & Wages	52,502.40	45,311.54	7,190.86	15.9%
5101020 · P-T/Temp Emp Sal & Wages	13,345.69	12,311.27	1,034.42	8.4%
5101030 · Board & Comm Mbrs Fees	2,460.00	2,538.00	-78.00	-3.1%
5102010 · OASI-Employer's Share	4,932.20	4,354.23	577.97	13.3%
5102020 · Retirement-ER Share	4,734.28	3,457.40	1,276.88	36.9%
5102060 · Health /Life Ins.-ER Share	13,455.47	12,692.03	763.44	6.0%
5102080 · Worker's Compensation	170.35	97.98	72.37	73.9%
5102090 · Unemployment Insurance	60.89	48.95	11.94	24.4%
5203010 · Auto--State Owned	281.67	232.82	48.85	21.0%
5203020 · Auto-Private-Ownes Low Mileage	452.00	294.20	157.80	53.6%
5203030 · In State-Auto- Priv. High Miles	1,039.70	398.12	641.58	161.2%
5203100 · In State-Lodging	807.74	143.46	664.28	463.0%
5203140 · InState-Tax Meals Not OverNigt	32.00	36.00	-4.00	-11.1%
5203150 · InState-Non-Tax Meals OverNight	269.00	163.00	106.00	65.0%
5203260 · OS-Air Commercial Carrier	2,286.20	3,515.81	-1,229.61	-35.0%
5203280 · OS-Other Public Carrier	185.35	267.00	-81.65	-30.6%
5203300 · OS-Lodging	4,103.57	5,805.87	-1,702.30	-29.3%
5203320 · OS-Incidentals to Travel	249.01	241.00	8.01	3.3%
5203350 · OS-Non-Taxable Meals Overnight	504.00	799.00	-295.00	-36.9%
5204010 · Subscriptions	452.99	424.25	28.74	6.8%
5204020 · Dues and Membership Fees	3,350.00	3,350.00	0.00	0.0%
5204040 · Consultant Fees-Accounting	0.00	6,200.00	-6,200.00	-100.0%
5204160 · Workshop Registration Fees	3,799.00	3,855.00	-56.00	-1.5%
5204180 · Computer Services-State	552.00	513.00	39.00	7.6%
5204181 · Computer Development Serv-State	1,855.20	3,384.00	-1,528.80	-45.2%
5204200 · Central Services	4,751.87	4,855.05	-103.18	-2.1%
5204220 · Equipment Service & Maintenance	46.07	48.21	-2.14	-4.4%
5204230 · Janitorial/Maintenance Services	1,078.74	1,078.74	0.00	0.0%
5204340 · Computer Software Maintenance	864.55	897.50	-32.95	-3.7%
5204440 · Newsletter Publishing	0.00	982.99	-982.99	-100.0%
5204460 · Equipment Rental	2,633.40	3,230.40	-597.00	-18.5%
5204480 · Microfilm and Photography	502.66	0.00	502.66	100.0%
5204490 · Rents Privately Owned Property	11,425.05	11,425.05	0.00	0.0%
5204530 · Telecommunications Services	1,682.12	1,591.63	90.49	5.7%
5204540 · Electricity	551.59	580.86	-29.27	-5.0%
5204560 · Water	134.10	93.40	40.70	43.6%
5204590 · Insurance Premlums/Surety Bonds	1,657.50	0.00	1,657.50	100.0%

**South Dakota Board of Accountancy**  
**PREVIOUS YEAR TO DATE MONTHLY COMPARISON**  
July 2011 through March 2012

	<u>Jul '11 - Mar 12</u>	<u>Jul '10 - Mar 11</u>	<u>\$ Change</u>	<u>% Change</u>
5204740 · Bank Fees and Charges	2,723.65	2,217.59	506.06	22.8%
5205020 · Office Supplies	558.94	1,009.17	-450.23	-44.6%
5205310 · Printing State	0.00	76.18	-76.18	-100.0%
5205320 · Printing/Duplicating/Binding Co	163.57	422.67	-259.10	-61.3%
5205330 · Supplemental Publications	630.00	598.75	31.25	5.2%
5205350 · Postage	1,005.85	1,529.94	-524.09	-34.3%
5207900 · Computer Hardware	0.00	5,197.22	-5,197.22	-100.0%
5228000 · Operating Transfers Out-NonBudg	4,205.78	4,291.80	-86.02	-2.0%
5228030 · Depreciation Expense	9,052.74	9,052.74	0.00	0.0%
<b>Total Expense</b>	<u>155,548.89</u>	<u>159,613.82</u>	<u>-4,064.93</u>	<u>-2.6%</u>
<b>Net Ordinary Income</b>	<u>42,756.89</u>	<u>44,568.90</u>	<u>-1,812.01</u>	<u>-4.1%</u>
<b>Net Income</b>	<u><b>42,756.89</b></u>	<u><b>44,568.90</b></u>	<u><b>-1,812.01</b></u>	<u><b>-4.1%</b></u>

## **REPORT TO BOARD ON GRADES**

Nicole Kasin

The grades were posted for review for the 32<sup>nd</sup> window. These grades are through March 2012. I have included the average scores per school since CBT started along with the number of students that have sat for their school respectively. The last chart shows the averages for the past 8 windows.

### Overall Average Window 1-32

Window	(All)
--------	-------

Average of Score	Section				
School	AUD	BEC	FAR	REG	Grand Total
Augie	74	71	74	72	73
BHSU	68	69	70	71	69
COTech	67	71	66	74	70
DSU	72	69	62	70	68
DWU	68	65	64	75	68
Mt. Marty	66	67	72	68	68
NAU	55	53	58	66	58
NSU	71	68	72	69	70
OS	73	72	71	73	72
SDSU	75	74	79	75	75
USD	77	75	74	75	75
USF	74	74	75	77	75
Grand Total	73	71	72	73	72

### Students per section per school since CBT Began (3 or more parts)

Window	(All)
--------	-------

Count of Score	Section				
School	AUD	BEC	FAR	REG	Grand Total
Augie	53	62	44	57	216
BHSU	62	66	49	53	230
COTech	9	8	6	9	32
DSU	12	14	13	9	48
DWU	8	8	7	7	30
Mt. Marty	14	17	5	13	49
NAU	3	7	9	7	26
NSU	59	75	45	52	231
OS	164	173	150	145	632
SDSU	17	23	12	16	68
USD	144	160	151	141	596
USF	38	49	35	33	155
Grand Total	583	662	526	542	2313



Average for past 8 windows (3 or more parts)

Window	(Multiple Items)
--------	------------------

Average of Score	Section				
School	AUD	BEC	FAR	REG	Grand Total
Augie	77	71	75	74	74
BHSU	67	68	71	71	69
COTech	71		54	74	69
DWU	77	64	66	74	71
Mt. Marty	69		68	70	69
NAU			62	68	67
NSU	72	68	76	73	72
OS	73	70	70	72	71
SDSU	71	73	73	72	72
USD	74	74	72	74	74
USF	73	70	75	79	74
Grand Total	73	71	71	73	72

The Board needs to Approve the 2012-1 (32<sup>nd</sup> Window) grades.

## **EXECUTIVE DIRECTOR'S REPORT**

Nicole Kasin

### **Website Updates**

Board staff has been working with DLR staff to convert our page. The page has been completed and there is some backside technology issues being resolved and then the new webpage will be implemented shortly in the future.

### **Firm Data**

A variety of issues will be discussed later in meeting for a more in depth discussion and vetting of ideas on how and if to move forward.

### **CPE Audits**

There is one outstanding CPE audit without resolution. A hearing will be scheduled for a future date.

### **CPA Exam Fees**

We have received notice from the AICPA and NASBA in regards to the cost of the CPA Exam. The Prometric seat fee will not change in 2013. The cost of scoring the exam will decrease by \$5 from the AICPA and there are no changes in fees from NASBA. The lower fee will become effective July 21, 2012, in South Dakota.

### **Request for Support**

I received a call from Kent Smoll, prior Kansas Board member, in regards to running for NASBA Director at Large. He has asked for the Board to support him and write a letter of support to the NASBA Board of Directors, for the Director at Large position. Kent has been a Director at Large for the past 3 years and is looking to get reappointed. His resume follows this report.

# E. Kent Smoll, CPA/PFS

2410 Central  
Dodge City, Kansas 67801

Phone (620) 225-6100  
Fax (620) 225-5007  
E-mail [esmol@smollbanning.com](mailto:esmol@smollbanning.com)

## Education

May 1974  
Bachelor of Science in Accounting  
Kansas State University  
Manhattan, Kansas

## Employment

1974-1979 Fox & Co. Staff Accountant  
1979 - 1981 Lindburg & Vogel Shareholder in charge of the regional office  
1981-Present Smoll & Banning, CPA's, LLC Managing Member

## Professional experience

1996 - 2011 Member, Kansas State Board of Accountancy  
Chairperson 1999, Vice Chairperson 2010-2011  
National Association of State Boards of Accountancy (NASBA) Activities  
2010-Present Director at Large, NASBA  
2007 - 2009 Regional Director, NASBA  
2005 - Present Member, NASBA Administration and Finance Committee  
Chairperson - Current  
2007 - 2008 Member, NASBA Legislative Support Committee  
1999 - 2004 Member, NASBA Nominating Committee  
1997 - 1998 Member, NASBA Alternative Practice Structures Committee

## Additional professional activities

Past Board of Directors - Kansas Society of CPA's  
Past Chairperson - Federal and State Taxation committee - Kansas Society of CPA's

## Professional memberships

American Institute of Certified Public Accountants  
Kansas Society of Certified Public Accountants

## Community activities


2010 - 2011 Mayor of Dodge City  
2006 - 2009 Mayor of Dodge City  
2006 - Present Dodge City, City Commissioner  
1998 Chairperson of the Dodge City Area Chamber of Commerce  
1990 - 1997 Treasurer Dodge City Area Chamber of Commerce  
1988 - 1992 Dodge City, City Commissioner  
1991 - 1992 Mayor of Dodge City  
Various Treasurer and served on the Administrative Board of the First United Methodist Church

## Hobbies

Traveling and Scuba Diving

## Family

Wife - Dee  
Daughters - Jennifer, 32; Katie, 30

  
Peer Review Program

## Peer Review Process

Janice Gray, CPA, OK BOA Vice Chair and NASBA CAC Chair  
James W. Brackens, Jr., CPA, AICPA VP – Ethics and Practice Quality

## What is Peer Review?

- System Review – an evaluation of a firm's system of quality control and the firm's compliance with its system
- Engagement Review – no evaluation of the firm's system; report based only on engagements reviewed
- In both cases, value of the process to both the firm and the public interest is its remedial nature

## Who Administers Peer Review

- National Peer Review Committee
- State Societies (including New England Peer Review, Inc.)

## Types of Reports

- Pass
- Pass with deficiencies
- Fail

## Types of Reports - Continued

- Pass (System) – firm's system is suitably designed and firm has complied with its policies and procedures so that it has reasonable assurance of performing and reporting in conformity with applicable professional standards
- Pass (Engagement) – all engagements reviewed were performed and reported on in conformity with applicable professional standards

## Types of Reports - Continued

- Pass with deficiencies (System) – system is suitably designed and the firm has complied except for a certain deficiency or deficiencies that are described in the report
- Pass with deficiencies (Engagement) – at least one, but not all, engagements reviewed contain one or more deficiencies that are described in the report

## Types of Reports - Continued

- ❑ **Fail (System)** – system is not suitably designed or has not been complied with
  - The firm does not have reasonable assurance of performing or reporting in conformity with professional standards in all material respects
  - The peer reviewer would have found and reported "significant deficiencies"
- ❑ **Fail (Engagement)** – all engagements reviewed contain one or more deficiencies that are described in the report

AICPA Peer Review Program

## Types of Reports - Continued

- ❑ **Deficiency (System)** - indicates a situation in which the firm would not have reasonable assurance of performing or reporting in conformity with applicable professional standards in one or more important respects
- ❑ **Deficiency (Engagement)** –
  - Information material to the understanding of the financial statements or accountant's report not present, or
  - Omission of a critical procedure required by professional standards

AICPA Peer Review Program

## Types of Reports - Continued

- ❑ **Matter for Further Consideration Form (MFC)**
  - Used to document "no" answers to questions on checklists completed by reviewer
  - Includes:
    - Reviewer's description of "matter"
    - Professional standards reference, when appropriate
  - May be resolved or elevated to a finding, deficiency or significant deficiency
- ❑ **Finding for Further Consideration Form (FFC) replaced "letter of comments"**
  - Used to document and communicate relatively minor infractions (findings)
  - Includes suggestions for improvement

AICPA Peer Review Program

## Peer Review Process

- ❑ Firm enrolls with administering entity (AE)
- ❑ Firm selects peer reviewer
- ❑ Peer reviewer selection approved by AE
- ❑ Peer review performed by reviewer
- ❑ Draft report and workpapers submitted to AE
- ❑ Technical review performed
- ❑ Report acceptance body (RAB) reviews and accepts report
- ❑ Possible corrective actions

AICPA Peer Review Program

## Performance of System Review

- ❑ Evaluate firm's documented system of quality control (policies and procedures)
- ❑ Interview partners and staff
- ❑ Review CPE files
- ❑ Review engagements representative of firm's practice – must include (if applicable):
  - Yellow Book (Including A-133)
  - Employee Benefit Plans
  - FDICIA
  - Carrying Broker-Dealers

AICPA Peer Review Program

## Performance of Engagement Review

- ❑ Firm provides reviewer with listing of engagements
- ❑ Reviewer selects engagements
- ❑ Firm (for each engagement selected):
  - Completes engagement checklist
  - Submits checklist, financial statements and workpapers required by professional standards to reviewer
- ❑ Reviewer performs review, calling firm with questions and discuss issues noted

AICPA Peer Review Program

## Extensions

- **Extensions of due date only if requested in writing and for valid reasons**
- **Normally two months maximum**
- **Longer for medical or disaster**

AICPA Peer Review Program

## Peer Reviewer Qualifications

- **Peer reviewers must be:**
  - AICPA member currently active at supervisory level in accounting or auditing
  - Be associated with a firm that has received a peer review rating of pass
  - Have at least five years experience
- **Team captains – all of above *plus*:**
  - Partner or equivalent
  - Complete initial team captain training
  - Complete additional ongoing CPE

AICPA Peer Review Program

## Facilitated State Board Access

- **Facilitated State Board Access (FSBA) – a secure, limited access website where state boards of accountancy have access to the report (and letter of response), acceptance letter and corrective action letter**
  - Where peer review required for licensure/practice permits and BOAs not prohibited access by law
  - State boards have automatic access to firms with their main office in their state
  - Firms may request "expanded access" to other states

