



**SOUTH DAKOTA  
BOARD OF ACCOUNTANCY**

301 E. 14<sup>th</sup> Street, Suite 200  
Sioux Falls, SD 57104  
(605) 367-5770 / Fax: (605) 367-5773  
e-mail [sdbdacct.sdbd@midconetwork.com](mailto:sdbdacct.sdbd@midconetwork.com)  
[www.accountancy.sd.gov](http://www.accountancy.sd.gov)

**Agenda**

South Dakota Board of Accountancy Meeting  
Holiday Inn City Centre – Cascade Room  
8:30 a.m. (CT)  
August 16, 2016

A=Action	
D=Discussion	
I=Information	PAGE
A-Nominating Committee.....	Oratory
A-Approval of Minutes of Meeting July 11, 2016.....	2-3
A-Approval of Certificates & Firm Permits.....	4-5
A-Approval of Financial Statements through July 2016.....	6-16
A-Report to Board on NASBA Annual Meeting .....	17
A-FY18 Proposed Budget.....	18-19
D-Executive Director’s Report.....	20-23
D-1:00 SD CPA Society.....	24-25
<b>AICPA</b>	
D-Exposure Draft – Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews.....	26-65
D-Proposed Evolution of Peer Review Administration for State Boards.....	66-74
<b>NASBA</b>	
D-Board of Directors meeting minutes April 29, 2016 .....	75-83
D-Board of Directors meeting highlights July 22, 2016 .....	84-85
A-Quarterly Focus Questions.....	86-88
<b>EXECUTIVE SESSION</b>	
Equivalent Reviews, Consent Agreement and Audit Proposal for Board Approval.....	Spt. Pkt.
<b>FUTURE MEETING DATES (all times CT)</b>	
TBD	



**SOUTH DAKOTA  
BOARD OF ACCOUNTANCY**  
301 E. 14<sup>th</sup> Street, Suite 200  
Sioux Falls, SD 57104  
(605) 367-5770 / Fax: (605) 367-5773  
e-mail [sdbdacct.sdbd@midconetwork.com](mailto:sdbdacct.sdbd@midconetwork.com)  
[www.accountancy.sd.gov](http://www.accountancy.sd.gov)

South Dakota Board of Accountancy  
Minutes of Meeting-Conference Call  
July 11, 2016 - 9:00 a.m.

The Board of Accountancy held a meeting by conference call on Wednesday, July 11, 2016. Chair David Pummel called the meeting to order at 9:03 a.m.

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

Also present were Nicole Kasin, Executive Director, Julie Iverson, Sr. Secretary, and Aaron Arnold, Legal Counsel and Department of Labor & Regulation.

Chair David Pummel asked if there were any additions to the agenda. The following were added:  
Additions to Financial Statements through June 2016  
Report to Board on Grades

A motion was made by John Mitchell and seconded by Marty Guindon to approve the agenda. A roll call vote was taken. The motion unanimously carried. (Linn, Jr.-yea; Mitchell-yea; Guindon.-yea; Smith-yea; Brunick-yea; Pummel-yea)

A motion was made by John Linn, Jr. and seconded by Holly Brunick to approve the June 15, 2016 meeting minutes. A roll call vote was taken. The motion unanimously carried. (Linn, Jr.-yea; Mitchell-yea; Guindon.-yea; Smith-yea; Brunick-yea; Pummel-yea)

A motion was made by Marty Guindon and seconded by John Mitchell to approve the issuance of individual certificates and firm permits through July 5, 2016. A roll call vote was taken. The motion unanimously carried. (Linn, Jr.-yea; Mitchell-yea; Guindon.-yea; Smith-yea; Brunick-yea; Pummel-yea)

The board discussed the financials. A motion was made by Jeff Smith and seconded by Marty Guindon to approve the financial statements through June 2016. A roll call vote was taken. The motion unanimously carried. (Linn, Jr.-yea; Mitchell-yea; Guindon.-yea; Smith-yea; Brunick-yea; Pummel-yea)

The Board discussed a request for a reciprocal license. A motion was made by John Mitchell and seconded by Holly Brunick to approve the board staff to review the reciprocal license application. A roll call vote was taken. The motion unanimously carried. (Linn, Jr.-yea; Mitchell-yea; Guindon.-yea; Smith-yea; Brunick-yea; Pummel-yea)

Executive Director Kasin discussed her report with an update on the license renewals, NASBA Exam update, and a recap of NASBA's Western Regional Conference.

Jeff Smith left the meeting at 9:40 a.m.

The Board reviewed the report on the CPA exam grades for the 49<sup>th</sup> Window.

A motion was made by Marty Guindon and seconded by John Mitchell to approve the CPA exam scores for the 49<sup>th</sup> Window through June 2016. A roll call was taken. The motion unanimously carried. (Linn, Jr.-yea; Mitchell-yea; Guindon.-yea; Brunick-yea; Pummel-yea; Smith-excused)

The Board discussed the AICPA Exposure Draft – Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews. This is tabled until the August 16, 2016 meeting. The Board also discussed the AICPA Proposed Evolution of Peer Review Administration. Nicole Kasin will draft a response to the AICPA.

A motion was made by Holly Brunick and seconded by Marty Guindon to enter into executive session for the deliberative process for peer reviews, a complaint, and the audit proposal for Board approval. A roll call vote was taken. The motion unanimously carried. (Linn, Jr.-yea; Mitchell-yea; Guindon.-yea; Brunick-yea; Pummel-yea; Smith-excused)

The Board came out of executive session.

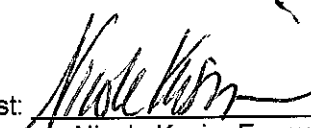
A motion was made by John Mitchell and seconded by John Linn, Jr. to accept the peer reviews and complaint as discussed in executive session. A roll call vote was taken. The motion unanimously carried. (Linn, Jr.-yea; Mitchell-yea; Guindon.-yea; Brunick-yea; Pummel-yea; Smith-excused)


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

August 16<sup>th</sup> - 8:30 a.m. Sioux Falls Holiday Inn City Centre, Cascade Room

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. (Linn, Jr.-yea; Mitchell-yea; Guindon.-yea; Brunick-yea; Pummel-yea; Smith-excused)

All business having come before the board was concluded and Chair David Pummel adjourned the meeting at 10:11 a.m.

Attest:   
Nicole Kasin, Executive Director

  
David Pummel, CPA, Chair

  
Jeff Smith, Sec/Treasurer

**CERTIFIED PUBLIC ACCOUNTANT CERTIFICATES  
BOARD COPY**

**Issued Through August 10, 2016**

<b>Number</b>	<b>Name</b>	<b>Date Issued</b>	<b>Location</b>
3266	Deborah Louise Kasson	7/13/16	Madison, SD
3267	Byron Glen Storm	8/02/16	Sioux Falls, SD
3268	Katherine Marie Yerdon	8/02/16	Sioux Falls, SD
3269	Samantha Abby Scarpello	8/08/16	Phoenix, AZ
3270	Jeffrey Duane Moench	8/08/16	Aberdeen, SD

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

**Issued Through  
August 10, 2016**

<b>Number</b>	<b>Name</b>	<b>Date Issued</b>	<b>Basis/Comments</b>
1672	Kasson Accounting Madison, SD	07/13/16	New Firm
1673	Pieper Whitaker & Bjork, LLC Plymouth, MN	07/28/16	New Firm
1674	KCoe Isom, LLP Salina, KS	08/02/16	New Firm

BA1409R1

STATE OF SOUTH DAKOTA  
CASH CENTER BALANCES  
AS OF: 07/31/2016

PAGE

121

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

COMPANY	CENTER	ACCOUNT	BALANCE	DR/CR	CENTER DESCRIPTION
6503	103100061802	1140000	423,737.11	DR	BOARD OF ACCOUNTANCY
COMPANY/SOURCE TOTAL 6503 618			423,737.11	DR *	
COMP/BUDG UNIT TOTAL 6503 1031			423,737.11	DR **	
BUDGET UNIT TOTAL 1031			423,737.11	DR ***	