AICPA Peer Review Program

## Facilitated State Board Access

- **States where firms cannot opt-out:**
  - California
  - Louisiana
  - Maryland
  - New York
  - Oklahoma
  - Texas

AICPA Peer Review Program

## Facilitated State Board Access

- **Ideal means for monitoring firms' compliance with required remediation**
- **Oklahoma system:**
  - PROC monitors FSBA
  - BOA staff sends notification to firms with Pass with Deficiency or Fail reports that their compliance with required remedial action is being monitored
  - If firms fail to perform in a timely manner, enforcement action would be opened

AICPA Peer Review Program

## Oversight by Administering Entity

- **Peer review - observe conduct of review while review is being performed**
  - Includes evaluation of all aspects of review
  - Reviews selected for oversight based on various risk criteria
- **Reviewer resume verification:**
  - At least every three years
  - Reviewer required to:
    - Verify industry experience
    - Submit summary of CPE taken in the last three years

AICPA Peer Review Program

## Oversight by AICPA

- ☐ Oversight of administering entities
- ☐ Oversight of peer reviews
- ☐ AICPA annual oversight report - available on [www.aicpa.org](http://www.aicpa.org)
- ☐ Starting in 2011, administering entities began to prepare annual oversight reports

AICPA Peer Review Program

## Peer Review Oversight Committees

- ☐ Guiding principles of oversight
  - Ensure peer review program is effective and uniform
  - Transparency increases understanding & confidence
- ☐ UAA Article 7
  - Rule 7-4 (b) "An Oversight Committee shall be appointed by the Board....and report to the Board..."
  - Rule 7-5 - the Board shall have access to the reports
- ☐ AICPA Oversight Handbook – Chapter 3

AICPA Peer Review Program

## Peer Review Oversight Committees

- ☐ PROC structure (AICPA suggestion)
  - Three members
    - Two CPA members, ideally "team captain" qualified, but at least with extensive accounting and auditing experience at partner level
    - One public member, who has utilized public accounting services
  - Confidentiality Agreement
  - Attend meetings of peer review committee and RABs
  - Reporting to Board of Accountancy

AICPA Peer Review Program

## Peer Review Oversight Committees

- ☐ Individual state considerations:
  - Size of PROC
  - Compensation/expense reimbursement of members
  - Other functions of PROC
    - Monitoring of remedial action via FSBA
    - Recommendation of disciplinary action of those not in compliance (from information on FSBA)
    - Other

AICPA Peer Review Program

## States with PROCs

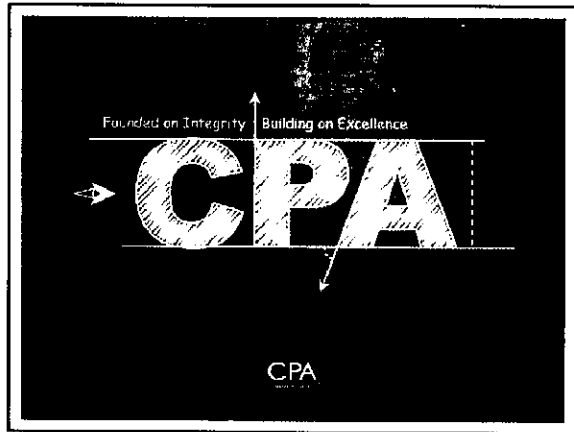
Arizona	Minnesota	Oregon
California	Mississippi	South Carolina
Idaho	Missouri	Tennessee
Indiana	Montana	Texas
Kansas	Nebraska	Virginia
Louisiana	New Hampshire	Washington
Maryland	Ohio	Wyoming
Massachusetts	Oklahoma	

AICPA Peer Review Program

## AICPA Peer Review Web Resources

- ☐ Peer Review Standards
- ☐ Peer Review Standards Interpretations
- ☐ Report Acceptance Body Handbook
- ☐ Peer Review Alerts
- ☐ System and Engagement Review Checklists

AICPA Peer Review Program





**STATE OF SOUTH DAKOTA  
DEPARTMENT OF LABOR & REGULATION  
BOARD OF ACCOUNTANCY**

---

**IN THE MATTER OF**

**DAWN L. IMRIE  
Certificate No. 2662**

**COMPLAINT &  
NOTICE OF HEARING**

**Respondent.**

---

TO: Dawn Imrie  
Student Loan Finance Corp.  
124 S. 1<sup>st</sup> St.  
Aberdeen SD 57401

PLEASE TAKE NOTICE that an administrative hearing in the above-entitled matter will be held before the South Dakota Board of Accountancy on **Monday, April 30, 2012, at 11:00 a.m. CDT**, or as soon thereafter as the matter can be heard, at the Department of Legislative Audit, located at 427 S. Chapelle, Pierre, South Dakota, in the Conference Room.

This hearing is being held pursuant to the legal authority and jurisdiction granted to the State Board of Accountancy (Board), under SDCL Chapter 36-20B and SDCL Chapter 1-26.

The purpose of this hearing will be to determine whether Dawn Imrie, Certificate No. 2662, is in violation of state statutes or administrative rules, thus resulting in the Board taking disciplinary action against Ms. Imrie.

Following the hearing, the Board shall issue findings of fact, conclusions of law, and a decision that may take such actions as are authorized by SDCL Chapter 36-20B, including, but not limited to, denial, suspension or revocation of Certificate No. 2662. Additionally, pursuant to SDCL 1-26-29.1, should this proceeding result in discipline, the Board may assess all or part of its actual expenses for this proceeding against you.

This hearing is a contested case as that term is defined in SDCL 1-26-1 (2). As such, this hearing is an adversarial proceeding. You have the right to be present at the hearing and to be represented by an attorney. These and other due process rights will be forfeited if they are not exercised at the hearing. If you intend to be represented by an attorney, please inform the undersigned of your attorney's name, address, and telephone number.

If you do not appear at the scheduled time of the hearing, the matter may be dismissed or it may be decided on the basis of evidence presented at the hearing.

If the amount in controversy exceeds \$2,500.00 or if a property right may be terminated, a party to the contested case may require the agency to use the Office of Hearing Examiners by giving notice of the request to the agency no later than 10 days after service of this notice of hearing.

Notice of the Board's decision will be sent to you within 30 days after this matter is fully submitted to it, unless such time is extended by the Board pursuant to SDCL 1-26-30.1.

The decision based on the hearing may be appealed to the Circuit Court and the State Supreme Court, as provided by law.

If you or anyone participating in the hearing on your behalf requires accommodations due to a disability, contact Nicole Kasin at (605) 367-5770 and suitable arrangements will be made.

**Statutes and Rules involved in this hearing:**

**36-20B-27. Renewal of certificate--Continuing education requirement--Exception:**

For renewal of a certificate under this chapter, a licensee shall participate in a program of learning designed to maintain professional competency. The program of learning shall comply with rules, promulgated by the board pursuant to chapter 1-26. A licensee shall complete one hundred twenty hours of continuing education in each three-year renewal period. The board may, by rule promulgated pursuant to chapter 1-26, establish an exception to this requirement for certificate holders who do not perform or offer to perform for the public one or more kinds of services involving the use of accounting or auditing skills, including issuance of reports on financial statements or of one or more kinds of management advisory, financial advisory, or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters. Any licensee granted such an exception by the board must place the word, inactive, adjacent to their CPA title or PA title on any business card, letterhead, or any other document or device, with the exception of their CPA certificate or PA license, on which their CPA or PA title appears.

**36-20B-40. Disciplinary action--Remedies available to board--Grounds:**

The board may, in accordance with chapter 1-26, revoke any certificate, license, or permit issued pursuant to this chapter or corresponding provisions of prior law or revoke or limit practice privileges under the provisions of § 36-20B-66 or 36-20B-67; suspend any such certificate, license, or permit, or refuse to renew any such certificate, license, or permit for a period of not more than five years; reprimand, censure, or limit the scope of practice of any licensee; impose an administrative fine not exceeding one thousand dollars, or place any licensee on probation, all with or without terms, conditions, and limitations, for any one or more of the following reasons:

6. Violation of any provision of this chapter or rule, promulgated by the board pursuant to chapter 1-26, or violation of professional standards.

## **20:75:04:11. Review of continuing professional education credits.**

Certificate holders are subject to verification of all continuing professional education credits submitted to the board. Annually, the board may randomly select holders of individual certificates who are in the three-year renewal cycle for review of continuing professional education credits. The period to be reviewed may be one to three reporting years prior to the request. The board shall determine the number selected for review each year based on a percentage of the number of individuals holding certificates at the time of the random selection. An individual selected for a review must provide documentation to verify attendance or completion of all courses reported to the board for continuing professional education credit.

If an individual does not meet the requirements of continuing professional education in SDCL 36-20B-27, § 20:75:04:07, 20:75:04:08, 20:75:04:09, or 20:75:04:10, an adjustment of hours may be made administratively if an audit of continuing education credits creates discrepancies in the individual's total number of hours during a year.

### **Facts supporting the alleged violations:**


1. On October 12, 2011, Ms. Imrie was sent notice in regards to being randomly selected for a CPE audit. The Board requested her to submit the documentation for claimed CPE by December 1, 2011.
2. On December 6, 2011, Ms. Imrie was sent a second letter indicating documentation for claimed CPE had not been received for her CPE audit. The Board requested her to submit the required documentation for claimed CPE within 15 days;
3. On December 20, 2011, Executive Director Kasin sent an email reminder that the CPE documentation was due on December 21, 2011. A read receipt to the email indicates the email to Ms. Imrie was read on December 21, 2011, at 6:36 am.
4. On December 22, 2011, Executive Director Kasin left a phone message for Ms. Imrie on her work line. No returned call was received.
5. On December 27, 2011, Executive Director Kasin left a phone message for Ms. Imrie on her home phone line. No returned call was received.
6. On December 28, 2011, Ms. Imrie was sent a third letter indicating documentation for claimed CPE had not been received for her CPE audit. The Board requested her to submit the required documentation for claimed CPE within 10 days. The letter was sent to her via certified mail with a return receipt. The letter was signed for by an agent at the address on December 30, 2011.
7. On January 10, 2012, Executive Director Kasin left a phone message for Ms. Imrie on her work line. No returned call was received.
8. Ms. Imrie failed to submit documentation to verify CPE courses reportedly taken in the period of July 1, 2008 to June 30, 2009.
9. Ms. Imrie failed to submit documentation to verify CPE courses reportedly taken in the period of July 1, 2009 to June 30, 2010.
10. Ms. Imrie failed to submit documentation to verify CPE courses reportedly taken in the period of July 1, 2010 to June 30, 2011.

11. Ms. Imrie failed to submit documentation to verify the 120 hours of CPE claimed for the period ending June 30, 2009.
12. Ms. Imrie failed to submit documentation to verify the 120 hours of CPE claimed for the period ending June 30, 2010.
13. Ms. Imrie failed to submit documentation to verify the 120 hours of CPE claimed for the period ending June 30, 2011.
14. Ms. Imrie failed the CPE audit for the three year period ending June 30, 2011, by not submitting verifying documentation for all claimed CPE.

**CERTIFICATE OF SERVICE**

I hereby certify that on the 18 day of January, 2012, I sent, by Certified Mail, return receipt requested, and by U.S. First Class Mail, postage prepaid, a true and correct copy of the Complaint and Notice of Hearing to:

Dawn Imrie  
Student Loan Finance Corp.  
124 S. 1<sup>st</sup> St.  
Aberdeen, SD 57401  
*Respondent*

  
\_\_\_\_\_  
Nicole Kasin



*June 18, 2015*

*Tricia Nussbaum*      *1-18-12*



# **Peer Review Program**

**ANNUAL REPORT ON OVERSIGHT**

**Issued  
January 20, 2012**

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New York, NY 10036-8775

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## Acronyms

Certain acronyms are used throughout this Report.

AICPA	American Institute of Certified Public Accountants
PRP	Peer Review Program
CPA	Certified Public Accountant
CPCAF PRP	Center for Public Company Audit Firms Peer Review Program
ERISA	Employee Retirement Income Security Act
FDICIA	Federal Deposit Insurance Corporation Improvement Act
GAAP	Generally Accepted Accounting Principles
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office (U.S.)
NASBA	National Association of State Boards of Accountancy
NPRC	National Peer Review Committee
OCBOA	Other Comprehensive Basis of Accounting
OTF	Oversight Task Force (AICPA Peer Review Board)
PCAOB	Public Company Accounting Oversight Board
PRISM	Peer Review Information System Management
PRB	Peer Review Board (AICPA)
RAB	Report Acceptance Body (Administering Entity Peer Review Committee)
SASs	Statements on Auditing Standards
SEC	Securities and Exchange Commission (U.S.)
SQCS	Statements on Quality Control Standards
SSAEs	Statements on Standards for Attestation Engagements
SSARS	Statements on Standards for Accounting and Review Services

## **Introduction**

### **Purpose of this Report**

The purpose of this Annual Report on Oversight (Report) is to provide a general overview; statistics and information; the results of the various oversight procedures performed on the AICPA Peer Review Program (AICPA PRP); and to conclude on whether the objectives of the AICPA Peer Review Board's 2010 oversight process were met.

### **Scope and Use of this Report**

This Report contains data pertaining solely to the AICPA PRP and should be reviewed in its entirety and not taken out of context because there are:

- Approximately 29,000\*\* firms enrolled in the AICPA PRP having a peer review performed once every 3 years.
- Approximately 10,000 peer reviews taking place each year.
- Forty-two\* administering entities covering 55 licensing jurisdictions.
- Over 680 volunteer Peer Review Committee members.

### **Years Presented in this Report**

Statistical information presented in this Report for 2008-10 is determined by the actual date of the peer review, that is, when the peer review is performed.

Oversight procedures included in this report are performed on a calendar year basis.

\*Note: The National Peer Review Committee (National PRC) became an administering entity of the AICPA PRP effective January 1, 2009. Prior to 1/1/09, the National PRC was a separate peer review program known as the CPCAIF PRP. The National PRC has issued a separate oversight report for the calendar year and its results are not included within this report.

\*\*Note: Approximately 33,000 firms are enrolled in the AICPA PRP. Around 4,000 of those enrolled firms have indicated that they are not currently performing engagements subject to peer review.

## **Changes in Peer Review at the AICPA**

In 1977, the AICPA Governing Council (Council) established the Division for CPA Firms to provide a system of self-regulation for its member firms. There were two voluntary membership sections within the Division for CPA Firms created: (1) the Securities and Exchange Commission Practice Section (SECPS) and (2) the Private Companies Practice Section (PCPS). Both sections required that once every three years firms had to have a peer review of their accounting and auditing practices to monitor adherence to professional standards and that the results of peer review information be made available in a public file.