STATE OF SOUTH DAKOTA  
MONTHLY EXPENDITURE REPORT  
FOR PERIOD ENDING: 07/31/2016

AGENCY BUDGET CENTER-5	UNIT 10310	LABOR & REGULATION BOARD OF ACCOUNTANCY BOARD OF ACCOUNTANCY	COMPANY NO	PROFESSIONAL & LICENSING BOARDS	COMPANY NAME	ACCOUNT	DOCUMENT NUMBER	POSTING DATE	JV APPVL #, OR PAYMENT #	SHORT NAME	VENDOR NUMBER	VENDOR GROUP	AMOUNT	DR/CR
6503	103100061802	51010100	CGEX160628	07/02/2016				07/02/2016					2,534.32	DR
6503	103100061802	51010100	CGEX160713	07/15/2016				07/15/2016					2,418.66	DR
6503	103100061802	51010200	CGEX160628	07/02/2016				07/02/2016					4,952.98	DR
6503	103100061802	51010200	CGEX160628	07/15/2016				07/15/2016					946.53	DR
6503	103100061802	51010200	CGEX160713	07/02/2016				07/02/2016					927.11	DR
6503	103100061802	51010300	CGEX160628	07/02/2016				07/02/2016					1,873.64	DR
6503	103100061802	51010300	CGEX160713	07/15/2016				07/15/2016					660.00	DR
6503	103100061802	51010300	CGEX160713	07/15/2016				07/15/2016					240.00	DR
6503	103100061802	51020100	CGEX160713	07/15/2016				07/15/2016					900.00	DR
6503	103100061802	51020100	CGEX160628	07/02/2016				07/02/2016					7,726.62	DR
6503	103100061802	51020100	CGEX160628	07/15/2016				07/15/2016					282.96	DR
6503	103100061802	51020100	CGEX160713	07/15/2016				07/15/2016					240.75	DR
6503	103100061802	51020200	CGEX160628	07/02/2016				07/02/2016					523.71	DR
6503	103100061802	51020200	CGEX160628	07/15/2016				07/15/2016					208.84	DR
6503	103100061802	51020200	CGEX160713	07/15/2016				07/15/2016					200.75	DR
6503	103100061802	51020600	CGEX160628	07/02/2016				07/02/2016					409.59	DR
6503	103100061802	51020600	CGEX160713	07/15/2016				07/15/2016					732.82	DR
6503	103100061802	51020600	CGEX160713	07/15/2016				07/15/2016					719.46	DR
6503	103100061802	51020800	CGEX160628	07/02/2016				07/02/2016					1,452.28	DR
6503	103100061802	51020800	CGEX160713	07/15/2016				07/15/2016					4.01	DR
6503	103100061802	51020800	CGEX160628	07/02/2016				07/02/2016					8.18	DR
6503	103100061802	51020900	CGEX160628	07/02/2016				07/02/2016					1.34	DR
6503	103100061802	51020900	CGEX160713	07/15/2016				07/15/2016					1.30	DR
6503	103100061802	52032300	CGEX160728	07/31/2016				07/31/2016					2.64	DR
6503	103100061802	52032300	CGEX160728	07/31/2016				07/31/2016					2,396.40	DR
6503	103100061802	52032300	CGEX160728	07/31/2016				07/31/2016					10,123.02	DR
6503	103100061802	52032300	CGEX160728	07/31/2016				07/31/2016					335.16	DR
6503	103100061802	52032600	CGEX160728	07/31/2016				07/31/2016					50.40	DR
6503	103100061802	52032600	CGEX160728	07/31/2016				07/31/2016					385.56	DR
6503	103100061802	52032800	CGEX160728	07/31/2016				07/31/2016					730.20	DR
6503	103100061802	52032800	CGEX160728	07/31/2016				07/31/2016					717.70	DR
6503	103100061802	52032800	CGEX160728	07/31/2016				07/31/2016					1,447.90	DR
6503	103100061802	52032800	CGEX160728	07/31/2016				07/31/2016					136.35	DR
6503	103100061802	52032800	CGEX160728	07/31/2016				07/31/2016					121.00	DR

STATE OF SOUTH DAKOTA  
MONTHLY EXPENDITURE REPORT  
FOR PERIOD ENDING: 07/31/2016

AGENCY	UNIT	LABOR & REGULATION	BOARD OF ACCOUNTANCY	BOARD OF ACCOUNTANCY	DOCUMENT NUMBER	POSTING DATE	JV APPL #, OR PAYMENT #	SHORT NAME	VENDOR NUMBER	VENDOR GROUP	AMOUNT	DR/ CR
10	10310	LABOR & REGULATION	BOARD OF ACCOUNTANCY	BOARD OF ACCOUNTANCY								
BUDGET CENTER-5	10310	BOARD OF ACCOUNTANCY	BOARD OF ACCOUNTANCY									
COMP	CENTER	ACCOUNT										
OBJSUB: 5203280		OTHER-PUBLIC-OUT-OF-STATE									257.35	DR *
6503 103100061802	52033000	CGEX160728			07/31/2016	016454					685.05	DR
6503 103100061802	52033000	CGEX160728			07/31/2016	016453					456.70	DR
6503 103100061802	52033000	CGEX160728			07/31/2016	016457					456.70	DR
OBJSUB: 5203300		LODGING/OUT-OF-STATE									1,598.45	DR *
6503 103100061802	52033200	CGEX160728			07/31/2016	016454					126.00	DR
6503 103100061802	52033200	CGEX160728			07/31/2016	016453					80.00	DR
6503 103100061802	52033200	CGEX160728			07/31/2016	016457					24.00	DR
OBJSUB: 5203320		INCIDENTALS-OUT-OF-STATE									230.00	DR *
6503 103100061802	52033500	CGEX160728			07/31/2016	016454					80.00	DR
6503 103100061802	52033500	CGEX160728			07/31/2016	016457					77.00	DR
6503 103100061802	52033500	CGEX160728			07/31/2016	016453					77.00	DR
OBJSUB: 5203350		NON-TAXABLE MEALS/OUT-ST									234.00	DR *
6503 103100061802	52041800	DP606103			07/20/2016						4,153.26	DR **
OBJSUB: 5204180		COMPUTER SERVICES-STATE									510.75	DR *
6503 103100061802	52042000	FM606069			07/22/2016						1,121.29	DR
6503 103100061802	52042000	PL606057			07/20/2016						103.49	DR
6503 103100061802	52042000	RM606048			07/15/2016						73.92	DR
OBJSUB: 5204200		CENTRAL SERVICES									1,298.70	DR *
6503 103100061802	52042200	IN301910			07/15/2016	00323254	ABBUSINESS	12036980			74.38	DR
OBJSUB: 5204220		EQUIPMENT SERV & MAINT									74.38	DR *
6503 103100061802	52044900	ACCOUNTRENT2017			07/31/2016	02169989	MCGINNISRO	12074040			1,269.45	DR *
OBJSUB: 5204490		RENTS-PRIVATE OWNED PROP.									1,269.45	DR *
6503 103100061802	52045300	TL606153			07/15/2016	00321394	MTDCONTINE	12023782			105.02	DR
6503 103100061802	52045300	1111090018098			07/08/2016	00321394	MTDCONTINE	12023782			95.00	DR
6503 103100061802	52045300	1111090018155			07/31/2016	00327057	MTDCONTINE	12023782			95.00	DR
OBJSUB: 5204530		TELECOMMUNICATIONS SRVCS									295.02	DR *
6503 103100061802	52045400	506152105			07/08/2016	02167165	XCELENERGY	12023853			44.41	DR
OBJSUB: 5204540		ELECTRICITY									44.41	DR *
6503 103100061802	52045600	68332 MAY16			07/08/2016	00321544	ECOWATER	12035896			22.35	DR
OBJSUB: 5204560		WATER									22.35	DR *
6503 103100061802	52047400	CI107A-002			07/15/2016	269141					1,063.50	DR
6503 103100061802	52047400	CI107A-002			07/15/2016	269141					1,063.50	DR
6503 103100061802	52047400	CI107A-002			07/15/2016	269141					1,063.50	CR
OBJSUB: 5204740		BANK FEES AND CHARGES									1,063.50	DR *
6503 103100061802	52049600	13709540			07/31/2016	00326927	NATLASSNST	12005047			5,966.50	DR *





**South Dakota Board of Accountancy**  
**Balance Sheet**  
As of July 31, 2016

	Jul 31, 16
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
1130000 · Local Checking - Great Western	74,486.33
1140000 · Pool Cash State of SD	423,737.11
<b>Total Checking/Savings</b>	498,223.44
<b>Other Current Assets</b>	
1131000 · Interest Income Receivable	4,392.05
1213000 · Investment Income Receivable	981.51
<b>Total Other Current Assets</b>	5,373.56
<b>Total Current Assets</b>	503,597.00
<b>Fixed Assets</b>	
1670000 · Computer Software	
Original Cost	140,063.23
1770000 · Depreciation	-140,063.23
<b>Total 1670000 · Computer Software</b>	0.00
<b>Total Fixed Assets</b>	0.00
<b>TOTAL ASSETS</b>	503,597.00
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
2110000 · Accounts Payable	1,443.09
<b>Total Accounts Payable</b>	1,443.09
<b>Other Current Liabilities</b>	
2430000 · Accrued Wages Payable	6,729.32
2810000 · Amounts Held for Others	32,902.91
<b>Total Other Current Liabilities</b>	39,632.23
<b>Total Current Liabilities</b>	41,075.32
<b>Long Term Liabilities</b>	
2960000 · Compensated Absences Payable	18,468.75
<b>Total Long Term Liabilities</b>	18,468.75
<b>Total Liabilities</b>	59,544.07
<b>Equity</b>	
3220000 · Unrestricted Net Assets	263,695.39
3900 · Retained Earnings	74,812.83
Net Income	105,544.71
<b>Total Equity</b>	444,052.93
<b>TOTAL LIABILITIES &amp; EQUITY</b>	503,597.00