Based upon the tangible results of the peer review process of the SECPS and PCPS, AICPA members voted and adopted mandatory peer review in 1988. Firms were given the choice between becoming a member of the Division for CPA Firms and undergoing an SECPS or PCPS peer review or enrolling in the newly created AICPA Quality Review Program to be administered in cooperation with state CPA societies.

In 1990, a new amendment to the AICPA bylaws mandated that AICPA members who practice public accounting with firms that audit one or more SEC clients must be members of the SECPS.

In 1994, the PCPS Peer Review Program (PRP) and the AICPA Quality Review Program combined to become the AICPA PRP, governed by the AICPA Peer Review Board (PRB), which became effective in 1995.

The Sarbanes-Oxley Act of 2002 established the Public Company Accounting Oversight Board (PCAOB) as a private-sector regulatory entity to replace the accounting profession's structure as it relates to public company audits. As a result, effective January 1, 2004, the SECPS was restructured and became the CPCAF PRP, with the objective of administering a peer review program that evaluates and reports on the non-SEC issuer accounting and auditing practices of firms that are registered with and inspected by the PCAOB as well as certain firms that perform audits of non-SEC issuers pursuant to PCAOB standards.

Since both the AICPA PRP and CPCAF PRP (Programs) were now only peer reviewing non-SEC issuer practices, it was determined that the Programs could be merged into one and have one set of peer review standards for all firms subject to peer review. In October 2007, the PRB approved revised Standards for Performing and Reporting on Peer Reviews effective for peer reviews commencing on or after January 1, 2009. This coincided with the official merger of the Programs at which time the CPCAF PRP was discontinued (those firms are now administered through the NPRC), and the AICPA PRP is now the single program for all AICPA firms subject to peer review.

## About the AICPA Peer Review Board

The PRB is the senior technical committee governing the AICPA PRP, and as such, it is responsible for overseeing the entire peer review process. The PRB is dedicated to enhancing the performance and quality of non-SEC accounting, auditing and attestation engagements performed by AICPA members and their firms which are enrolled in the Program. The PRB seeks to attain its mission through education and remedial corrective actions which serves the public interest and enhances the significance of AICPA membership.

The mission of the PRB is achieved through establishing and conducting the Program. This includes developing, implementing, maintaining and enhancing comprehensive peer review Standards for Performing and Reporting on Peer Reviews (Standards) and related guidance for firms subject to peer review, those performing peer reviews and others involved in administering the Program for the PRB. In addition, the PRB is responsible for overseeing the entire peer review process. By reevaluating the validity and objectives of the Program, the PRB ensures continuous enhancement of the quality in the performance of non-SEC accounting, auditing and attestation engagements by AICPA members and their firms enrolled in the Program, and explicitly recognizes that protecting the public interest is an equally important objective of the Program.

The PRB is comprised of 20 members consisting of public practitioners, state society executive directors, and regulators.

Various subcommittees and task forces are appointed to assist the PRB in carrying out its responsibilities. Their work is subject to review by the PRB. Currently, the PRB has standing task forces for planning, oversight, standards, and education and communication.

The activities of the PRB and its task forces and subcommittees are supported by AICPA peer review program staff who assist with drafting *Standards* and Interpretations; developing peer review guidance related to emerging issues; and work on projects in cooperation with other teams at the AICPA.

**AICPA PEER REVIEW BOARD ROSTER**  
**OCTOBER 2010 -OCTOBER 2011**

Daniel J. Hevia, **Chair**  
Gregory, Sharer & Stuart  
Saint Petersburg, Florida

James N. Kennedy  
Kennedy & Kennedy  
San Bernardino, California

Tracey C. Golden, **Vice Chair**  
Deloitte & Touche LLP  
Wilton, Connecticut

Henry J. Krostich  
Fuoco Group, LLP  
Hauppauge, New York

Frank R. Boutillette  
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New Brunswick, New Jersey

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PricewaterhouseCoopers  
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David J. Moynihan  
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Coley, Eubank & Company, P.C.  
Lynchburg, Virginia

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New York, New York

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Jerry W. Hensley  
Ray, Foley Hensley and Company, PLLC  
Lexington, Kentucky

Clayton Lynn Holt  
Brell Holt & Company, Inc.  
Toledo, Ohio

**AICPA Peer Review Board  
Oversight Task Force  
(October 2010 – October 2011)**

**Randy Watson, Chair\***  
Yanari Watson McGaughey PC  
Greenwood Village, Colorado

**Robert C. Bezgin**  
Robert Christian Bezgin  
Downingtown, Pennsylvania

**J. Phillip Coley\***  
Coley, Eubank & Company, P.C.  
Lynchburg, Virginia

**Jerry W. Hensley\***  
Ray, Foley, Hensley and Company, PLLC  
Lexington, Kentucky

**Delano Hoover**  
Hoover & Roberts, Inc.  
Eaton, Ohio

**Paul V. Inserra**  
McClure, Inserra & Company, Chtd.  
Arlington Heights, Illinois

**John C. Lechleiter**  
AKT, LLP  
Carlsbad, California

**John A. Lynch**  
BlumShapiro  
Rockland, Massachusetts

**Thomas J. Parry**  
Benson & Neff, CPAs, P.C.  
San Francisco, California

**Arthur L. Sparks, Jr.**  
Alexander Thompson Arnold PLLC  
Union City, Tennessee

\*Member, AICPA Peer Review Board

**AICPA  
Staff**

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Member Quality and International Affairs

Gary Freundlich, Technical Director

Susan Lieberum, Senior Technical Manager  
Manager

Teresa Bordeaux, Technical Manager\*\*

Laurel Gron, Technical Manager

James W. Brackens, Jr., Vice President  
Firm Quality & Practice Monitoring

Beth Thoresen, Director of Operations

Frances McClintock, Senior Technical  
Manager

Rachelle Drummond, Technical Manager

Lisa Joseph, Technical Manager

LaShaun King, Technical Manager

Carl Mayes, Technical Manager

LaVonne Montague, Technical Manager

Karl Ruben, Technical Manager

**\*\*Staff liaison to Oversight Task Force**

## Letter to the AICPA Peer Review Board

To the Members of the AICPA Peer Review Board:

We have completed a comprehensive oversight program for the 2010 calendar year. In planning and performing our procedures, we considered the objectives of the oversight program, which state there should be reasonable assurance that (1) administering entities are complying with the administrative procedures established by the PRB 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) the information provided via the Internet or other media by administering entities is accurate and timely. Our responsibility is to oversee the activities of state CPA societies or groups of state societies that elect and are approved to administer (administering entity) the AICPA PRP, including the establishment and results of each administering entity's oversight processes.

Our procedures were conducted in conformity with the guidance contained in the *AICPA Peer Review Program Oversight Handbook* and included the following procedures:

- Visits to the administering entities, on a rotation basis ordinarily every other year, by a member of the Oversight Task Force. The visits include testing the administrative and report acceptance procedures established by the PRB. See pages 12–13, *Oversight Visits of the Administering Entities*.
- Reviews of peer review working papers by AICPA PRP staff that are reviewed and approved by the Oversight Task Force, including its PRB members, which covered all parts of the peer review process from administrative functions, peer reviewer documents and checklists, technical reviewer procedures, and peer review committee actions. For 2010, 307 or approximately 3.4% of total reviews were selected for oversight by the AICPA PRP staff which also covered 301 different peer reviewers or 16% of all active peer reviewers. These reviewers selected for oversight performed approximately 32% of the 2010 peer reviews. See pages 13–14, *Peer Review Working Paper Oversight*.
- Monitoring the overall activities of the program. See page 14, *Review of AICPA PRP Statistics*.

Oversight procedures performed by the administering entities in accordance with the *AICPA Peer Review Program Oversight Handbook* included the following procedures:

- Administrative oversight performed by a peer review committee member in the year in which there was no oversight visit by a member of the Oversight Task Force. See page 15, *Administrative Oversight of the Administering Entity*.
- Oversight of various reviews, selected by reviewed firm or peer reviewer, subject to minimum oversight requirements of the PRB. For 2010, approximately 3.6% of total



reviewers were selected for oversight. See pages 16–17, *Oversight of the Peer Reviews and Reviewers*.

- Verification of reviewers' resumes. For 2010, resumes were verified for 749 reviewers. See pages 17-18, *Annual Verification of Reviewers' Resumes*.

Based on the results of the oversight procedures performed, the Oversight Task Force has concluded that in all material respects (1) the administering entities were complying with the administrative procedures established by the PRB, (2) the reviews were being conducted and reported upon in accordance with *Standards*, (3) the results of the reviews were being evaluated on a consistent basis by all administering entity peer review committees, and (4) the information provided via the Internet or other media by administering entities was accurate and timely. Based upon the Oversight Task Force's conclusions, we believe for the 2010 calendar year, that the objectives of the PRB oversight program, taken as a whole, were met.

Respectfully submitted,

*Randy Watson*

Randy Watson, Chair  
Oversight Task Force  
AICPA Peer Review Board

January 20, 2012

## The AICPA Peer Review Program

### Overview

AICPA bylaws require that members engaged in the practice of public accounting be with a firm that is enrolled in an approved practice-monitoring program or, if practicing in firms not eligible to enroll, are themselves enrolled in such a program if the services performed by such a firm or individual are within the scope of the AICPA's practice monitoring *Standards*, and the firm or individual issues reports purporting to be in accordance with AICPA professional standards. In addition, there are currently 15 state CPA societies that have made participation of a member's firm in an approved-practice monitoring program a condition of continued state CPA society membership. Also, of the 55 licensing jurisdictions, currently 50 state boards of accountancy have statutorily made participation in a type of practice monitoring program mandatory for licensure. See Exhibit 1.

The AICPA PRP has approximately 29,000 enrolled firms within the United States and its territories at the time this report was prepared. See Exhibit 2. There are approximately 10,000 peer reviews performed each year by a pool of approximately 1,900 qualified peer reviewers.

Firms enrolled in the program are required to have a peer review, once every three years, of their accounting and auditing practice related to non-Securities and Exchange Commission (SEC) issuers covering a one-year period. The peer review is conducted by an independent evaluator known as a peer reviewer. The AICPA oversees the program, and the review is administered by an entity approved by the AICPA to perform that role. An accounting and auditing practice, as defined by the *Standards*, is "all engagements covered by Statements on Auditing Standards (SASs); Statements on Standards for Accounting and Review Services (SSARS); Statements on Standards for Attestation Engagements (SSAEs); *Government Auditing Standards* (the Yellow Book) issued by the U.S. Government Accountability Office; and audits of non-SEC issuers performed pursuant to the standards of the Public Company Oversight Board (PCAOB)."

The following summarizes the different peer review types, objectives, and reporting requirements as defined under the *Standards*. During the year 2008, the AICPA PRP had three different types of peer reviews: system, engagement, and report reviews. Under the revised *Standards* effective January 1, 2009, there are two types of peer reviews: system and engagement.

**System Reviews:** System reviews are for firms that perform engagements under the SASs or Government Auditing Standards, examinations of prospective financial statements<sup>1</sup> under the SSAEs, or audits of non-SEC issuers performed pursuant to the standards of the PCAOB, in addition to reviews, compilations, or agreed-upon procedures. The peer reviewer's objective is to determine whether the system of quality control for performing and reporting on auditing and accounting engagements is designed to ensure conformity with professional standards and whether the firm is appropriately complying with its system. The peer review report rating may be Pass (previously unmodified) (firm's system of quality control is adequately designed and

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<sup>1</sup> After 2010, examinations of a service organization's controls likely to be relevant to user entities' internal control over financial reporting were added.

firm has complied with its system of quality control); Pass with deficiency(ies) (previously modified) (firm's system of quality control has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects with the exception of deficiency[ies] described in the report); or Fail (previously adverse) (firm's system of quality control is not adequately designed or complied with to provide the firm with reasonable assurance of performing and/or reporting in conformity with applicable professional standards in all material respects).

Engagement Reviews: Engagement reviews are for firms that only perform services under SSARS or services under the SSAEs not included in System Reviews and focus on work performed and reports and financial statements issued on particular engagements (reviews, compilations, or agreed-upon procedures). The peer review report may be a rating of Pass (previously unmodified) when the reviewer concludes that nothing came to his or her attention that caused him or her to believe that the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects. A rating of Pass with deficiency (ies) (previously modified) is issued when the reviewer concludes that nothing came to his or her attention that caused him or her to believe that the engagements submitted for review were not performed and reported in conformity with applicable professional standards in all material respects except for the deficiencies that are described in the report. A report with a peer review rating of Fail (previously adverse) is issued when the reviewer concludes that, as a result of the deficiencies described in the report, all of the engagements submitted for review were not performed and/or reported on in conformity with applicable professional standards in all material respects.

Report Reviews: Report reviews are no longer issued under the peer review standards effective January 1, 2009. Report reviews focused on the reports and financial statements issued by firms that only perform compilation engagements without disclosures. On a report review, the reviewer issued a peer review report without comments and recommendations or one with comments and recommendations, segregating any comments that were identified as significant. Firms who previously were subject to a report review would now have an engagement review performed.

A significant change in the 2009 *Standards* is the elimination of the letter of comments which was issued in conjunction with the peer review report. In order to retain the spirit of the peer review program and its objective of promoting quality in the accounting, auditing, and attestation services provided by AICPA members and their CPA firms, the board wanted to retain the ability to educate and inform firms as to their findings. To accomplish this, the board expanded the use of existing peer reviewer working paper documentation (outside of the reporting and acceptance process) to communicate findings to the reviewed firm that do not affect the peer review report issued. The new process introduces the Finding for Further Consideration (FFC) form as a new written mechanism which allows peer reviewers to offer substantive comments and recommendations on the firm's system of quality control and engagement performance and for firms to provide meaningful responses to those findings, comments, and recommendations.

The following chart compares the prior reporting model versus the revised *Standards*:

<i>Standards prior to 1/1/09</i>	<i>Revised Standards</i>
<b>Unmodified – No Letter Of Comment (“LOC”)</b> (Matter for Further Consideration – MFC)  -or- <b>Unmodified – LOC</b> (Finding – in LOC)	<b>Pass</b> (Finding for Further Consideration – FFC) (not included in report)
<b>Modified – LOC</b> (Deficiency – in report) (Finding – in LOC)	<b>Pass with Deficiency</b> (Deficiency – in report) (Finding – FFC) (not included in report)
<b>Adverse</b> (Deficiency – in report)	<b>Fail</b> (Significant deficiency – in report) (Finding – FFC) (not included in report)

### **Administering Entities**

Each state CPA society annually elects the level of involvement that it desires in the administration of the AICPA PRP. The three options are (1) self-administer; (2) arrange for another state CPA society or group of state societies to administer, or (3) ask the AICPA to request another state CPA society to administer the AICPA PRP for enrolled firms whose main offices are located in that state. The state CPA societies that choose the first option agree to administer the AICPA PRP in compliance with the *Standards* and related guidance materials issued by the PRB. The PRB approved 42 state CPA societies or group of state societies, hereafter referred to as “administering entities,” to administer the AICPA PRP in 2010, (see Exhibit 3, “Administering Entities Approved to Administer the 2011 AICPA PRP”). Each administering entity is required to establish a peer review committee that is responsible for administration, acceptance, and oversight of the AICPA PRP.

In order to receive approval to administer the AICPA PRP, administering entities must agree to perform oversight procedures annually. The results of their oversight procedures are submitted with the annual Plan of Administration. Beginning in 2010, all administering entities were required to issue an annual report on their oversight of the previous calendar year. The annual Plan of Administration is the administering entity’s request to administer the peer review program and is reviewed by the Oversight Task Force.

Administering entities may also elect to use the *Standards* in administering peer reviews of non-AICPA firms (and individuals). Non-AICPA firms (and individuals) are not enrolled in the AICPA PRP and peer reviews of such firms are not considered as being performed under the auspices of the AICPA PRP and are not oversighted by the AICPA PRB. This Report does not

include information or oversight procedures performed by the administering entities on peer reviews of non-AICPA firms (and individuals).

### **Results of AICPA PRP**

From 2008–2010, there were approximately 29,000 peer reviews performed in the AICPA PRP. Exhibit 4 shows a summary of the reviews performed in the AICPA PRP from 2008–2010 by type of peer review and report issued. For system and engagement reviews performed during that three year period, approximately 90% of the reviews resulted in Pass reports, 8% were Pass with deficiency(ies), and 2% were Fail. Exhibit 5 is a list of items noted as matters on peer reviews performed during 2008-2010. This list contains examples of noncompliance with professional standards. While this list is not all-inclusive and is not representative of all peer review results, it does contain some examples of matters that were identified during the peer review process.

Exhibit 6 summarizes the number and type of reasons by elements of quality control as defined by the Statements on Quality Control Standards (SQCS), for report modifications (that is, modified or adverse reports, or pass with deficiency(ies) or fail under the revised *Standards*) from system reviews performed in the AICPA PRP from 2008–2010.

From 2008–2010, approximately 4% of the engagements reviewed were identified as “not being performed and/or reported in accordance with professional standards in all material respects.” The *Standards* state that an engagement is ordinarily considered “not being performed and /or reported in accordance with professional standards in all material respects” when deficiencies, individually or in the aggregate, exist that are material to understanding the report or the financial statements accompanying the report, or represents omission of a critical accounting, auditing, or attestation procedure required by professional standards. Exhibit 7 shows the total number of individual engagements reviewed along with those identified as “not being performed and/or reported in accordance with professional standards in all material respects.”

During the report acceptance process, the administering entities’ peer review committees determine the need for and nature of any corrective actions based on the nature, significance, pattern, and pervasiveness of engagement deficiencies; whether the recommendations of the review team appear to address the engagement deficiencies adequately; and whether the reviewed firm’s responses to the review team’s recommendations are comprehensive, genuine, and feasible. Corrective actions are remedial or educational in nature and are imposed in an attempt to strengthen the performance of the firm. There can be multiple corrective actions required on an individual review. There were 4,692 corrective actions required from 2008–2010 that are summarized in Exhibit 8.

In addition to the above corrective actions, there may be instances where an implementation plan is required as a result of FFCs. For implementation plans, the firm will be required to evidence its agreement to perform and complete the implementation plan in writing as a condition of cooperation with the administering entity and the board. Agreeing to and completing such a plan is *not* tied to the acceptance of the peer review. That is, the reviewed firm would nevertheless receive a “clean” acceptance letter for its peer review if the peer review committee did not otherwise request the firm to also perform a corrective action plan related to the deficiencies or significant deficiencies,

if any, noted in the peer review report. However, if the firm fails to cooperate with the implementation plan, the firm would be subject to due process procedures that could result in the firm's enrollment in the program being terminated.

Because it is possible for a firm to receive a pass with deficiency or fail report, as well as FFCs which had not been elevated to deficiency or significant deficiency, it is possible for the firm to be responsible for submitting a corrective action plan related to the deficiency(ies) or significant deficiencies in the peer review report, as well as an implementation plan in response to the FFCs that did not get elevated.

## **Oversight Process**

Oversight of the AICPA PRP is the responsibility of the PRB. The PRB is responsible for the AICPA PRP on a national level as well as oversight of all administering entities. Each administering entity is responsible for overseeing peer reviews and peer reviewers for each state they administer the AICPA PRP. This responsibility includes having written oversight policies and procedures.

All State Boards of Accountancy (SBAs), that require peer review, accept the AICPA PRP as a program that satisfies its peer review licensing requirements. Some SBAs have entered into an agreement with State CPA Societies to perform oversight of their administration of the AICPA PRP. The SBA's oversight process is designed to assess their reliance on the AICPA PRP for re-licensure purposes. This report is not intended to describe or report on that process. Exhibit 9 shows whether the respective administering entity has entered into a peer review oversight relationship with the 50 SBAs that currently have statutorily made participation in a type of practice monitoring program mandatory for licensure as indicated in Exhibit 1.

### **Objectives of Peer Review Board Oversight Process**

The PRB has appointed an Oversight Task Force (OTF) to oversee the administration of the AICPA PRP and make recommendations regarding oversight procedures. The main objectives of the OTF are to provide reasonable assurance that the:

- Administering entities are complying with the administrative procedures established by the PRB.
- Reviews are being conducted and results of reviews are being evaluated and reported in accordance with the *Standards* and on a consistent basis in all jurisdictions.
- Information provided to firms and reviewers (via the Internet or other media) by administering entities is accurate and timely.

The oversight program also establishes a communications link with administering entities and builds a relationship that enables the PRB to accomplish the following: obtain information about problems and concerns of administering entities' peer review committees, provide consultation

on those matters to specific administering entities, and initiate the development of guidance on a national basis, where appropriate.

### **OTF Oversight Procedures**

The following oversight procedures were performed as a part of the OTF oversight program.

#### ***Oversight Visits of the Administering Entities:***

##### **Description**

Each administering entity is visited by a member of the OTF, ordinarily, at least once every other year. No member of the OTF is permitted to visit the administering entity in the state that his or her main office is located; where he or she serves as a technical reviewer or may have a conflict of interest; or performed the most recently completed oversight visit.

During these visits, the member of the OTF will at a minimum:

- Meet with the administering entity's peer review committee during its consideration of peer review documents.
- Evaluate a sample of peer review documents and applicable working papers on a post acceptance basis.
- Perform face to face interviews with the administrator and technical reviewers.
- Evaluate the various policies and procedures for administering the AICPA PRP.

As part of the visit, the OTF member will request that the administering entity complete an Information Sheet documenting policies and procedures in the areas of administration, technical review, peer review committee, report acceptance, and oversight processes in administering the AICPA PRP. The OTF member evaluates the Information Sheet, results of the prior oversight visit, plan of administration, and comments from working paper oversights to develop a risk assessment. A comprehensive oversight work program which contains the various procedures performed during the oversight visit is completed with the OTF member's comments. At the conclusion of the visit, the OTF member discusses any comments and issues identified as a result of the visit with the administering entity's peer review committee chair. The OTF member then issues an AICPA Oversight Visit Report to the administering entity which discusses the purpose of the oversight visit and that the objectives of the oversight program were considered in performing those procedures. The Report also contains the OTF member's conclusion as to whether the administering entity has complied with the administrative procedures and *Standards* in all material respects as established by the PRB. In addition to the aforementioned letter, the OTF member issues the administering entity an AICPA Oversight Visit Letter of Procedures and Observations which details the oversight procedures performed and observations noted by the OTF member and includes recommendations that may enhance the entity's administration of the AICPA PRP.

The administering entity is then required to respond to the chair of the OTF, in writing, to any findings reported in the Oversight Visit Report and Letter, or at a minimum, when there are no findings reported, an acknowledgement of the visit. The oversight documents, including the Oversight Visit Report, the letter of procedures and observations, and the administering entity's response are presented to the OTF members at the next OTF meeting for acceptance. The administering entity may be required to take corrective actions as a condition of acceptance. The acceptance letter would reflect corrective actions, if any. A copy of the acceptance letter, the oversight visit report, letter of procedures and observations and the response are posted to the following AICPA Peer Review Program web site:

(<http://www.aicpa.org/InterestAreas/PeerReview/Resources/Transparency/Oversight/Pages/OversightVisitResults.aspx>).

### Results

During 2009–2010, a member of the OTF performed at least one on-site oversight visit to 41 administering entities (excludes NPRC). See Exhibit 10 for a listing of the administering entities and the year of oversight. See Exhibit 11 for a summary of observations from the on-site oversight visits performed during 2009-2010.

### ***Peer Review Working Paper Oversight:***

#### Description

Throughout each year, a sample of peer reviews are randomly selected (by AICPA PRP Staff and approved by the OTF) from each of the administering entities for submission to the AICPA PRP staff for a comprehensive review of all the documents prepared during a peer review. Documents from all parts of the peer review process (administrative, peer review checklists, technical reviewer checklist, peer review committee actions, warning letters, extensions, and reviewer feedback) are submitted and then reviewed by the AICPA PRP staff to determine whether:

- The reviews are being conducted and reported on in accordance with the *Standards*.
- Administrative procedures established by the PRB are being complied with.
- Information is being entered into the computer system correctly.
- Reviewers are following the guidance and use the most current materials contained in the *AICPA Peer Review Program Manual*.
- Results of reviews are being evaluated on a consistent basis within an administering entity and in all jurisdictions.

As the AICPA PRP staff completes the desk review of all the documents prepared during the peer review, a summary report with staff comments is prepared for each administering entity



and submitted to the OTF members for review and approval. Once approved, the summary report is submitted to the respective administering entities' peer review committee chairs requesting that they share the findings with their committees, technical reviewers, peer reviewers, and team captains, where applicable. The committee chair is asked to communicate the comments to the committee and return the acknowledgement of communication letter to the AICPA PRP staff. Normally, the cover letter (included with the summary report) sent to the administering entities indicates that they are not asked to take any additional actions on the specific reviews. If significant pervasive deficiencies, problems, or inconsistencies are encountered during the review of the above materials, the OTF may choose to: (1) visit the administering entity in which the deficiencies, problems, or inconsistencies were noted to assist them in determining the cause of these problems and prevent their recurrence, or both; or (2) request the administering entity to take appropriate corrective or monitoring actions.

### Results

For the year 2010, 307 working paper reviews were selected for oversight covering 301 different peer reviewers. This represents approximately 3% of peer reviews conducted in 2010 and approximately 16% of peer reviewers. Exhibit 12 shows, by administering entity, the number and type of reviews selected. The most prevalent comments from the working paper oversight process are summarized in Exhibit 13.

### ***Review of AICPA PRP Statistics:***

#### Description

To monitor the overall activities of the program, the OTF periodically reviews the following types of statistical data for each administering entity and evaluates whether any patterns are emerging that should be addressed:

- The status of reviews in process
- The results of reviews
- The number and types of corrective actions
- The number, nature, and extent of engagements not performed in accordance with professional standards in all material respects
- The number of overdue peer reviews

#### Results

As of July 2010, there were 1,102 incomplete reviews (194 due in 2006–2008 and 908 due in 2009). As of November 2011, 120 of these reviews remained open in various stages of the review process. Approximately 79 of these open reviews were in the technical review or committee acceptance process, open with outstanding follow-up actions, or were submitted to the PRB for a termination hearing due to noncooperation. The remaining 41 reviews were in the background or scheduling phases of the review. AICPA PRP staff has been working

with the administering entities on these open reviews to ensure an appropriate course of action is taken on a case by case basis for each of these.

The status of 2010 reviews has been monitored on a periodic basis to determine reviews are being processed timely and to identify any reviews which are delinquent in the process. As of September 2011, there were 116 incomplete 2010 reviews. Firms that had not submitted background information or provided scheduling information were reviewed to determine that the appropriate overdue requests were mailed and notification sent to the AICPA to drop the firm from the program for failure to comply. For reviews that were scheduled but past their due date, inquiries were made to determine the proper extension procedures were followed.

Results of AICPA PRP are further summarized on page 10 of this Report.

### **Oversight by the Administering Entities' Peer Review Committees**

The administering entities' peer review committees are responsible for monitoring and evaluating peer reviews of those firms whose main offices are located in its licensing jurisdiction(s). Committees may designate a task force to be responsible for the administration and monitoring of its oversight program.

Administering entities are required to submit their oversight policies and procedures to the PRB on an annual basis. In conjunction with the administering entity personnel, the peer review committee establishes oversight policies and procedures that at least meet the minimum requirements (discussed on pages 15–18, *Administering Entity Oversight Procedures*) established by the PRB to provide reasonable assurance that:

- Reviews are administered in compliance with the administrative procedures established by the PRB.
- Reviews are being conducted and reported upon in accordance with the *Standards*.
- Results of reviews are being evaluated on a consistent basis.
- Information disseminated by the administering entity is accurate and timely.

### **Administering Entity Oversight Procedures**

The following oversight procedures are performed as part of the administering entity oversight program.

#### ***Administrative Oversight of the Administering Entity:***

##### **Description**

At a minimum, a committee member or a subcommittee of the administering entity's peer review committee should perform the administrative oversight in those years when there is

no oversight visit by OTF. Procedures to be performed should cover the administrative requirements of administering the AICPA PRP.

### Results

The administrative oversight reports were submitted to the AICPA by the administering entity as part of the 2011 Plan of Administration. Comments or suggestions resulting from the administrative oversights are summarized in Exhibit 14. In addition, the OTF member reviewed the results of the administrative oversight during their oversight visit (described on pages 12–13, *Oversight Visits of the Administering Entities*) and compared the results of the administrative oversight to those noted during the OTF oversight visit.

### ***Oversight of Peer Reviews and Reviewers:***

#### Description

Throughout the year, the administering entity selects various peer reviews for oversight. The selections can be on a random or targeted basis. The oversight may consist of doing a full working paper review after the review has been performed, but prior to presenting the peer review documents to the peer review committee. The oversight may also consist of having a peer review committee member or designee actually visit the firm, either while the peer review team is performing the review, or after the review, but prior to final committee acceptance.