# South Dakota Board of Accountancy

## Profit & Loss Budget vs. Actual

### July 2016

	Jul 16	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4293550 · Initial Individual Certificate	150.00	2,800.00	-2,650.00	5.4%
4293551 · Certificate Renewals-Active	36,100.00	58,000.00	-21,900.00	62.2%
4293552 · Certificate Renewals-Inactive	10,500.00	21,000.00	-10,500.00	50.0%
4293553 · Certificate Renewals-Retired	530.00	1,000.00	-470.00	53.0%
4293554 · Initial Firm Permits	150.00	700.00	-550.00	21.4%
4293555 · Firm Permit Renewals	8,100.00	15,500.00	-7,400.00	52.3%
4293557 · Initial Audit	90.00	900.00	-810.00	10.0%
4293558 · Re-Exam Audit	90.00	2,460.00	-2,370.00	3.7%
4293560 · Late Fees-Initial Certificate	0.00	0.00	0.00	0.0%
4293561 · Late Fees-Certificate Renewals	0.00	3,000.00	-3,000.00	0.0%
4293562 · Late Fees-Firm Permits	0.00	0.00	0.00	0.0%
4293563 · Late Fees-Firm Permit Renewals	50.00	600.00	-550.00	8.3%
4293564 · Late Fees-Peer Review	50.00	1,300.00	-1,250.00	3.8%
4293566 · Firm Permit Owners	69,170.00	105,000.00	-35,830.00	65.9%
4293567 · Peer Review Admin Fee	75.00	5,650.00	-5,575.00	1.3%
4293568 · Firm Permit Name Change	50.00	100.00	-50.00	50.0%
4293569 · Initial FAR	90.00	1,140.00	-1,050.00	7.9%
4293570 · Initial REG	30.00	660.00	-630.00	4.5%
4293571 · Initial BEC	60.00	930.00	-870.00	6.5%
4293572 · Re-Exam FAR	120.00	1,860.00	-1,740.00	6.5%
4293573 · Re-Exam REG	270.00	2,310.00	-2,040.00	11.7%
4293574 · Re-Exam BEC	150.00	2,310.00	-2,160.00	6.5%
4491000 · Interest and Dividend Revenue	0.00	4,000.00	-4,000.00	0.0%
4896021 · Legal Recovery Cost	0.00	1,000.00	-1,000.00	0.0%
<b>Total Income</b>	<b>125,825.00</b>	<b>232,220.00</b>	<b>-106,395.00</b>	<b>54.2%</b>
<b>Gross Profit</b>	<b>125,825.00</b>	<b>232,220.00</b>	<b>-106,395.00</b>	<b>54.2%</b>
<b>Expense</b>				
5101010 · F-T Emp Sal & Wages	4,952.98	76,588.00	-71,635.02	6.5%
5101020 · P-T/Temp Emp Sal & Wages	1,873.64	31,035.00	-29,161.36	6.0%
5101030 · Board & Comm Mbrs Fees	900.00	4,683.00	-3,783.00	19.2%
5102010 · OASI-Employer's Share	523.71	8,281.00	-7,757.29	6.3%
5102020 · Retirement-ER Share	409.59	6,495.00	-6,085.41	6.3%
5102060 · Health /Life Ins.-ER Share	1,452.28	20,968.00	-19,515.72	6.9%
5102080 · Worker's Compensation	8.18	43.00	-34.82	19.0%
5102090 · Unemployment Insurance	2.64	108.00	-105.36	2.4%
5203010 · Auto--State Owned	0.00	800.00	-800.00	0.0%
5203020 · Auto-Private-Owne Low Mileage	156.86	400.00	-243.14	39.2%
5203030 · In State-Auto- Priv. High Miles	50.40	1,500.00	-1,449.60	3.4%
5203100 · In State-Lodging	156.60	1,000.00	-843.40	15.7%
5203120 · In State-Incidentals to Travel	0.00	100.00	-100.00	0.0%
5203140 · InState-Tax Meals Not OverNigt	0.00	100.00	-100.00	0.0%
5203150 · InState-Non-Tax Meals OverNight	28.00	400.00	-372.00	7.0%
5203230 · OS-Auto Private High Mileage	335.16	100.00	235.16	335.2%
5203260 · OS-Air Commercial Carrier	2,165.60	6,000.00	-3,834.40	36.1%
5203280 · OS-Other Public Carrier	257.35	500.00	-242.65	51.5%
5203300 · OS-Lodging	2,055.15	7,800.00	-5,744.85	26.3%
5203320 · OS-Incidentals to Travel	230.00	450.00	-220.00	51.1%
5203350 · OS-Non-Taxable Meals Overnight	297.00	1,300.00	-1,003.00	22.8%
5204010 · Subscriptions	0.00	1,000.00	-1,000.00	0.0%
5204020 · Dues and Membership Fees	0.00	3,900.00	-3,900.00	0.0%
5204030 · Legal Document Fees	0.00	300.00	-300.00	0.0%
5204040 · Consultant Fees-Accounting	0.00	7,100.00	-7,100.00	0.0%
5204050 · Consultant Fees - Computer	0.00	15,000.00	-15,000.00	0.0%
5204080 · Consultant Fees--Legal	0.00	0.00	0.00	0.0%
5204160 · Workshop Registration Fees	0.00	6,000.00	-6,000.00	0.0%
5204180 · Computer Services-State	0.00	6,000.00	-6,000.00	0.0%
5204181 · Computer Development Serv-State	0.00	5,000.00	-5,000.00	0.0%
5204200 · Central Services	1,298.70	9,000.00	-7,701.30	14.4%
5204220 · Equipment Service & Maintenance	3.38	300.00	-296.62	1.1%
5204230 · Janitorial/Maintenance Services	130.34	1,600.00	-1,469.66	8.1%
5204340 · Computer Software Maintenance	0.00	2,000.00	-2,000.00	0.0%

**South Dakota Board of Accountancy**  
**Profit & Loss Budget vs. Actual**  
**July 2016**

	Jul 16	Budget	\$ Over Budget	% of Budget
5204360 · Advertising-Newspapers	0.00	1,000.00	-1,000.00	0.0%
5204440 · Newsletter Publishing	0.00	100.00	-100.00	0.0%
5204460 · Equipment Rental	71.00	4,000.00	-3,929.00	1.8%
5204480 · Microfilm and Photography	0.00	0.00	0.00	0.0%
5204490 · Rents Privately Owned Property	1,269.45	15,234.00	-13,964.55	8.3%
5204510 · Rent-Other	0.00	500.00	-500.00	0.0%
5204530 · Telecommunications Services	211.34	3,500.00	-3,288.66	6.0%
5204540 · Electricity	43.97	865.00	-821.03	5.1%
5204560 · Water	0.00	240.00	-240.00	0.0%
5204590 · Insurance Premiums/Surety Bonds	0.00	1,710.00	-1,710.00	0.0%
5204740 · Bank Fees and Charges	1,063.50	6,000.00	-4,936.50	17.7%
5204960 · Other Contractual Services	0.00	0.00	0.00	0.0%
5205020 · Office Supplies	0.00	2,000.00	-2,000.00	0.0%
5205028 · OFFICE SUPPLIES-2	0.00	0.00	0.00	0.0%
5205028 · OFFICE SUPPLIES-2	0.00	500.00	-500.00	0.0%
5205310 · Printing State	0.00	0.00	0.00	0.0%
5205320 · Printing/Duplicating/Binding Co	13.80	1,000.00	-986.20	1.4%
5205330 · Supplemental Publications	0.00	700.00	-700.00	0.0%
5205340 · Microfilm Supplies/Materials	0.00	0.00	0.00	0.0%
5205350 · Postage	0.00	2,500.00	-2,500.00	0.0%
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	1,000.00	-1,000.00	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	319.67	7,400.00	-7,080.33	4.3%
<b>Total Expense</b>	<b>20,280.29</b>	<b>280,000.00</b>	<b>-259,719.71</b>	<b>7.2%</b>
<b>Net Ordinary Income</b>	<b>105,544.71</b>	<b>-47,780.00</b>	<b>153,324.71</b>	<b>-220.9%</b>
<b>Net Income</b>	<b>105,544.71</b>	<b>-47,780.00</b>	<b>153,324.71</b>	<b>-220.9%</b>