As part of its oversight process, the peer review committee oversights firms being reviewed as well as reviewers performing reviews. There are also minimum oversight selection requirements imposed by the PRB.

Firms – The selection of firms to be reviewed is based on a number of factors, including but not limited to the types of peer review reports the firm has previously received, whether it is the firm's first system review (after previously having an engagement or report review), and whether the firm conducts engagements in high risk industries.

Reviewers – All peer reviewers are subject to oversight and they may be selected based on a number of factors, including but not limited to random selection, frequent submission of pass reports (previously unmodified reports without a letter of comments), conducting a significant number of reviews for firms with audits in high risk industries, performance of their first peer review, or performing high volumes of reviews. Oversight of a reviewer can also occur due to performance deficiencies or a history of performance deficiencies, such as issuance of an inappropriate peer review report, not considering matters that turn out to be significant, or failure to select an appropriate number of engagements. When an administering entity oversights a reviewer from another state, the results are conveyed to the administering entity of that state.

Minimum Requirements – At a minimum, the administering entity is required to conduct oversight on 2% of all reviews performed in a twelve month period of time, and within

the 2% selected, there must be at least two of each type of peer review evaluated (that is, system and engagement reviews). The oversight involves doing a full working paper review and may be performed on-site in conjunction with the peer review or after the review has been performed. It is recommended the oversight be performed prior to presenting the peer review documents to the peer review committee. This allows the committee to consider all the facts prior to acceptance of the review. At a minimum, two system review oversights are required to be performed on-site. Oversights could be random or could be a combination of a targeted and random selection.

Administering entities that administer less than 100 reviews annually can apply for a waiver from the minimum requirements. The request for a waiver includes the reason(s) for the request and suggested alternatives to the minimum requirements. The waiver is to be submitted and approved by the PRB each year.

Also, at least two engagement oversights must be performed by the administering entity's peer review committee or by its designee from a national list of qualified reviewers, on an annual basis. An engagement oversight (performed either off-site or on-site) is the review of all peer reviewer materials and the reviewed firm's financial statements and working papers on the engagement. The two engagement oversights must include audits of employee benefits plans subject to the Employee Retirement Income Security Act of 1974 (ERISA), engagements performed under GAGAS, or audits of insured depository institutions subject to the Federal Deposit Insurance Corporation Improvement Act (FDICIA). Also, the two oversights selected should not be of the same types of audits.

No waivers of oversight of these types of engagements are permitted.

### Results

For 2010, the administering entities conducted oversight on 319 reviews, representing approximately 3.6% of all reviews performed in a twelve-month period of time. There were 175 system and 144 engagement reviews oversighted. Approximately 50% of the system oversights were conducted on-site. In addition, 68 ERISA, 87 GAGAS, and 3 FDICIA engagements were oversighted. See Exhibit 15 for a summary of oversights by administering entity.

## ***Annual Verification of Reviewers' Resumes:***

### Description

To qualify as a reviewer, an individual must be an AICPA member and have at least five years of recent experience in the practice of public accounting in accounting or auditing functions. The firm that the member is associated with should have received a pass report on either its system or engagement review. The reviewer should obtain at least 48 hours of continuing professional education in subjects related to accounting and auditing every three years, with a minimum of 8 hours in any one year.

A reviewer of an engagement in a high-risk industry should possess not only current knowledge of professional standards but also current knowledge of the accounting practices specific to that industry. In addition, the reviewer of an engagement in a high-risk industry should have current practice experience in that industry. If a reviewer does not have such experience, the reviewer may be called upon to justify why he or she should be permitted to review engagements in that industry. The administering entity has the authority to decide whether a reviewer's or review team's experience is sufficient to perform a particular review.

Ensuring that reviewers' resumes are updated annually and are accurate is a critical element in determining if the reviewer or review team has the appropriate knowledge and experience to perform a specific peer review. The administering entity must verify information within a sample of reviewers' resumes on an annual basis. All reviewer resumes should be verified over a three-year period, as long as at a minimum, one third are verified in year 1, a total of two thirds has been verified by year 2, and 100% have been verified by year 3. Verification must include the reviewers' qualifications and experience related to engagements performed under GAGAS, audits of employee benefit plans subject to the Employee Retirement Income Security Act of 1974 (ERISA), and audits of insured depository institutions subject to the Federal Deposit Insurance Corporation Improvement Act (FDICIA). Verification procedures may include requesting copies of their license to practice as a certified public accountant; continuing professional education (CPE) certificate from a qualified reviewer training course; CPE certificates to document the required 48 CPE credits related to accounting and auditing to be obtained every three years with at least 8 hours in one year; and CPE certificates to document qualifications to perform Yellow Book audits, if applicable. The administering entity should also verify whether the reviewer is a partner or manager in a firm enrolled in a practice monitoring program and whether the reviewer's firm received a pass report on its most recently completed peer review.

### Results

Each administering entity submitted a copy of their oversight policies and procedures indicating compliance with this oversight requirement, along with a list of reviewers whose resume information was verified during 2010. See Exhibit 16.

## **Feedback and Enhancements**

### **Feedback from the Administering Entities**

In order to maintain effective oversight procedures, the PRB obtains information from the administering entities about matters to address, to provide consultation, and to provide additional guidance as needed on a national basis. The following are areas in which feedback has been received during 2008 through 2010 and subsequently addressed.

AICPA PRP Staffing: There have been concerns expressed over slow response time to inquiries directed to the AICPA staff.

The Peer Review Program has hired a Director of Operations, two technical managers and two additional support staff during 2010. The AICPA has been working diligently on training all employees as quickly as possible in order to provide timely support for administering entities. In addition, staff continually reevaluates its processes and revisions are made that will better serve our members, firms, and administering entities.

In order to improve the response time, the AICPA has implemented an enhanced technical and administrative hotline. A caller to the hotline will be answered by a live person unless the caller opts to leave a voicemail.

Guidance, Manuals, and Checklists: Requests have been received to consider consolidation of the various manuals with more timely updates and consider revisions to the various checklists.

The Peer Review Manual is now on a searchable CD. In addition, the manual includes enhanced guidance for firms and reviewers and includes the latest version of the *Report Acceptance Body Handbook*. The manual was made available on the AICPA website.

Guidance on Implementation of revised *Standards* effective January 1, 2009: Administering entities have requested guidance on the implementation of the revised *Standards* effective January 1, 2009 including the availability of checklists.

The board continually addresses issues related to the new standards. Interpretations are revised and alert articles are written when clarification is needed. The annual Peer Review Program Conference focuses on topics that seem to be the most concern for administering entities. The hotline policy was instituted to address questions that arise during a peer review and provides individuals timely resolutions to their inquiries.

Training for Administrators: Requests have been received for additional training for administrators outside of the annual peer review conference.

Web and audio conferences have been held on various training issues for administrators. Biweekly calls are also held to address issues.

Training and Guidance for Technical Reviewers and Peer Review Committee Members: Requests have been received for more training of technical reviewers and peer review committee members through group case studies and timelier issuance of guidance materials.

The AICPA Peer Review Conference continues to offer sessions that are geared toward committees and technical reviewers. In addition, a large segment at the conference offers practical case studies that assist technical reviewers and committee members. Several audio conferences were held for technical reviewers and peer review committees on the revisions to review of Single Audit Act (A133) engagements.

Guidance on Monitoring: Requests have been received for improved guidance on how to perform and document monitoring, especially for small firms and sole practitioners.

The AICPA Auditing Standards Board (ASB) Quality Control Task Force revised the practice aid, “Establishing and Maintaining a System of Quality Control for a CPA Firm’s Accounting and Auditing Practice” for the issuance of Statement on Quality Control Standards No. 7, *A Firm’s System of Quality Control* (AICPA, *Professional Standards*, QC sec. 10B), effective January 1, 2009. This practice aid provides additional guidance to small firms in establishing and maintaining a system of quality control, including documenting their monitoring process.

As part of its clarity drafting conventions, the ASB has issued Statement on Quality Control Standards (SQCS) No. 8, *A Firm’s System of Quality Control* (Redrafted). This SQCS supersedes SQCS No. 7. It was issued November 2010 and is effective as of January 1, 2012. However, early application is permitted.

As with many of the redrafted standards SQCS No 8, does not change or expand SQCS No. 7 in any significant respect. Instead certain requirements that are duplicative of broader requirements in SQCS No. 7 have been moved to application and other explanatory material. This is consistent with International Standard on Quality Control No. 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*.

The AICPA has developed quality control questionnaires used in the peer review process which may also be sufficient documentation of the system of quality of control for some firms. In order for the questionnaire to properly satisfy the SQCS’s documentation requirement, it should be completed and in effect prior to the beginning of the peer review year.

Firm Membership Changes: Concerns have been expressed over the length of time it is taking to process firm changes, including addresses, phone numbers or e-mails, enrollments, terminations, mergers, or dissolutions.

AICPA staff continually reviews this process and work with other teams involved in this process. Revisions made during the year included focusing on technology issues, processes and communications. AICPA implemented a tracking system that allows the administering entities access to additional information regarding the status of its changes. In addition, AICPA is exploring technology that will allow firms to enter the information directly into the peer review system.

## Exhibit 1

### State CPA Societies and State Boards of Accountancy That Have Statutorily Made Participation in an Approved Practice-Monitoring Program a Condition of Membership or Licensure As of December 5, 2011

<u>Licensing Jurisdiction</u>	<u>Required for State CPA Society Membership</u>	<u>Required for State Boards of Accountancy Licensure</u>
Alabama	No	Yes
Alaska	No	Yes
Arizona	No	Yes
Arkansas	No	Yes
California	No	Yes
Colorado	Yes	Yes**
Connecticut	Yes	Yes
Delaware	Yes	No
District of Columbia	No	Yes*
Florida	No	No
Georgia	Yes	Yes
Guam	No	Yes
Hawaii	No	Yes*
Idaho	No	Yes
Illinois	No	Yes**
Indiana	No	Yes
Iowa	Yes	Yes
Kansas	Yes	Yes
Kentucky	No	Yes
Louisiana	Yes	Yes
Maine	Yes	Yes
Maryland	No	Yes
Massachusetts	No	Yes
Michigan	No	Yes
Minnesota	Yes	Yes
Mississippi	Yes	Yes
Missouri	No	Yes

\*Licensing jurisdiction has statutorily adopted peer review and is in the process of adopting rules

\*\* Statutorily adopted peer review and rules and will be effective in 2012 (NY, IL) 2014- CO



**Exhibit 1 (continued)**

**State CPA Societies and State Boards of Accountancy That Have Made  
Participation in an Approved Practice-Monitoring Program a  
Condition of Membership or Licensure**

<u>Licensing Jurisdiction</u>	<u>Required for State CPA Society Membership</u>	<u>Required for State Boards of Accountancy Licensure</u>
Montana	No	Yes
Nebraska	No	Yes
Nevada	No	Yes
New Hampshire	No	Yes
New Jersey	No	Yes
New Mexico	No	Yes
New York	No	Yes**
North Carolina	Yes	Yes
North Dakota	No	Yes
Northern Mariana Islands (MP)	N/A	No
Ohio	Yes	Yes
Oklahoma	No	Yes
Oregon	No	Yes
Pennsylvania	No	Yes
Puerto Rico	No	No
Rhode Island	No	Yes
South Carolina	Yes	Yes
South Dakota	No	Yes
Tennessee	No	Yes
Texas	Yes	Yes
Utah	No	Yes
Vermont	No	Yes
Virginia	Yes	Yes
Virgin Islands	No	No
Washington	No	Yes
West Virginia	No	Yes
Wisconsin	No	Yes
Wyoming	No	Yes

\*Licensing jurisdiction has statutorily adopted peer review and is in the process of adopting rules

\*\* Statutorily adopted peer review and rules and will be effective in 2012 (NY, IL) 2014- CO

**EXHIBIT 2 (As of September 8, 2011)**

Licensing Jurisdiction	Enrolled Firms by Number of Professionals in Practice							
	Sole Practitioners	2-5	6-10	11-19	20-49	50-99	100+	Total
AK	33	31	9	7	2	1	-	83
AL	153	219	63	25	16	7	2	485
AR	49	95	46	19	4	2	-	215
AZ	186	198	53	19	9	3	-	468
CA	1,081	973	372	165	94	15	3	2,703
CO	206	284	72	26	18	2	-	608
CT	216	192	78	28	16	-	-	530
DC	10	11	6	1	3	3	1	35
DE	16	25	13	5	6	-	-	65
FL	372	652	200	96	37	8	1	1,366
GA	348	446	135	52	27	4	-	1,012
HI	44	71	30	10	9	1	-	165
IA	66	112	51	18	15	4	-	266
ID	53	84	31	9	5	-	-	182
IL	281	389	138	63	36	8	4	919
IN	119	212	79	30	18	3	1	462
KS	79	140	38	24	13	2	2	298
KY	117	170	59	30	14	3	1	394
LA	218	282	62	40	14	4	-	620
MA	311	392	119	44	25	3	4	898
MD	159	250	91	33	41	6	1	581
ME	32	54	17	10	5	1	-	119
MI	270	389	135	67	18	3	1	883
MN	153	200	61	26	18	6	-	464
MO	101	213	76	32	23	3	-	448
MS	102	125	38	13	9	1	-	288
MT	30	47	13	7	5	2	1	105
NC	318	450	147	60	28	3	-	1,006
ND	25	37	5	2	2	-	-	71
NE	29	70	37	22	8	2	1	169
NH	62	77	17	4	8	-	-	168
NJ	370	492	143	60	25	10	-	1,100
NM	111	92	35	8	5	2	-	253
NV	79	83	31	21	5	1	-	220
NY	371	609	245	113	64	14	4	1,420
OH	283	462	188	85	32	4	1	1,055
OK	124	182	62	17	4	-	-	389
OR	138	222	74	28	14	4	1	481
PA	275	476	206	72	44	13	2	1,088
PR	43	67	23	5	17	3	-	158
RI	49	71	19	6	4	3	1	153
SC	138	201	51	21	8	2	-	421
SD	19	31	10	14	1	-	1	76
TN	232	256	92	39	19	1	-	639
TX	1,001	1,035	315	137	50	11	3	2,552
UT	77	93	33	16	6	-	-	225
VA	269	262	107	27	24	6	2	697
VT	29	33	13	9	3	1	-	88
WA	142	206	92	41	21	2	-	504
WI	79	138	56	21	14	3	2	313
WV	52	77	28	7	5	2	-	171
WY	24	43	13	6	2	3	-	91
Guam	5	1	2	-	1	-	1	10
Northern Mariana Islands	1	-	-	-	-	-	-	1
Virgin Islands	4	2	1	-	1	-	-	8
Totals	9,154	12,024	4,130	1,740	915	185	41	28,189