**South Dakota Board of Accountancy**  
**PREVIOUS YEAR MONTHLY COMPARISON**  
 July 2016

	Jul 16	Jul 15	\$ Change	% Change
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4293550 · Initial Individual Certificate	150.00	150.00	0.00	0.0%
4293551 · Certificate Renewals-Active	36,100.00	53,700.00	-17,600.00	-32.8%
4293552 · Certificate Renewals-Inactive	10,500.00	18,150.00	-7,650.00	-42.2%
4293553 · Certificate Renewals-Retired	530.00	900.00	-370.00	-41.1%
4293554 · Initial Firm Permits	150.00	0.00	150.00	100.0%
4293555 · Firm Permit Renewals	8,100.00	12,600.00	-4,500.00	-35.7%
4293557 · Initial Audit	90.00	90.00	0.00	0.0%
4293558 · Re-Exam Audit	90.00	120.00	-30.00	-25.0%
4293561 · Late Fees-Certificate Renewals	0.00	50.00	-50.00	-100.0%
4293563 · Late Fees-Firm Permit Renewals	50.00	0.00	50.00	100.0%
4293564 · Late Fees-Peer Review	50.00	100.00	-50.00	-50.0%
4293566 · Firm Permit Owners	69,170.00	85,725.00	-16,555.00	-19.3%
4293567 · Peer Review Admin Fee	75.00	75.00	0.00	0.0%
4293568 · Firm Permit Name Change	50.00	50.00	0.00	0.0%
4293569 · Initial FAR	90.00	60.00	30.00	50.0%
4293570 · Initial REG	30.00	30.00	0.00	0.0%
4293571 · Inital BEC	60.00	30.00	30.00	100.0%
4293572 · Re-Exam FAR	120.00	90.00	30.00	33.3%
4293573 · Re-Exam REG	270.00	240.00	30.00	12.5%
4293574 · Re-Exam BEC	150.00	240.00	-90.00	-37.5%
4896021 · Legal Recovery Cost	0.00	1,000.00	-1,000.00	-100.0%
<b>Total Income</b>	<b>125,825.00</b>	<b>173,400.00</b>	<b>-47,575.00</b>	<b>-27.4%</b>
<b>Gross Profit</b>	<b>125,825.00</b>	<b>173,400.00</b>	<b>-47,575.00</b>	<b>-27.4%</b>
<b>Expense</b>				
5101010 · F-T Emp Sal & Wages	4,952.98	6,386.17	-1,433.19	-22.4%
5101020 · P-T/Temp Emp Sal & Wages	1,873.64	2,705.18	-831.54	-30.7%
5101030 · Board & Comm Mbrs Fees	900.00	960.00	-60.00	-6.3%
5102010 · OASI-Employer's Share	523.71	732.96	-209.25	-28.6%
5102020 · Retirement-ER Share	409.59	545.47	-135.88	-24.9%
5102060 · Health /Life Ins.-ER Share	1,452.28	1,995.00	-542.72	-27.2%
5102080 · Worker's Compensation	8.18	7.26	0.92	12.7%
5102090 · Unemployment Insurance	2.64	3.55	-0.91	-25.6%
5203020 · Auto-Private-Ownes Low Mileage	156.86	0.00	156.86	100.0%
5203030 · In State-Auto- Priv. High Miles	50.40	0.00	50.40	100.0%
5203100 · In State-Lodging	156.60	0.00	156.60	100.0%
5203150 · InState-Non-Tax Meals OverNight	28.00	0.00	28.00	100.0%
5203230 · OS-Auto Private High Mileage	335.16	0.00	335.16	100.0%
5203260 · OS-Air Commercial Carrier	2,165.60	0.00	2,165.60	100.0%
5203280 · OS-Other Public Carrier	257.35	0.00	257.35	100.0%
5203300 · OS-Lodging	2,055.15	0.00	2,055.15	100.0%
5203320 · OS-Incidentals to Travel	230.00	0.00	230.00	100.0%
5203350 · OS-Non-Taxable Meals Overnight	297.00	0.00	297.00	100.0%
5204180 · Computer Services-State	0.00	96.75	-96.75	-100.0%
5204181 · Computer Development Serv-State	0.00	695.80	-695.80	-100.0%
5204200 · Central Services	1,298.70	1,383.01	-84.31	-6.1%
5204220 · Equipment Service & Maintenance	3.38	2.43	0.95	39.1%
5204230 · Janitorial/Maintenance Services	130.34	126.55	3.79	3.0%
5204340 · Computer Software Maintenance	0.00	614.50	-614.50	-100.0%
5204460 · Equipment Rental	71.00	71.00	0.00	0.0%
5204490 · Rents Privately Owned Property	1,269.45	1,269.45	0.00	0.0%
5204530 · Telecommunications Services	211.34	241.78	-30.44	-12.6%
5204540 · Electricity	43.97	43.20	0.77	1.8%
5204560 · Water	0.00	22.35	-22.35	-100.0%
5204740 · Bank Fees and Charges	1,063.50	206.29	857.21	415.5%
5205320 · Printing/Duplicating/Binding Co	13.80	17.25	-3.45	-20.0%

**South Dakota Board of Accountancy**  
**PREVIOUS YEAR MONTHLY COMPARISON**  
 July 2016

	<u>Jul 16</u>	<u>Jul 15</u>	<u>\$ Change</u>	<u>% Change</u>
5207900 · Computer Hardware	0.00	85.00	-85.00	-100.0%
5228000 · Operating Transfers Out-NonBudg	319.67	298.02	21.65	7.3%
<b>Total Expense</b>	<u>20,280.29</u>	<u>18,508.97</u>	<u>1,771.32</u>	<u>9.6%</u>
<b>Net Ordinary Income</b>	<u>105,544.71</u>	<u>154,891.03</u>	<u>-49,346.32</u>	<u>-31.9%</u>
<b>Net Income</b>	<u><u>105,544.71</u></u>	<u><u>154,891.03</u></u>	<u><u>-49,346.32</u></u>	<u><u>-31.9%</u></u>