### Exhibit 3

#### Administering Entities Approved to Administer the 2011 AICPA PRP

<u>Administering Entity</u>	<u>Licensing Jurisdiction</u>
Alabama Society of CPAs	Alabama
Arkansas Society of CPAs	Arkansas
California Society of CPAs	California, Arizona, Alaska
Colorado Society of CPAs	Colorado
Connecticut Society of CPAs	Connecticut
Florida Institute of CPAs	Florida
Georgia Society of CPAs	Georgia
Hawaii Society of CPAs	Hawaii
Idaho Society of CPAs	Idaho
Illinois CPA Society	Illinois
Indiana CPA Society	Indiana
Iowa Society of CPAs	Iowa
Kansas Society of CPAs	Kansas
Kentucky Society of CPAs	Kentucky
Society of Louisiana CPAs	Louisiana
Maryland Association of CPAs	Maryland
Massachusetts Society of CPAs	Massachusetts
Michigan Association of CPAs	Michigan
Minnesota Society of CPAs	Minnesota
Mississippi Society of CPAs	Mississippi
Missouri Society of CPAs	Missouri
Montana Society of CPAs	Montana
National Peer Review Committee	N/A
Nevada Society of CPAs	Nevada, Wyoming, Nebraska, Utah
New England Peer Review, Inc.	Maine, New Hampshire, Rhode Island, Vermont
New Jersey Society of CPAs	New Jersey
New Mexico Society of CPAs	New Mexico
New York State Society of CPAs	New York
North Carolina Association of CPAs	North Carolina
North Dakota Society of CPAs	North Dakota
The Ohio Society of CPAs	Ohio
Oklahoma Society of CPAs	Oklahoma, South Dakota
Oregon Society of CPAs	Oregon, Guam, Northern Mariana Islands
Pennsylvania Institute of CPAs	Pennsylvania, Delaware, Virgin Islands
Puerto Rico Society of CPAs	Puerto Rico
South Carolina Association of CPAs	South Carolina
Tennessee Society of CPAs	Tennessee
Texas Society of CPAs	Texas
Virginia Society of CPAs	Virginia, District of Columbia
Washington Society of CPAs	Washington
West Virginia Society of CPAs	West Virginia
Wisconsin Institute of CPAs	Wisconsin

## Exhibit 4

### Results by Type of Peer Review and Report Issued

The following shows the results of the AICPA Peer Review Program from 2008–2010 by type of peer review and report issued. (Effective with the revised *Standards for Performing and Reporting on Peer Reviews*, report reviews are no longer performed. Firms that previously were subject to a report review would now have an engagement review performed.)

	2008	%	2009	%	2010	%	Total	%
<b>System Reviews:</b>								
Pass/Unmodified without comments	2,303	51%	3,989	88%	3,421	90%	9,713	75%
Unmodified with comments	1,915	41%	-	0%	-	0%	1,915	15%
Pass with deficiency(ies)/Modified	299	6%	438	10%	320	8%	1,057	8%
Fail/Adverse	101	2%	90	2%	89	2%	280	2%
	<u>4,618</u>	100%	<u>4,517</u>	100%	<u>3,830</u>	100%	<u>12,965</u>	100%
<b>Engagement Reviews:</b>								
Pass/Unmodified without comments	1,452	51%	4,166	91%	4,704	91%	10,322	82%
Unmodified with comments	1,164	41%	-	0%	-	0%	1,164	9%
Pass with deficiency(ies)/Modified	196	7%	387	8%	397	8%	980	8%
Fail/Adverse	36	1%	49	1%	51	1%	136	1%
	<u>2,848</u>	100%	<u>4,602</u>	100%	<u>5,152</u>	100%	<u>12,602</u>	100%
<b>Report Reviews:</b>								
No comments	1,681	67%	-		-		1,681	67%
With comments	622	25%	-		-		622	25%
With significant comments	208	8%	-		-		208	8%
	<u>2,511</u>	100%	<u>-</u>	0%	<u>-</u>	0%	<u>2,511</u>	100%
Total reviews	<u>9,977</u>		<u>9,119</u>		<u>8,982</u>		<u>28,078</u>	

Note: The above data reflects peer review results as of September 8, 2011. Approximately 2% of 2010 reviews are in process and their results are not included in the preceding totals.

## **Exhibit 5**

### **Examples of Matters Noted in Peer Reviews**

The following is a list of items noted as matters in peer reviews performed during 2008-2010. This list contains examples of noncompliance (both material and immaterial) with professional standards. While this list is not all-inclusive and is not representative of all peer reviews it does note some examples of matters that were identified during the peer review process.

#### **Accounting and Reporting Matters:**

- Income taxes – disclosures relative to uncertain tax positions failed to include open tax years as required by FIN 48
- Fair value – failure to disclose the fair value of investments by levels 1, 2, and 3 as required by FASB ASC 820-10-50
- Debt – failure to disclose 5 years of debt maturities as required by FASB ASC 470-10-50
- Statement of Cash Flows – failure to properly identify certain cash flow items as reporting, investing or as financing activities as required by FASB ASC 230-10-45
- Risks and Uncertainties – failure to properly disclose the uses of estimates (FASB ASC 275-10-50)

#### **Audit and Attest:**

- Auditor's Communication with Those Charged with Governance - failure to document those communications in accordance with AU section 380, *The Auditor's Communication with Those Charged with Governance*.
- Planning and Supervision - Planning procedures related to risk.
- Communicating Internal Control Matters Identified in an Audit, including the following:
  - Failure to note the auditor's responsibility for communicating internal control matters identified in the audit in the arrangement letter.
  - Failure to complete or inaccurate completion of the internal control matters section of the firm's audit work programs in accordance with quality control policies and procedures.
  - Failure to identify internal control matters during the planning stage of the engagement.
- Audit Documentation - One of the more common peer review matters identified in audit and attest engagements relate to audit documentation.
- Analytical Procedures - General analytical procedures and specifically the failure to document expectations prior to performing analytical procedures and then failing to compare final results to expectations as well as document the procedures performed.

#### **Compilation Services:**

- Financial statements, including "current liabilities" without the appropriate caption or description; Income statement notes the wrong periods (for example, 2007 and 2006 instead of 2008 and 2007)

- Income Tax Basis Financial Statements firm had GAAP basis financial statement titles.
- Reporting on the Financial Statements – Basic report elements were missing
- Form of a Standard Compilation Report - Issuing tax basis financial statements and the compilation report was not modified to reflect this GAAP departure.

**Review Services:**

- Analytical Procedures - Failure to document expectations when performing analytical procedures and to compare results to those expectations.
- Management Representations – Omissions and errors, including the following:
  - Management’s representations failed to include all periods being reported on.
  - The representation letter did not include the statement about management’s responsibility to detect and prevent fraud.
- Reporting on the Financial Statements-Basic Report Elements - Failure to follow the basic report elements as required by the SSARS.
- Establishing an Understanding – Error or omissions in the engagement letter, including the following:
  - Missing required signatures.
  - The required wording that the engagement could not be relied upon to disclose errors, fraud, or illegal acts.
  - Required wording that the accountant would inform the appropriate level of management if certain matters came to his or her attention unless clearly inconsequential.
- Reporting on Comparative Financial Statements - One of the more common peer review matters identified in review engagements relates to referencing all periods reviewed and to supplemental information provided in the accountant’s review report.

## Exhibit 6

### Type and Number of Reasons for Report Modifications

The following lists the reasons, summarized by elements of quality control as defined by the Statement on Quality Control Standards (SQCS) No. 7, *A Firm's System of Quality Control* (AICPA, *Professional Standards*, QC sec. 10B), for report modifications (that is, Pass with deficiency(ies) (modified) or Fail (adverse) reports) from system reviews performed in the AICPA Peer Review Program from 2008–10. A system review includes determining whether the firm's system of quality control for its accounting and auditing practice is designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards, including SQCS No. 7, in all material respects. SQCS No. 7 states that the quality control policies and procedures applicable to a professional service provided by the firm should encompass the following elements: Leadership responsibilities for quality within the firm ("the tone at the top"); relevant ethical requirements; acceptance and continuance of client relationships and specific engagements; human resources; engagement performance; and monitoring. Since Pass with deficiency(ies) or Fail reports can have multiple reasons identified, the numbers contained in this exhibit will exceed the number of pass with deficiency(ies) or fail system reviews in exhibit 4, "Results by Type of Peer Review and Report Issued."

Reasons for Report Modifications	<u>2008</u>	<u>2009</u>	<u>2010</u>
Leadership responsibilities for quality within the firm ("the tone at the top")	1	28	35
Relevant Ethical Requirements	16	13	12
Acceptance and Continuance of Client Relationships and specific engagements	7	25	23
Human Resources	67	98	86
Engagement Performance	257	423	318
Monitoring	122	191	169
Totals	<u>470</u>	<u>778</u>	<u>643</u>

Note: The preceding data reflects peer review results as of September 8, 2011. Approximately 2% of 2010 reviews are in process. Their results are not included in the preceding totals.

## Exhibit 7

### Number of Engagements Not Performed in Accordance With Professional Standards in All Material Respects

The following shows the total number of engagements reviewed and the number identified as not performed in accordance with professional standards in all material respects from peer reviews performed in the AICPA Peer Review Program from 2008–10. The *Standards for Performing and Reporting on Peer Reviews* state that an engagement is ordinarily considered not performed and/or reported in accordance with applicable professional standards in all material respects when issues, individually or in the aggregate, exist that are material to understanding the report or the financial statements accompanying the report, or represents the omission of a critical accounting, auditing, or attestation procedure required by professional standards.

Engagement Type	2008			2009			2010		
	Number of Engagements			Number of Engagements			Number of Engagements		
	Reviewed	Not Performed in Accordance with Professional Standards		Reviewed	Not Performed in Accordance with Professional Standards		Reviewed	Not Performed in Accordance with Professional Standards	
Audits - Single Audit Act (A-133)	1,650	136	8%	1,775	141	8%	1,486	174	12%
Audits - Governmental - All Other	1,515	107	7%	1,530	127	8%	1,374	126	9%
Audits - ERISA	2,009	117	6%	1,886	122	6%	1,832	104	6%
Audits - FDICIA	77	2	3%	27	2	7%	27	-	0%
Audits - Other	4,990	250	5%	4,921	293	6%	4,449	208	5%
Reviews	5,939	193	3%	5,894	199	3%	5,571	202	4%
Compilations with Disclosures	4,134	74	2%	3,966	93	2%	3,892	92	2%
Compilations without Disclosures	12,566	380	3%	11,960	364	3%	11,608	313	3%
Financial Forecast & Projections	160	2	1%	80	1	1%	74	2	3%
Agreed Upon Procedures	109	5	0%	768	15	2%	780	14	2%
Other SSAEs	858	24	3%	385	24	6%	305	18	6%
<b>Totals</b>	<b>34,007</b>	<b>1,290</b>	<b>4%</b>	<b>33,192</b>	<b>1,381</b>	<b>4%</b>	<b>31,398</b>	<b>1,253</b>	<b>4%</b>



**Exhibit 8**  
**Summary of Required Corrective Actions**

The administering entities' peer review committees are authorized by the *Standards for Performing and Reporting on Peer Reviews* to decide on the need for and nature of any additional follow-up actions required as a condition of acceptance of the firm's peer review. During the report acceptance process, the administering entity peer review committee evaluates the need for follow-up actions based on the nature, significance, pattern, and pervasiveness of engagement deficiencies. The peer review committee also considers the matters noted by the reviewer and the firm's response thereto. Corrective actions are remedial and educational in nature and are imposed in an attempt to strengthen the performance of the firm. A review can have multiple corrective actions. For 2008–10 reviews, committees required 4,692 corrective actions. The following represents the type of corrective actions required.

<b>Type of Corrective Action</b>	<u><b>2008</b></u>	<u><b>2009</b></u>	<u><b>2010</b></u>
Agree to take/submit proof of certain Continuing Professional Education (CPE)	1,058	649	568
Submit to review of correction of engagements that were not performed in accordance with professional standards	323	248	221
Agree to preissuance reviews	162	119	137
Submit monitoring report to Team Captain or Peer Review Committee	131	106	57
Submit Inspection Report to Team Captain, Peer Review Committee or outside party	110	55	49
Submit to revisit (Team Captain or Peer Review Committee Member)	96	96	84
Agree to have accelerated review	73	26	28
Submit evidence of proper firm licensure	56	15	8
Firm has stated they do not perform any auditing engagements	13	11	9
Agree to hire consultant for inspection	10	18	6
Review of formal CPE plan	9	6	4
Team captain to review Quality Control Document	9	14	12
Submit inspection completion letter	6	5	2
Submit proof of purchase of manuals	7	9	15
Outside Party to Visit During Inspection	7	4	7
Agree to do comprehensive inspection	3	2	-
Submit report on consultant	2	-	2
Oversight of Inspection - - Review	2	2	1
Submit quarterly progress reports	2	4	3
Oversight of Inspection - Visitation	2	-	2
Oversight of monitoring by Team Captain	5	2	-
	<u>2,086</u>	<u>1,391</u>	<u>1,215</u>

## Exhibit 9

### Administering Entities That Have Entered Into a Peer Review Oversight Relationship with a State Board of Accountancy

The following shows whether the respective administering entity has entered into a peer review oversight relationship with the 50 state boards of accountancy that currently have statutorily made participation in a type of practice monitoring program mandatory for licensure as indicated in exhibit 1, "State CPA Societies and State Boards of Accountancy That Have Made Participation in an Approved Practice Monitoring Program a Condition of Membership or Licensure."