**South Dakota Board of Accountancy**  
**PREVIOUS YEAR TO DATE MONTHLY COMPARISON**  
 July 2016 through June 2017

	Jul '16 - Jun 17	Jul '15 - Jun 16	\$ Change	% Change
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4293550 · Initial Individual Certificate	225.00	2,125.00	-1,900.00	-89.4%
4293551 · Certificate Renewals-Active	46,800.00	71,900.00	-25,100.00	-34.9%
4293552 · Certificate Renewals-Inactive	13,550.00	24,900.00	-11,350.00	-45.6%
4293553 · Certificate Renewals-Retired	700.00	1,430.00	-730.00	-51.1%
4293554 · Initial Firm Permits	250.00	500.00	-250.00	-50.0%
4293555 · Firm Permit Renewals	10,500.00	16,500.00	-6,000.00	-36.4%
4293557 · Initial Audit	90.00	870.00	-780.00	-89.7%
4293558 · Re-Exam Audit	120.00	2,490.00	-2,370.00	-95.2%
4293560 · Late Fees-Initial Certificate	0.00	50.00	-50.00	-100.0%
4293561 · Late Fees-Certificate Renewals	500.00	3,350.00	-2,850.00	-85.1%
4293563 · Late Fees-Firm Permit Renewals	200.00	400.00	-200.00	-50.0%
4293564 · Late Fees-Peer Review	250.00	1,000.00	-750.00	-75.0%
4293566 · Firm Permit Owners	78,460.00	119,335.00	-40,875.00	-34.3%
4293567 · Peer Review Admin Fee	225.00	3,750.00	-3,525.00	-94.0%
4293568 · Firm Permit Name Change	50.00	175.00	-125.00	-71.4%
4293569 · Initial FAR	90.00	870.00	-780.00	-89.7%
4293570 · Initial REG	90.00	1,020.00	-930.00	-91.2%
4293571 · Initial BEC	90.00	690.00	-600.00	-87.0%
4293572 · Re-Exam FAR	180.00	1,920.00	-1,740.00	-90.6%
4293573 · Re-Exam REG	270.00	2,160.00	-1,890.00	-87.5%
4293574 · Re-Exam BEC	240.00	2,370.00	-2,130.00	-89.9%
4491000 · Interest and Dividend Revenue	0.00	4,714.96	-4,714.96	-100.0%
4896021 · Legal Recovery Cost	0.00	1,450.00	-1,450.00	-100.0%
<b>Total Income</b>	<b>152,880.00</b>	<b>263,969.96</b>	<b>-111,089.96</b>	<b>-42.1%</b>
<b>Gross Profit</b>	<b>152,880.00</b>	<b>263,969.96</b>	<b>-111,089.96</b>	<b>-42.1%</b>
<b>Expense</b>				
5101010 · F-T Emp Sal & Wages	7,103.41	55,144.98	-48,041.57	-87.1%
5101020 · P-T/Temp Emp Sal & Wages	2,760.30	23,343.47	-20,583.17	-88.2%
5101030 · Board & Comm Mbrs Fees	1,200.00	3,300.00	-2,100.00	-63.6%
5102010 · OASI-Employer's Share	745.59	5,509.84	-4,764.25	-86.5%
5102020 · Retirement-ER Share	591.81	4,690.83	-4,099.02	-87.4%
5102060 · Health /Life Ins.-ER Share	2,164.31	13,221.72	-11,057.41	-83.6%
5102080 · Worker's Compensation	11.82	62.58	-50.76	-81.1%
5102090 · Unemployment Insurance	3.82	23.25	-19.43	-83.6%
5203010 · Auto-State Owned	0.00	78.65	-78.65	-100.0%
5203020 · Auto-Private-Owne's Low Mileage	156.86	124.66	32.20	25.8%
5203030 · In State-Auto- Priv. High Miles	50.40	1,108.80	-1,058.40	-95.5%
5203100 · In State-Lodging	156.60	319.60	-163.00	-51.0%
5203120 · In State-Incidentals to Travel	0.00	20.00	-20.00	-100.0%
5203140 · InState-Tax Meals Not OverNigt	0.00	22.00	-22.00	-100.0%
5203150 · InState-Non-Tax Meals OverNight	28.00	268.00	-240.00	-89.6%
5203230 · OS-Auto Private High Mileage	335.16	0.00	335.16	100.0%
5203260 · OS-Air Commercial Carrier	2,165.60	1,727.10	438.50	25.4%
5203280 · OS-Other Public Carrier	257.35	208.00	49.35	23.7%
5203300 · OS-Lodging	2,055.15	2,439.00	-383.85	-15.7%
5203320 · OS-Incidentals to Travel	230.00	248.00	-18.00	-7.3%
5203350 · OS-Non-Taxable Meals Overnight	297.00	356.00	-59.00	-16.6%
5204010 · Subscriptions	0.00	507.90	-507.90	-100.0%
5204020 · Dues and Membership Fees	3,200.00	3,450.00	-250.00	-7.3%
5204050 · Consultant Fees - Computer	0.00	15,301.00	-15,301.00	-100.0%
5204160 · Workshop Registration Fees	0.00	4,865.00	-4,865.00	-100.0%
5204180 · Computer Services-State	0.00	3,023.50	-3,023.50	-100.0%
5204181 · Computer Development Serv-State	0.00	1,717.55	-1,717.55	-100.0%
5204200 · Central Services	1,298.70	6,148.80	-4,850.10	-78.9%
5204220 · Equipment Service & Maintenance	3.38	25.16	-21.78	-86.6%
5204230 · Janitorial/Maintenance Services	130.34	1,518.60	-1,388.26	-91.4%
5204340 · Computer Software Maintenance	0.00	614.50	-614.50	-100.0%
5204460 · Equipment Rental	71.00	3,264.00	-3,193.00	-97.8%
5204490 · Rents Privately Owned Property	1,269.45	15,233.40	-13,963.95	-91.7%
5204510 · Rent-Other	0.00	248.80	-248.80	-100.0%
5204530 · Telecommunications Services	211.34	3,533.01	-3,321.67	-94.0%
5204540 · Electricity	43.97	595.48	-551.51	-92.6%

**South Dakota Board of Accountancy**  
**PREVIOUS YEAR TO DATE MONTHLY COMPARISON**  
**July 2016 through June 2017**

	<u>Jul '16 - Jun 17</u>	<u>Jul '15 - Jun 16</u>	<u>\$ Change</u>	<u>% Change</u>
5204560 · Water	0.00	134.10	-134.10	-100.0%
5204590 · Insurance Premiums/Surety Bonds	0.00	646.00	-646.00	-100.0%
5204740 · Bank Fees and Charges	1,063.50	4,721.00	-3,657.50	-77.5%
5204960 · Other Contractual Services	0.00	1,176.00	-1,176.00	-100.0%
5205020 · Office Supplies	0.00	890.08	-890.08	-100.0%
5205320 · Printing/Duplicating/Binding Co	13.80	329.44	-315.64	-95.8%
5205350 · Postage	0.00	1,000.00	-1,000.00	-100.0%
5207900 · Computer Hardware	0.00	2,783.12	-2,783.12	-100.0%
5207960 · Computer Software Expense	0.00	1,187.60	-1,187.60	-100.0%
5228000 · Operating Transfers Out-NonBudg	848.09	4,026.61	-3,178.52	-78.9%
<b>Total Expense</b>	<u>28,466.75</u>	<u>189,157.13</u>	<u>-160,690.38</u>	<u>-85.0%</u>
<b>Net Ordinary Income</b>	<u>124,413.25</u>	<u>74,812.83</u>	<u>49,600.42</u>	<u>66.3%</u>
<b>Net Income</b>	<u><u>124,413.25</u></u>	<u><u>74,812.83</u></u>	<u><u>49,600.42</u></u>	<u><u>66.3%</u></u>



## **REPORT TO BOARD ON NASBA ANNUAL MEETING**

The Annual Meeting for NASBA will be held October 30-November 2, 2016. The location of the meeting will be in Austin, TX.

This is a request for a board motion to approve travel for Board Members and the Executive Director to attend the Annual NASBA meeting.



5203260	Air Travel-Out of State	4259.20	3554.00	1,727.10	6,000.00	0.00	6,000.00
5203280	Other Public Transp Out of State	256.93	460.00	208.00	500.00	0.00	500.00
5203300	Lodging Out of State	6077.95	4148.00	2,439.00	7,800.00	0.00	7,800.00
5203320	Incidentals to Travel- Out of State	251.00	339.00	248.00	450.00	0.00	450.00
5203350	Meals Overnight - Out of State	700.00	644.00	356.00	1,300.00	(300.00)	1,000.00
5204010	Subscriptions	1233.31	508.00	507.90	1,000.00	0.00	1,000.00
5204020	Dues & Membership Fees	3440.00	3450.00	3,450.00	3,900.00	0.00	3,900.00
5204030	Legal Document Fees	0.00	0.00	0.00	300.00	0.00	300.00
5204040	Consultant Fees - Audit	7100.00	0.00	0.00	7,100.00	0.00	7,100.00
5204050	Computer Consultant - Database	0.00	34075.00	15,301.00	15,000.00	0.00	15,000.00
5204080	Consultant Fees - Legal	0.00	0.00	0.00	0.00	0.00	0.00
5204160	Workshop Registration Fees	5560.00	4865.00	4,865.00	6,000.00	0.00	6,000.00
5204180	Computer Services - State	4528.30	4230.00	3,023.50	6,000.00	(1000.00)	5,000.00
5204181	Computer Dev. State	0.00	0.00	1,717.55	5,000.00	(3000.00)	2,000.00
5204200	Central Services	8215.85	6149.00	6,148.80	9,000.00	0.00	9,000.00
5204220	Equipment Service & Maint	649.16	877.00	25.16	300.00	0.00	300.00
5204230	Janitorial	1474.32	1519.00	1,518.60	1,600.00	50.00	1,650.00
5204340	Computer-Tech Support	686.60	1021.00	614.50	2,000.00	0.00	2,000.00
5204360	Advertising-Newspaper	938.33	0.00	0.00	1,000.00	0.00	1,000.00
5204440	Newsletter Publishing	0.00	0.00	0.00	100.00	0.00	100.00
5204460	Equipment Rental	2685.00	2412.00	3,264.00	4,000.00	0.00	4,000.00
5204480	Microfilm Processing	0.00	0.00	0.00	0.00	0.00	0.00
5204490	Rents-Private	15233.40	15233.00	15,233.40	15,234.00	500.00	15,734.00
5204510	Rents-Other	230.80	249.00	248.80	500.00	0.00	500.00
5204530	Telecommunications	3285.88	3296.00	3,533.01	3,500.00	0.00	3,500.00
5204540	Electricity	689.52	599.00	595.48	865.00	0.00	865.00
5204560	Water	134.10	112.00	134.10	240.00	0.00	240.00
5204590	Insurance Premiums	1267.13	646.00	646.00	1,710.00	0.00	1,710.00
5204740	Bank Svc Chrg (Credit Card Fees)	4192.22	4721.00	4,721.00	6,000.00	500.00	6,500.00
5204960	Other Contractual - NASBA	62274.90	72592.00	1,176.00	0.00	0.00	0.00
5205020	Office Supplies	28.01	20.00	890.08	2,000.00	0.00	2,000.00
5205028	Office Supplies	230.69	870.00	0.00	0.00	0.00	0.00
5205310	Printing/Copying State	155.25	0.00	0.00	500.00	(250.00)	250.00
5205320	Printing Commercial	982.73	295.00	329.44	1,000.00	0.00	1,000.00
5205330	Supplement Publications & Ref	667.50	0.00	0.00	700.00	0.00	700.00
5205340	Microfilm Supplies & Material	0.00	0.00	0.00	0.00	0.00	0.00
5205350	Postage	3562.25	1142.00	1,000.00	2,500.00	(500.00)	2,000.00
5207430	Office Machines	0.00	0.00	0.00	100.00	0.00	100.00
5207900	Computer	0.00	0.00	2,783.12	4,800.00	0.00	4,800.00
5207901	Computer Hardware	2351.62	2783.00	0.00	0.00	0.00	0.00
5207905	Computer Systems	0.00	0.00	0.00	0.00	0.00	0.00
5207950	Computer Hardware	0.00	0.00	0.00	1,000.00	0.00	1,000.00
5207955	Computer Hardware	0.00	0.00	0.00	500.00	0.00	500.00
5207960	Computer Software	0.00	0.00	1,187.60	500.00	0.00	500.00
52079610	Computer Software	95.00	960.00	0.00	0.00	0.00	0.00
5228000	DOL Overhead Allocated Fees	3941.83	4026.61	4,026.61	7,400.00	(1400.00)	6,000.00
5228030	Depreciation	0.00	0.00	0.00	0.00	0.00	0.00
	<b>Object Totals</b>	<b>149,957.23</b>	<b>177,831.61</b>	<b>83,860.46</b>	<b>131,799.00</b>	<b>-5,800.00</b>	<b>125,999.00</b>
	<b>Total Expenses</b>	<b>257,905.52</b>	<b>257,905.52</b>	<b>189,157.13</b>	<b>280,000.00</b>	<b>-5,800.00</b>	<b>274,200.00</b>
	<b>Net Income (Loss)</b>	<b>19,349.12</b>	<b>26,160.53</b>	<b>74,812.83</b>	<b>-47,780.00</b>	<b>5,300.00</b>	<b>-42,480.00</b>

## EXECUTIVE DIRECTOR'S REPORT

Nicole Kasin

### Online Renewals

Renewals began June 15, 2016. On July 28, 2016 a reminder email was sent to individuals and firms that did not renew, indicating the due date was August 1, 2016. A progress report follows on the next page.

### Rules Review Discussion

Per a request from Marty, a discussion on possible rule updates or changes in regards to South Dakota Peer Review and firm names.

#### **20:75:07:07 – Qualifications of reviewer for South Dakota Reviews**

An individual selected to conduct a South Dakota review must have the following minimum qualifications:

- (1) Be licensed to practice as a certified public accountant or public accountant by the licensing board of any state;
- (2) Have current knowledge and experience of the professional standards applicable to the type of practice to be reviewed, including recent experience in the industry engagements that may be selected for review. Such knowledge and experience may be obtained from on-the-job training, training courses, or a combination of both;
- (3) Be independent of the firm under review;
- (4) Be able to demonstrate familiarity with the procedure for conducting a peer review in accordance with the standards in §§ 20:75:07:09 to 20:75:07:16, inclusive;
- (5) Be able to provide evidence that the reviewer's firm received a pass report during the past three years or a certified true statement that the firm was not subject to review. If the reviewer is associated with more than one firm, all of the firms with which the reviewer is associated must fulfill this requirement. This provision is not applicable to an individual reviewer not associated with a firm;
- (6) Be familiar with operations of a firm comparable in size to the firm under review; and
- (7) Have completed a minimum of eight hours of continuing professional education on performing peer reviews within the five years before the start of the review.

Members of the board and members of their firms may not conduct a South Dakota peer review; however, members of their firms may conduct equivalent reviews in accordance with § 20:75:07:05.

**Source:** 29 SDR 16, effective August 14, 2002; 36 SDR 216, effective July 6, 2010.

**General Authority:** SDCL 36-20B-12(9).

**Law Implemented:** SDCL 36-20B-36.

#### **20:75:07:09 – Conduct of review – requirements**

The peer review must be conducted in accordance with the following requirements:

- (1) A review must have an engagement review, report review, or system review as defined in § 20:75:07:01, to ensure that procedures tailored to the size of the firm and the nature of its practice are performed;
- (2) A South Dakota review must be conducted between January 1 and October 31 of the year of review unless otherwise agreed by the board and the firm subject to review;
- (3) The reviewer must select the engagements to be reviewed. Engagements selected for review must provide a reasonable cross section of the firm's accounting and auditing practice with greater emphasis on those engagements in the practice with higher assessed levels of quality review risk. Factors to be considered in assessing peer review risk at the engagement level are size, industry area, level of service, personnel, litigation in industry area, and initial engagement;
- (4) The review must be limited to the reviewed firm's quality control system and the accounting and auditing engagements with client year ends dated within the year under review;
- (5) The reviewer must use checklists as a basis for performing the review. A separate checklist must be used for system reviews, engagement reviews, and report reviews. The checklists must include questions for the

reviewer to answer and must provide sufficient information for the board to determine whether the firm under review complies with the standards and principles in §§ 20:75:05:05 and 20:75:05:06; and

(6) The firm under review must submit to the reviewer the preceding peer review report; the matters for further consideration, if any; the reviewed firm's response to the matters for further consideration, if any; the findings for further consideration, if any; the reviewed firm's response to the findings for further consideration, if any; the final letter of approval; and any board or review committee performance requirements.

**Source:** 29 SDR 16, effective August 14, 2002; 35 SDR 165, effective December 22, 2008; 36 SDR 216, effective July 6, 2010; 39 SDR 33, effective September 5, 2012.

**General Authority:** SDCL 36-20B-12(9).

**Law Implemented:** SDCL 36-20B-36.

**20:75:05:15 – Firm Names** – titles in firm names (CPA/PFS/CGMA/CFP etc.), use of and company or and associates

A licensee may not practice public accountancy under a firm name that is misleading in any way. Names of one or more past partners, members, or shareholders may be included in the firm name of a successor organization. A partner surviving the death or withdrawal of all other partners may continue to practice under a partnership name for up to two years after becoming a sole practitioner.

**Source:** 29 SDR 16, effective August 14, 2002.

**General Authority:** SDCL 36-20B-12(4).

**Law Implemented:** SDCL 36-20B-40, 36-20B-41.

Other rule to be considered for changes:

**20:75:02:14** – remove the one month of the exam not being offered. Also discuss the seat date verses the date the score is released.

**Examination – Grades.** The examination required by SDCL 36-20B-13 must test the applicant's knowledge and skills required for performance as an entry-level certified public accountant. The examination shall include the subject areas of accounting, auditing, business law, taxation, finance, communications, information technology, and related knowledge and skills as the board may require

A candidate may take the required test sections individually and in any order. Credit for any test section(s) passed shall be valid for a rolling qualifying period as measured from the actual date the candidate took that test section, without having to attain a minimum score on any failed test section(s), and without regard to whether the candidate has taken other test sections. The qualifying period shall be eighteen months. The passing grade is based on a 0-99 scale and is 75 percent.

Each candidate must pass all four test sections of the examination within a single rolling qualifying period, which begins on the date that a given test section(s) passed is taken.

Each candidate may not retake a failed test section(s) in the same examination "window." An examination window refers to a three-month period comprised initially of two months in which the examination is available to be taken and one month in which the examination will not be offered while routine maintenance is performed and the test item bank is refreshed. A candidate will be able to test two out of the three months within an examination window.

If all four test sections of the examination are not passed within a given rolling qualifying period, credit for any test section(s) passed outside that qualifying period will expire and that test section(s) must be retaken.

A candidate is deemed to have passed the examination once the candidate holds, at the same time, valid credit for passing each of the four test sections for the examination. For purposes of this section, credit for passing a test section of the computer-based examination is valid from the actual date of the testing event for that test section, regardless of the date the candidate actually receives notice of the passing grade.

Transfer of grades shall be accepted from other states when a candidate for transfer of grades has met all the requirements of South Dakota candidates.

The board may not notify an applicant of grades received on the examination until verification of graduation or completion of required courses has been submitted to the board. Until such verification is received,

the board may not transfer grades to any other state, accept any future examination application, or issue a certificate to an individual receiving passing grades.