<u>Administering Entity</u>	<u>State Board of Accountancy</u>	<u>Oversight Relationship Between Administering Entity and State Board of Accountancy</u>
Alabama Society of CPAs	Alabama	No
California Society of CPAs	Alaska	No
California Society of CPAs	Arizona	No
Arkansas Society of CPAs	Arkansas	Yes
California Society of CPAs	California	No
Colorado Society of CPAs	Colorado	**
Connecticut Society of CPAs	Connecticut	No
Georgia Society of CPAs	Georgia	No
Oregon Society of CPAs	Guam	No
Hawaii Society of CPAs	Hawaii	**
Idaho Society of CPAs	Idaho	Yes
Illinois Society of CPAs	Illinois	**
Indiana CPA Society	Indiana	No
Iowa Society of CPAs	Iowa	No
Kansas Society of CPAs	Kansas	Yes
Kentucky Society of CPAs	Kentucky	No
Society of Louisiana CPAs	Louisiana	Yes
New England Peer Review, Inc.	Maine	No
Maryland Association of CPAs	Maryland	Yes*
Massachusetts Society of CPAs	Massachusetts	Yes
Michigan Association of CPAs	Michigan	No
Minnesota Society of CPAs	Minnesota	Yes
Mississippi Society of CPAs	Mississippi	Yes
Missouri Society of CPAs	Missouri	Yes

## Exhibit 9 (Continued)

### Administering Entities That Have Entered Into a Peer Review Oversight Relationship with a State Board of Accountancy

<u>Administering Entity</u>	<u>State Board of Accountancy</u>	<u>Oversight Relationship Between Administering Entity and State Board of Accountancy</u>
Montana Society of CPAs	Montana	No
Nevada Society of CPAs	Nebraska	No
Nevada Society of CPAs	Nevada	Yes
New England Peer Review, Inc.	New Hampshire	No
New Jersey Society of CPAs	New Jersey	Yes
New Mexico Society of CPAs	New Mexico	No
New York State Society of CPAs	New York	**
North Carolina Association of CPAs	North Carolina	No
North Dakota Society of CPAs	North Dakota	No
The Ohio Society of CPAs	Ohio	Yes
Oklahoma Society of CPAs	Oklahoma	Yes
Oregon Society of CPAs	Oregon	Yes
Pennsylvania Institute of CPAs	Pennsylvania	No
New England Peer Review, Inc.	Rhode Island	No
South Carolina Association of CPAs	South Carolina	Yes
Oklahoma Society of CPAs	South Dakota	No
Tennessee Society of CPAs	Tennessee	Yes
Texas Society of CPAs	Texas	Yes
Nevada Society of CPAs	Utah	No
New England Peer Review, Inc.	Vermont	No
Virginia Society of CPAs	Virginia	Yes*
Washington Society of CPAs	Washington	Yes
West Virginia Society of CPAs	West Virginia	No
Wisconsin Institute of CPAs	Wisconsin	No
Nevada Society of CPAs	Wyoming	Yes

\* - Oversight Relationship is currently in development

\*\* Licensing jurisdiction has statutorily adopted peer review and is in the process of adopting rules

## **Exhibit 10**

### **On-Site Oversights of Administering Entities Performed by AICPA Oversight Task Force**

During 2009–2010, a member of the AICPA Oversight Task Force (OTF) performed an on-site oversight visit to each of the following 41 administering entities. As part of the oversight procedures, each administering entity is visited by a member of the AICPA OTF whenever deemed necessary, ordinarily, at least once every other year.

<u>2009</u>	<u>2010</u>
Connecticut	Alabama
Georgia	Arkansas
Hawaii	California
Idaho	Colorado
Illinois	Florida
Indiana	Kansas
Iowa	Michigan
Kentucky	Mississippi
Louisiana	Missouri
Maryland	Montana
Massachusetts	Nevada
Minnesota	New England
North Carolina	New Jersey
Oklahoma	New Mexico
South Carolina	New York
Texas	North Dakota
Virginia	Ohio
Washington	Oregon
	Pennsylvania
	Puerto Rico
	Tennessee
	West Virginia
	Wisconsin

**Exhibit 11**  
**Observations from On-Site Oversight of Administering Entities**  
**Performed by the AICPA Oversight Task Force**

As discussed in more detail in the “*Oversight Visits of the Administering Entities*” section, each administering entity is visited by an AICPA Oversight Task Force (OTF) member at least every other year that performs various oversight procedures. At the conclusion of the visit, the AICPA OTF member issues an AICPA oversight visit report as well as an AICPA Oversight Visit Letter of Procedures and Observations which details the oversight procedures performed, observations noted by the AICPA OTF member, and includes recommendations that may enhance the entity’s administration of the AICPA Peer Review Program. The administering entity is then required to respond to the chair of the AICPA OTF, in writing, to any findings reported in the Oversight Visit Report and Letter, or at a minimum, when there are no findings reported, an acknowledgement of the visit. The two oversight documents and the administering entity’s response are presented to the AICPA OTF Peer Review Board (PRB) members at the next AICPA PRB meeting for acceptance. A copy of the acceptance letter, the two oversight visit letters and the response are posted to the following AICPA PRP web site (<http://www.aicpa.org/InterestAreas/PeerReview/Resources/Transparency/Oversight/Pages/OversightVisitResults.aspx>).

The following represents a summary of common observations made by the AICPA OTF resulting from the on-site oversight visits performed during 2008–2010. The observations listed below are not indicative of every administering entity and may have been a single occurrence that has since been corrected upon notification.

**Administrative Procedures**

- The appropriate letters for poor reviewer performance, delinquent peer reviews, and follow-up reminders were not generated according to the time requirements in the administrative manual.
- Files still open due to delinquent follow-up actions were not periodically reviewed with the Peer Review Committee to determine what additional action should be taken.
- Reviewer feedback forms were not maintained in the appropriate reviewer file.

**Web site and Other Media Information**

- The data maintained on the web site as it relates to the peer review program was not reviewed and revised to reflect current information.

**Working Paper Retention**

- Working papers were not retained and then destroyed 120 days after acceptance by the peer review committee in accordance with the working paper retention policy of the administrative manual.

**Review Presentation**

- Report Acceptance Bodies (RABs) should be scheduled throughout the year so that RABs meet and accept reviews in the time frame required by the Standards for Performing and Reporting on Peer Reviews.

#### Committee Procedures

- Reviewer feedback was not issued when necessary. Also, the reviewer feedback was not signed by a peer review committee member.
- Technical reviewers should address all significant issues before reviews are presented to the RAB.

**Exhibit 12**  
**Number and Type of Working Paper Oversight**  
**Performed by AICPA Staff**

The following shows the number and type of working paper oversights performed by AICPA Peer Review Program staff for 2010.

Administering Entity	Type of Review		Total Selections
	System	Engagement	
Alabama	3	3	6
Arkansas	5	2	7
California	17	12	29
Colorado	4	4	8
Connecticut	3	3	6
Florida	7	5	12
Georgia	6	3	9
Hawaii	1	2	3
Idaho	2	2	4
Illinois	10	2	12
Indiana	3	2	5
Iowa	4	2	6
Kansas	-	1	1
Kentucky	1	3	4
Louisiana	6	4	10
Maryland	4	2	6
Massachusetts	5	5	10
Michigan	5	4	9
Minnesota	4	2	6
Mississippi	3	3	6
Missouri	4	2	6
Montana	4	1	5
Nevada	9	3	12
New England	5	2	7
New Jersey	2	3	5
New Mexico	3	2	5
New York	6	6	12
North Carolina	4	4	8
North Dakota	-	2	2
Ohio	6	1	7
Oklahoma	4	2	6
Oregon	2	3	5
Pennsylvania	10	4	14
Puerto Rico	3	1	4
South Carolina	1	-	1
Tennessee	5	3	8
Texas	11	6	17
Virginia	6	3	9
Washington	7	3	10
West Virginia	1	2	3
Wisconsin	1	1	2
Totals	187	120	307

## Exhibit 13

### **Comments from Working Paper Oversight Performed by AICPA Peer Review Program Staff**

Throughout each year, a sample of reviews is selected (by AICPA Peer Review Program staff and approved by the AICPA Oversight Task Force) from the administering entities for submission to the AICPA PRP staff for a full working paper review. Documents from all parts of the peer review process (administrative, PRISM computer system, peer review checklists, technical reviewer checklist, and peer review committee actions) are reviewed to determine whether the reviews are being performed and reported on in accordance with the *Standards for Performing and Reporting on Peer Reviews (standards)*. The following is a summary of the most prevalent comments that were generated as a result of the working paper oversights performed by the AICPA PRP staff for year 2010. The comments are intended to provide the administering entities, their committees, report acceptance bodies, peer reviewers, and technical reviewers with information and constructive recommendations that will help ensure consistency and improve the peer review process in the future. The comments vary in degree of significance and are not applicable to all of the respective parties. Ordinarily, administering entities do not receive all of the peer review checklists that are obtained as part of the working paper reviews and therefore, would not be able to identify some of these comments.

- Reviewer Feedback
  - Feedback was not issued to the peer reviewer when it would have been appropriate. Some examples include scope matters, incomplete matters for further consideration (MFC) forms (for example, not referencing professional standards), and late submission of the report to the reviewed firm.
  - Reviewer feedback forms were not used appropriately or were signed by the technical reviewer instead of a member of the peer review committee.
- Engagement Checklists
  - Peer reviewers did not use the correct or most current checklists when performing peer reviews.
  - There were multiple “no” responses on the engagement checklists which did not have a documented resolution. They were not mentioned in the exit conference summary contained in the Summary Review Memorandum and there was no MFC prepared.
  - The peer reviewer did not refer to the applicable supplemental checklist. For example, the review engagement selected for peer review was in the construction industry and the peer reviewer could have referred the *Supplemental Checklist for Review of Construction Contractor Engagements*.
  - There were sections on the engagement checklists which were not completed in their entirety. Some examples included the general data, audit engagement risk assessment and the identification of significant audit areas.



### **Exhibit 13 (continued)**

#### **Comments from Working Paper Oversight Performed by AICPA PRP Staff**

There were inconsistencies noted with respect to responses made by the reviewed firm on the engagement profile or questionnaire versus those made by the peer reviewer on the engagement checklists. Some examples include the firm indicated on the engagement questionnaire that they did provide nonattest services but the reviewer indicated nonattest services were not applicable on the checklist or the firm indicated on the engagement questionnaire that the financial statement did include a footnote related to income tax expense but the reviewer indicated on the Financial Reporting and Disclosure Checklist that income taxes were not applicable.

- **Engagement Selection**
  - A selection was not made from all levels of service provided by the firm, and the reviewer did not provide an explanation as to why this was appropriate.
  - There were engagements reviewed which were outside of the scope of the peer review year, and no explanation was provided as to why this was appropriate in these cases.
- **Independence**
  - The information provided by the firm was incomplete in regards to the prior year's fees and also in regards to providing nonattest services, which are needed to appropriately determine the firm's independence on the engagement.
- **Risk Assessment**

The risk assessment included in the Summary Review Memorandum (SRM) failed to comprehensively address the inherent and control risks and discuss the firm's system of quality control.
- **Firm Representation Letter**
  - On system reviews, the firm's peer review representation letter was incorrectly dated. For system reviews the representations should be dated the same date as the peer review report.
  - On engagement and report peer reviews, the firm's peer review representation letter was dated the same date as the peer review report. For engagement and report reviews, the

## **Exhibit 13 (continued)**

### **Comments from Working Paper Oversight Performed by AICPA PRP Staff**

representations should be the date the firm submits the list of engagements to the reviewer.

- **Matters for Further Consideration (MFCs) and Findings for Further Consideration (FFCs)**
  - MFCs should have been prepared, but were not. For example, if the engagement checklists address several “no” answers relating to disclosure and documentation, they should be carried forward to an MFC.
  - MFCs did not reflect the respective professional standards in order to lend support for the matter being addressed as a deficiency and did not include the engagement, checklist page, or question where the comment was derived.
  - MFCs were not signed and dated by the reviewed firm’s engagement partner (or designated as being discussed by telephone) prior to or on the date of the report.
  - The Finding for Further Consideration (FFC) form was not written systemically. Paragraphs .83-.85 of the *Standards* contain guidelines on identifying the underlying cause of a finding. The team captain should identify the underlying systemic cause of all findings.
- **Summary Review Memorandum (SRMs)**
  - The SRMs were not completed accurately or consistently. This led to instances where necessary comments were not included in the letter of comments; repeat findings and substandard engagements were not identified or properly addressed; and reports other than unmodified were not considered.
  - The reviewer did not document in the SRM their consideration of issuing another type of report.
- **Surprise Engagement**
  - The surprise selection was not the firm’s highest level of service and the team captain’s conclusion for the selection was not documented in the SRM.
- **Isolated Matter**
  - There was no documentation as to the number of other engagements the team captain reviewed to determine if the matter was isolated and not pervasive.
  - The team captain did not expand scope to determine the pervasiveness of the matter in the other engagements.
- **Engagement Statistics in the PRISM System**
  - Engagement statistics were not recorded into PRISM were recorded incorrectly (that is,

## **Exhibit 13 (continued)**

### **Comments from Working Paper Oversight Performed by AICPA PRP Staff**

types of engagements reviewed and if an engagement was substandard).

- **Review Acceptance**
  - The review was not presented to the peer review committee within 120 days of receipt of the report, letter of comments and letter of response, if applicable from the reviewed firm.
  - The engagement review was not accepted by the technical reviewer within 60 days of receipt of the report.
- **Overdue Reviews**
  - The peer review was completed and submitted to the administering entity late and there was no extension granted or no overdue letters generated.
- **Incomplete Engagement Profiles**
  - The firm did not complete all sections of the engagement profile.
- **Use of alternative checklists**
  - In lieu of completing supplementary disclosure checklists for the applicable engagements reviewed, the reviewer copied and reviewed the engagement disclosure checklists completed by the firm. Per Interpretation 24-1, "reviews conducted utilizing alternate materials and checklists will require advance notice to the administering entity and the review must be subject to on-site oversight".

## Exhibit 14

### **Administrative Oversights Performed By Peer Review Committees of Administering Entities**

The administering entity's peer review committee is required to establish administrative oversight procedures to provide reasonable assurance that the AICPA Peer Review Program is being administered in accordance with guidance as issued by the PRB. An administrative oversight should be performed in those years when there is no AICPA oversight visit. Procedures to be performed should cover the administrative requirements of administering the AICPA Peer Review Program. Each administering entity was requested to submit documentation indicating that an administrative oversight was performed with their 2010 Plan of Administration. Comments or suggestions contained in the reports are summarized below and are not indicative of every administering entity and vary in degree of significance. In addition, the OTF member reviewed the results of the administrative oversight during the oversight visit (described on pages 12–13, *Oversight Visits of the Administering Entities*) and compared the results of the administrative oversight with those noted during the AICPA OTF oversight visit to evaluate whether any matters still need improvement.