**Source:** 29 SDR 16, effective August 14, 2002; 30 SDR 119, effective February 9, 2004; 33 SDR 107, effective December 26, 2006.

**General Authority:** SDCL 36-20B-18.

**Law Implemented:** SDCL 36-20B-18.

#### **Board Discussion**

- Any New Business/topics?

DATE	Form 19-Firm		Form 27-Retired		Form 28-Active		Form 28-Inactive		Daily Totals
	COMP	APVD	BD	APVD	COMP	APVD	BD	APVD	
Wednesday, June 15, 2016	0	0	0	0	4	0	3	0	7
Thursday, June 16, 2016	3	1	2	0	17	3	7	0	33
Friday, June 17, 2016	2	0	6	0	10	2	9	0	29
Saturday, June 18, 2016	0	0	5	0	3	3	8	0	19
Sunday, June 19, 2016	0	0	2	0	0	3	5	0	10
Monday, June 20, 2016	4	1	3	0	14	2	13	1	38
Tuesday, June 21, 2016	8	2	0	0	20	2	6	0	38
Wednesday, June 22, 2016	1	0	3	0	11	2	7	0	24
Thursday, June 23, 2016	6	1	0	0	14	2	5	0	28
Friday, June 24, 2016	3	0	4	0	14	2	1	1	25
Saturday, June 25, 2016	0	0	1	0	1	0	2	0	4
Sunday, June 26, 2016	1	0	0	0	5	0	1	0	7
Monday, June 27, 2016	2	1	2	0	14	5	7	0	31
Tuesday, June 28, 2016	3	0	0	0	15	3	6	0	27
Wednesday, June 29, 2016	4	1	1	0	23	2	6	0	37
Thursday, June 30, 2016	3	0	2	0	14	3	4	1	27
Friday, July 1, 2016	1	0	1	0	9	1	3	0	15
Saturday, July 2, 2016	0	0	0	0	1	0	2	0	3
Sunday, July 3, 2016	0	0	1	0	1	0	1	0	3
Monday, July 4, 2016	0	0	0	0	6	0	3	0	9
Tuesday, July 5, 2016	5	1	1	0	19	3	3	0	32
Wednesday, July 6, 2016	2	0	0	0	16	2	4	0	24
Thursday, July 7, 2016	4	0	0	0	17	3	10	0	34
Friday, July 8, 2016	6	0	0	0	17	0	6	0	29
Saturday, July 9, 2016	1	0	2	0	2	0	2	0	7
Sunday, July 10, 2016	0	0	0	0	3	1	0	0	4
Monday, July 11, 2016	5	1	1	0	19	2	4	0	32
Tuesday, July 12, 2016	2	0	0	0	11	3	1	1	18
Wednesday, July 13, 2016	0	1	2	0	8	0	4	0	15
Thursday, July 14, 2016	2	2	1	0	16	2	4	0	27
Friday, July 15, 2016	1	1	2	0	12	3	3	0	22
Saturday, July 16, 2016	1	0	2	0	5	0	3	0	11
Sunday, July 17, 2016	0	1	0	0	5	3	1	0	10
Monday, July 18, 2016	3	4	1	0	17	2	5	0	32
Tuesday, July 19, 2016	4	1	0	0	9	0	4	0	18
Wednesday, July 20, 2016	1	0	2	0	11	4	5	0	23
Thursday, July 21, 2016	4	2	0	0	13	6	2	0	27
Friday, July 22, 2016	5	1	1	0	11	3	7	0	28
Saturday, July 23, 2016	0	0	0	0	3	1	2	0	6
Sunday, July 24, 2016	2	1	0	0	14	2	1	0	20
Monday, July 25, 2016	7	1	0	0	29	3	6	0	46
Tuesday, July 26, 2016	8	1	2	0	29	3	11	0	54
Wednesday, July 27, 2016	8	2	2	0	33	8	17	1	71
Thursday, July 28, 2016	17	1	8	0	69	21	38	1	155
Friday, July 29, 2016	12	1	6	0	32	10	12	0	73
Saturday, July 30, 2016	2	1	0	0	6	3	9	0	21
Sunday, July 31, 2016	3	0	7	0	10	2	10	0	32
Monday, August 1, 2016	10	3	1	0	28	8	14	0	64
Tuesday, August 2, 2016	2	0	0	0	4	0	3	0	9
Wednesday, August 3, 2016	0	0	0	0	1	0	0	0	1
Thursday, August 4, 2016	0	0	0	0	1	0	1	0	2
Friday, August 5, 2016	0	0	0	0	0	0	0	0	0
Saturday, August 6, 2016	0	0	0	0	0	0	0	0	0
Sunday, August 7, 2016	0	0	0	0	1	0	0	0	1
Monday, August 8, 2016	1	0	0	0	0	1	1	0	3
Tuesday, August 9, 2016	0	0	0	0	0	0	0	0	0
<b>Totals</b>	<b>159</b>	<b>33</b>	<b>74</b>	<b>0</b>	<b>667</b>	<b>134</b>	<b>292</b>	<b>6</b>	<b>1365</b>
<b>Totals per form</b>		<b>192</b>		<b>74</b>		<b>801</b>		<b>298</b>	

<b>Total Renewals</b>									
<b>Online &amp; Via Mail</b>		268		109		1167		370	1914
<b>% Completed Online</b>		71.64%		67.89%		68.64%		80.54%	71.32%
<b>Still need to complete renewal</b>		13		15		39		20	87
<b>% Completed overall</b>		95.37%		87.90%		96.77%		94.87%	95.65%

as of 8-9-16

## DISCUSSION WITH SD CPA SOCIETY

### Discussion Points

1. Peer Review – exposure drafts/audit quality/administrating entity
2. CGMA – use of title, Firm Names
3. UAA updates/proposed legislation
  - a. Definition of Attest (not looking to have any bills in regards to only this, if we have additional bills or an overall clean-up bill, then add this in)
    - i. Current wording SDCL 36-20B-2 Statements on standards to be adopted. For the purposes of this chapter, attest means providing the following financial statement services:
    - ii. Proposed change SDCL 36-20B-2 Statements on standards to be adopted. For the purposes of this chapter, attest means providing the following ~~financial statement~~ services:
  - b. Other areas in UAA that the Board can discuss
    - i. Retired Status – change definition to match with UAA?
    - ii. 150 hours
    - iii. Mobility/Firm Mobility
  - c. CPE Standards
    - i. Nano Learning
    - ii. CPE credit hours
    - iii. Sponsors
4. Accountant term (SDCL 36-20B-58)
5. CPA Pipeline
6. Society's Recommendations for Board Member positions opening in October





South Dakota CPA Society

August 2, 2016

The Honorable Governor Dennis Daugaard
500 E Capitol Ave
Pierre, SD 57501-5070

Dear Governor Daugaard,

On behalf of the South Dakota CPA Society Board of Directors, we would like to submit the names of several highly qualified members of the profession for your consideration to be appointed to the South Dakota Board of Accountancy for the upcoming two vacancies.

The mission of the Society is to be the premier professional organization proactively advocating, protecting and promoting the CPA profession by providing opportunities, information, support and services to a diverse membership. The Board of Accountancy is the entity responsible for ensuring that the public is protected and, when appropriate, the two organizations work together to ensure that the profession is held to the highest standard of excellence.

All of our recommendations have served the Society in either a leadership or committee position in the past and are excellent advocates for the accounting profession. With the complexities of the profession at this time, the Society would suggest for your consideration that a CPA from a large firm with strong Auditing & Accounting experience would strengthen the effectiveness of the Board of Accountancy (BOA). Many of the issues that the BOA and the profession deal with entail A & A issues, including peer review, standard setting, and multi jurisdiction practices. A large firm deals with more of these issues and would offer a different perspective to balance the current board, so we are submitting a couple of candidates from Eide Bailly as they are the only regional firm in the state.

The Society Board feels that the following individuals represent a high standard of excellence and would do an outstanding job of protecting the profession and the public:

- Jeff Strand, CPA - Eide Bailly LLP - Sioux Falls
Holly Engelhart, CPA - Eide Bailly LLP - Aberdeen
Jay Tolsma CPA - ELO Prof LLC- Mitchell
Jean Smith CPA - Ketel Thorstenson LLP - Rapid City
Deidre Budahl CPA - Casey Peterson & Associates LTD - Rapid City

These individuals each have extensive years of A & A experience and several work for large firms in addition to Eide Bailly.

Thank you for your consideration of these individuals to the important position on the Board of Accountancy. While we believe these are excellent choices, again we want to emphasize the importance of an individual with A & A experience and large firm experience. If the Society can provide more information on each/any of the individuals or be of assistance to your office on this or other matters, please do not hesitate to contact us.