- Files contained documents that should have been destroyed.
- Notifications not sent to team captains advising them of the working paper retention policy after the report acceptance.
- Delinquent letters on reviews were not being sent in a timely manner.
- Reviewer feedback and performance deficiency letters were not being issued when necessary.
- Reviews were not always presented to the peer review committee in accordance with the timelines specified by the *Standards for Performing and Reporting on Peer Reviews*.
- The status of open reviews should be monitored by the peer review committee at each meeting.
- The technical reviewer did not always resolve inconsistencies and disagreements before submitting reviews to the report acceptance bodies (RABs).
- RABs are not always consistent with regard to follow-up actions.
- Required oversights of “must select” engagements were not performed in a timely manner.

## Exhibit 15

### Summary of Oversight Performed by Administering Entities

Administering entities are required to conduct oversight on a minimum of 2% of all reviews performed in a 12-month period of time, and within the 2% selected, there must be at least two of each type of peer review evaluated. Also, at least two engagement oversights must be performed to include either audits of employee benefit plans subject to the Employee Retirement Income Security Act of 1974 (ERISA), engagements performed under GAGAS, or audits of insured depository institutions subject to the Federal Deposit Insurance Corporation Improvement Act (FDICIA). The following shows the number of oversights performed for the 2010 oversight year.

Administering Entity	Type of Review Oversight			Type of Engagement Oversight				Total Oversight Performed At Firm
	System	Engagement	Total	ERISA	GAGAS	FDICIA	Total	
Alabama	2	2	4	1	1	-	2	2
Arkansas *	2	2	4	1	2	-	3	2
California	14	14	28	7	13	-	20	3
Colorado	2	3	5	2	1	-	3	2
Connecticut	2	2	4	2	1	-	3	2
Florida	6	6	12	1	1	-	2	2
Georgia	7	3	10	2	1	-	3	2
Hawaii *	1	2	3	1	-	-	1	1
Idaho *	1	1	2	1	1	-	2	1
Illinois	16	5	21	4	6	-	10	8
Indiana	2	2	4	1	1	-	2	2
Iowa	6	2	8	2	2	-	4	2
Kansas	4	2	6	1	2	-	3	2
Kentucky	2	4	6	1	2	-	3	2
Louisiana	2	8	10	1	1	-	2	2
Maryland	2	4	6	1	1	-	2	2
Massachusetts	9	2	11	1	1	-	2	2
Michigan	3	3	6	1	1	-	2	2
Minnesota	2	3	5	1	1	-	2	2
Mississippi	2	2	4	1	2	-	3	2
Missouri	3	2	5	1	4	-	5	2
Montana	4	2	6	1	1	-	2	1
Nevada	2	5	7	2	2	-	4	2
New England	4	2	6	1	1	-	2	2
New Jersey	9	3	12	2	4	-	6	2
New Mexico	2	2	4	1	1	-	2	2
New York	4	1	5	2	2	-	4	2
North Carolina	6	3	9	1	1	1	3	3
North Dakota *	1	1	2	1	-	-	1	1
Ohio	5	2	7	5	4	-	9	2
Oklahoma	3	2	5	1	1	1	3	2
Oregon	2	3	5	1	1	-	2	2
Pennsylvania	8	4	12	3	2	-	5	2
Puerto Rico *	4	1	5	3	4	-	7	3
South Carolina	2	2	4	1	1	-	2	2
Tennessee	2	4	6	1	2	-	3	2
Texas	14	17	31	3	10	1	14	2
Virginia	4	6	10	1	1	-	2	2
Washington	5	4	9	2	1	-	3	2
West Virginia	2	4	6	1	1	-	2	2
Wisconsin	2	2	4	1	2	-	3	2
	175	144	319	68	87	3	158	87

\* Waiver approved for 2010 from minimum oversight requirement of 2% of all reviews performed in a twelve month period of time.

### Exhibit 16

#### Summary of Reviewer Resumes Verified by Administering Entities

Administering entities are required to verify all reviewer resumes over a three-year period as long as at a minimum, one third are verified in year 1, a total of two thirds has been verified by year 2, and 100% have been verified by year 3. The following shows the number of reviewer resumes verified by administering entities for the years 2008 through 2010.

Administering Entity	2010	2009	2008
Alabama	9	13	10
Arkansas	7	8	5
California	49	38	33
Colorado	11	9	9
Connecticut	11	7	9
Florida	25	46	20
Georgia	44	-	-
Hawaii	6	8	8
Idaho	5	6	5
Illinois	19	22	29
Indiana	11	11	8
Iowa	8	8	5
Kansas	-	17	1
Kentucky	14	18	12
Louisiana	49	43	41
Maryland	31	9	8
Massachusetts	-	2	-
Michigan	31	40	113
Minnesota	7	7	7
Mississippi	17	10	14
Missouri	15	20	8
Montana	-	3	-
Nevada	62	-	39
New England	7	9	9
New Jersey	29	26	24
New Mexico	-	20	23
New York	30	24	40
North Carolina	24	8	13
North Dakota	1	1	3
Ohio	14	-	-
Oklahoma	15	11	14
Oregon	12	13	11
Pennsylvania	33	40	26
Puerto Rico	13	13	10
South Carolina	11	12	12
Tennessee	24	20	20
Texas	43	37	44
Virginia	22	12	16
Washington	10	9	10
West Virginia	10	11	8
Wisconsin	20	6	7
Totals	749	617	674

## Glossary

<u>Term</u>	<u>Definition</u>
AICPA Peer Review Board	Functions as the “senior technical committee” governing the AICPA PRP and is responsible for overseeing the entire peer review process.
AICPA Peer Review Program Manual	The publication that includes the <i>Standards</i> , Interpretations to the <i>Standards</i> , and other guidance that is used in administering, performing and reporting on peer reviews.
AICPA Peer Review Program Oversight Handbook	The handbook that includes the objectives and requirements of the AICPA PRB and the administering entity oversight process for the AICPA PRP.
AICPA Peer Review Program Report Acceptance Body Handbook	The handbook that includes guidelines for the formation, qualifications, and responsibilities of administering entity peer review committees, report acceptance bodies, and technical reviewers. The handbook also provides guidance in carrying out those responsibilities.
AICPA Peer Review Program Reviewer’s Alert	A document issued on a periodic basis by the AICPA PRB to communicate current information and guidance to peer reviewers.
Administering Entity	A state CPA society, group of state CPA societies, or other entity annually approved by the PRB to administer the AICPA PRP in compliance with the <i>Standards</i> and related guidance materials issued by the PRB.
Agreed Upon Procedures	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.
PRISM System	An online system that is accessed to carry out the AICPA PRP administrative functions.
Attest Engagement	An engagement that requires independence as defined in the AICPA professional standards.
Audit	An examination and verification of a company's financial and accounting records and supporting documents by a professional, such as a CPA.

## Glossary (continued)

<u>Term</u>	<u>Definition</u>
Compilation	Presenting in the form of financial statements information that is the representation of management (owners) without undertaking to express any assurance on the statements performed under SSARS.
ERISA	The Employee Retirement Income Security Act of 1974 (ERISA) is a federal law that sets minimum standards for pension plans in private industry.
FDICIA	Federal law enacted in 1991 to address the thrift industry crisis. The Federal Deposit Insurance Corporation Improvement Act (FDICIA) recapitalized the Bank Insurance Fund of the Federal Deposit Insurance Corporation (FDIC), expanded the authority of banking regulators to seize undercapitalized banks, and expanded consumer protections available to banking customers.
Engagement Review	A type of peer review for firms that do not perform audits and are not eligible to have a report review and focuses on work performed and reports and financial statements issued on particular engagements (reviews or compilations).
Financial Statements	A presentation of financial data, including accompanying notes, if any, intended to communicate an entity's economic resources or obligations, or both, at a point in time or the changes therein for a period of time, in accordance with generally accepted accounting principles or a comprehensive basis of accounting other than generally accepted accounting principles.
Finding for Further Consideration (FFC)	A finding is one or more matters that the reviewer concludes does not rise to the level of a deficiency or significant deficiency and is documented on a Finding for Further Consideration Form.
Firm	A form of organization permitted by law or regulation whose characteristics conforms to resolutions of the Council of the AICPA that is engaged in the practice of public accounting.
Follow-up Action	A corrective type action, remedial and educational in nature, which may be imposed on a reviewed firm by the administering entity peer review committee upon the acceptance of the firm's peer review in an attempt to strengthen the performance of the firm.



## **Glossary (continued)**

Hearing	When a reviewed firm refuses to cooperate, fails to correct material deficiencies, or is found to be so seriously deficient in its performance that education and remedial corrective actions are not adequate, the PRB may decide, pursuant to due process procedures that it has established, to appoint a hearing panel to consider whether the firm's enrollment in the AICPA PRP should be terminated or whether some other action should be taken.
Implementation Plan	An implementation plan is a course of action that a reviewed firm has agreed to take in response to Findings For Further Consideration. A RAB may require an implementation plan when the responses to a firm's FFC(s) are not comprehensive, genuine and feasible.
Letter of Comments	A letter which may be issued in addition to the peer review report, which on system reviews, includes matters not of such significance to affect the opinion, but areas where the firm has more than a remote possibility of not conforming with professional standards in all material respects. On engagement reviews, it includes departures from professional standards that are not deemed to be significant departures, but that should be considered by the reviewed firm in evaluating the quality control policies and procedures over its accounting practice. No longer issued with revised <i>Standards</i> .
Licensing Jurisdiction	For purposes of this Report, licensing jurisdiction means any state or commonwealth of the United States, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico, or the Virgin Islands.
Matter for Further Consideration	A matter is noted as a result of evaluating whether an engagement submitted for review was performed and/or reported on in conformity with applicable professional standards. Matters are typically one or more "No" answers to questions in peer review questionnaires(s). A matter is documented on a Matter for Further Consideration Form.
Other Comprehensive Basis of Reporting	Consistent accounting basis other than generally accepted accounting principles (GAAP) used for financial reporting.
Oversight Task Force	Appointed by the PRB to oversee the administration of the AICPA PRP and make recommendations regarding the PRB oversight procedures.

## **Glossary (continued)**

Peer Review Committee	An authoritative body established by an administering entity to oversee the peer reviews administered and performed in the licensing jurisdiction(s) it has agreed to administer, to evaluate the results of the reviews and the out, monitoring procedures with respect to the completion need for corrective actions, and to determine the need for, and carry of those corrective actions.
Plan of Administration	A document that state CPA societies complete annually to elect the level of involvement they desire in the administration of the AICPA PRP.
Practice Monitoring Program	A program to monitor the quality of financial reporting of a firm or individual engaged in the practice of public accounting.
Program Administrator	Person responsible for administering the AICPA PRP for the administering entity.
Report Acceptance Body	A committee or committees appointed by an administering entity for the purpose of considering the results of peer reviews and ensuring that the requirements of the AICPA PRP are being complied with.
Report Review	A type of peer review for firms that only perform compilation engagements under SSARS where the firm has compiled financial statements that omit substantially all disclosures. The focus of the peer review is on the report issued by the firm and the related financial statements. (No longer issued with revised <i>Standards</i> effective January 1, 2009.)
Review	Performing inquiry and analytical procedures on financial statements that provide the accountant with a reasonable basis for expressing limited assurance that there are no material modifications that should be made to the statements for them to be in conformity with GAAP.
Reviewer Feedback Form	A form used to document a peer reviewer's performance on individual reviews and give constructive feedback.
Reviewer Resume	A written document residing on the AICPA website and required to be updated annually by all active peer reviewers which is used by administering entities to determine if individuals meet the qualifications for service as a reviewer as set forth in the <i>Standards</i> .

## **Glossary (continued)**

Scheduling Status Report	A report which provides key information on peer reviews such as firm name, due date, review number, type, status, and the date background information was received.
State Board of Accountancy	An independent state governmental agency that licenses and regulates CPAs.
State CPA Society	Professional organization for CPAs providing a wide range of member benefits.
AICPA Peer Review Program Administrative Manual	Publication that includes guidance used by AICPA PRB approved state CPA societies or other entities in the administration of the AICPA PRP.
Summary Review Memorandum	A document used by peer reviewers to document (1) the planning of the review, (2) the scope of the work performed, (3) the findings and conclusions supporting the report and letter of comments, if any, and (4) the comments communicated to senior management of the reviewed firm that were not deemed of sufficient significance to include in the letter of comments.
System of Quality Control	A process to provide the firm with reasonable assurance that its personnel comply with applicable professional standards and the firm's standards of quality.
System Review	A type of peer review for firms that have an audit and accounting practice. The peer reviewer's objective is to determine whether the system of quality control for performing and reporting on auditing and accounting engagements is designed to ensure conformity with professional standards and whether the firm is complying with its system appropriately.
Technical Reviewer	Individual(s) at the administering entity whose role is to provide technical assistance to the Report Acceptance Body (RAB) and the Peer Review Committee in carrying out their responsibilities.
Territory	A territory of the United States is a specific area under the jurisdiction of the United States and for purposes of this Report includes Guam, the District of Columbia, the Northern Mariana Islands, Puerto Rico, or the Virgin Islands.



National Association of State Boards of Accountancy

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February 23, 2012

Dear Members of the 55 State Boards of Accountancy and  
the respective Peer Review Oversight Committees:

Enclosed is the first annual monitoring report of the National Peer Review Committee (NPRC) of the American Institute of CPAs (AICPA) by the NASBA Compliance Assurance Committee (CAC).

In 2009, an agreement was reached between NASBA and the AICPA to provide a mechanism by which the operations of the NPRC could be monitored and reported on by the CAC. We are pleased to provide you with our first report.

For more information about the NPRC, refer to the NPRC website at <http://www.aicpa.org/INTERESTAREAS/PEERREVIEW/COMMUNITY/NATIONALPRC/Pages/NationalPeerReviewCommittee.aspx>. This site includes the 2010 Oversight Report, which was approved by the NPRC in September 2011.

I am happy to discuss this matter further with you. I can be reached at (405) 360-5533.

Sincerely,

A handwritten signature in black ink that reads "Janice L. Gray". The signature is written in a cursive, flowing style.

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

## **NASBA Compliance Assurance Committee Report on the AICPA National Peer Review Committee**

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

By agreement, two spots on the NPRC are designated to be filled by NASBA representatives. Currently two former state board members sit in these positions on the NPRC. The members are selected from a list of qualified individuals recommended by NASBA. The individuals serve on the NPRC as fully-participating members with full voting rights and the same responsibilities as other NPRC members.

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

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

Based on our discussions with our representatives on the NPRC, as well as reviewing the comprehensive oversight report prepared by the NPRC and the administrative oversight report issued by a third party, we are satisfied and can report that the NPRC has operated appropriately for the period of November 1, 2010 – October 31, 2011.

Janice L. Gray, CPA, CVA, CFF  
Chair, NASBA Compliance Assurance Committee  
February 25, 2012