Sincerely,

Laura Coome (handwritten signature)

Laura Coome
Executive Director
South Dakota CPA Society
5024 S Bur Oak Pl #108
Sioux Falls, SD 57108

Serving
South Dakota
since 1917



---

# **EXPOSURE DRAFT**

---

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

- **Allows Firms with No AICPA Members to Enroll in the AICPA Peer Review Program**
- **Expands the Availability of Administration by the National Peer Review Committee**
  - **Includes Other Minor Changes**

**May 23, 2016**

**Comments are requested by August 26, 2016**

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

**Comments should be received by August 26, 2016 and addressed to  
Lisa Joseph, Technical Manager – Peer Review  
AICPA Peer Review Program  
American Institute of Certified Public Accountants  
220 Leigh Farm Road, Durham, NC 27707-8110  
or [PR\\_expdraft@aicpa.org](mailto:PR_expdraft@aicpa.org)**

© 2016 American Institute of CPAs. All rights reserved.

*DISCLAIMER: The contents of this publication do not necessarily reflect the position or opinion of the American Institute of CPAs, its divisions and its committees. This publication is designed to provide accurate and authoritative information on the subject covered. It is distributed with the understanding that the authors are not engaged in rendering legal, accounting or other professional services. If legal advice or other expert assistance is required, the services of a competent professional should be sought.*

*For more information about the procedure for requesting permission to make copies of any part of this work, please email [copyright@aicpa.org](mailto:copyright@aicpa.org) with your request. Otherwise, requests should be written and mailed to the Permissions Department, AICPA, 220 Leigh Farm Road, Durham, NC 27707-8110.*

# CONTENTS

## Peer Review Board

Letter from the Chair of the Peer Review Board .....	1
Peer Review Board Members.....	2
Non-Peer Review Board Standards Task Force Members .....	2
AICPA Staff.....	2

## Explanatory Memorandum

Introduction .....	3
Background.....	3
Explanation of Proposed Changes .....	5
Comment Period .....	6
Guide for Respondents .....	7
Effective Date.....	7

## Proposed Revisions

Peer Review Standards.....	8
Peer Review Interpretations .....	20

May 19, 2016

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

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

- Be received by August 19, 2016
- Should be sent to Lisa Joseph or [PR\\_expdraft@aicpa.org](mailto:PR_expdraft@aicpa.org)
- Should refer to the specific paragraphs and include supporting reasons for each comment or suggestion
- Should be limited to those items presented in the exposure draft

The exposure draft includes the following:

- An explanatory memorandum of the proposed revisions to the –*Standards* and Interpretations in effect as of May 19, 2016
- Explanations, background and other pertinent information
- Marked excerpts from the current *Standards* and Interpretations to allow the reader to see all changes
  - Items that are being deleted from the *Standards* and Interpretations are struck through
  - New items are underlined

The Board is not required to expose changes to the Interpretations, but elected to do so to assist respondents with understanding the underlying intent of the proposed revisions to the *Standards*. For each Interpretation change proposed, the corresponding *Standards* paragraph has been included in this document to further aid understanding.

As of May 19, 2016, there is another outstanding exposure draft proposing changes to the *Standards* and Interpretations. The details of that exposure draft are available at [Improving Transparency and Effectiveness of Peer Review Exposure Draft](#). A copy of this exposure draft and the current *Standards* (effective for peer reviews commencing on or after January 1, 2009) are also available on the AICPA Peer Review website at <http://www.aicpa.org/InterestAreas/PeerReview/Pages/PeerReviewHome.aspx>.

Sincerely,

Anita M. Ford  
Chair, AICPA Peer Review Board

## AICPA Peer Review Board

### Peer Review Board Members 2015 – 2016

Anita M. Ford, Chair  
Jeannine Birmingham  
Brian Bluhm  
Dawn Brenner\*  
William Calder\*  
James Clausell\*  
Albert Denny  
Michael Fawley  
Karen Kerber  
William Lajoie

Michael LeBlanc  
Barbara Lewis\*  
G. Alan Long\*  
Thomas Parry\*  
Andrew Pope\*  
Keith Rowden  
Debra Seefeld  
Martin Shannon  
Todd Shapiro  
Thomas W. Whittle III

*\*Member—Peer Review Board Standards Task Force*

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

Jerry Cross

Heather Trower

### AICPA Staff

Susan S. Coffey  
Senior Vice President  
Public Practice and Global Alliances

James Brackens, Jr.  
Vice President  
Ethics and Practice Quality

Gary Freundlich  
Technical Director  
AICPA Peer Review Program

Frances McClintock  
Associate Director  
AICPA Peer Review Program

Susan Lieberum  
Associate Director  
AICPA Peer Review Program

Lisa Joseph  
Technical Manager – Peer Review  
AICPA Peer Review Program

# Explanatory Memorandum

## Introduction

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

- Allow firms with no AICPA members to enroll in the AICPA Peer Review Program (Program);
- Expand the availability of administration by the National Peer Review Committee; and
- Include other minor changes.

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

## Background

CPAs take pride in their long-standing commitment to excellence. That commitment includes continued vigilance in delivering accounting and auditing services and protecting the public interest.

In the current business environment, the rapid pace of change is driving complexity and that trend is not likely to abate. Increased complexity presents challenges to practitioners in public accounting as they strive to continually perform high-quality financial statement audits of private entities. To preserve their prominent and respected role in the business community, CPAs must, and will, meet and overcome these challenges.

The Program monitors the quality of firms' accounting and auditing engagements and evaluates the systems under which those engagements are performed. Participation in the Program is mandatory for AICPA membership if a firm's practice includes services that fall within the scope of the Program. In addition, peer review is now required for licensure in nearly all states.

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

The goal for the next generation of peer review is a practice monitoring program focused on continual improvement and a commitment to quality in a changing world. Recognizing that many enhancements can and should be made to the existing Program as Practice Monitoring of the Future is being developed, the Board approved a plan in early 2014 to implement substantive changes to the current peer review process.

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

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

### **Enrollment in the AICPA Peer Review Program**

Historically, Program enrollment has been limited to firms with an AICPA member partner. However, the AICPA has allowed entities fully involved in the administration of the Program to use the *Standards* and related guidance to administer state CPA society peer review programs for firms without an AICPA member partner in order to address licensing requirements for those firms. As almost all state boards of accountancy now require peer review for licensed firms, this has led to the development of approximately forty separate state CPA society peer review programs.

Consequently, almost all entities administering the Program are running two peer review programs using the same *Standards*. In total, approximately 34,000 peer reviews are administered over every three-year period. Administering dual programs is burdensome, resulting in an inefficient use of resources. The dual programs also cause confusion because, while it is not widely recognized, the state CPA society programs are not a part of the Program. Therefore, they are not included in the AICPA's oversight or fair procedures processes. While this difference in the peer review programs is likely unnoticeable to the public, it is important. Expanding the Program's enrollment eligibility will increase consistency, efficiency and effectiveness in the performance and administration of peer reviews. Furthermore, it expands the effect of important initiatives such as EAQ and Practice Monitoring of the Future.

### **Expanding the Availability of Administration by the National Peer Review Committee**

Administration of the Program by the National Peer Review Committee has only been available to firms with an AICPA member partner since that is currently a requirement of enrollment in the Program. Removing the AICPA member partner requirement for enrollment in the Program creates the possibility for firms with no AICPA members to have their peer reviews administered by the National Peer Review Committee (National PRC). Expanding the availability of administration by the National PRC will promote further consistency.



## Clarification of Qualifications

The *Standards* currently require that peer reviewers in the Program be members of the AICPA in good standing (that is, AICPA membership in active, non-suspended status). Consistent with that requirement and to provide further clarity, the proposal specifies that, in addition to peer reviewers, all peer review committee members, Report Acceptance Body (RAB) members, national RAB consultants and technical reviewers must be AICPA members in good standing.

## Explanation of Proposed Changes

### Revisions to *Standards*

The proposed changes include revisions to:

- Notice to Readers to indicate that the AICPA Peer Review Program may not be administered by any entity without written permission from the AICPA Peer Review Board.
- Paragraph .01 to clarify usage of term "program".
- Paragraph .02 to expand and clarify the program's goal to enhance accounting and audit quality.
- Paragraph .03 to consistently use "engagements not subject to PCAOB permanent inspection" as opposed to "non-Securities and Exchange Commission (SEC) issuers".
- Paragraph .05 to clarify usage of term "board", clarify that cooperation includes payment of administrative fees, and expand requirement for peer review to all enrolled firms.
- Paragraph .06 to consistently use "engagements not subject to PCAOB permanent inspection" as opposed to "non-Securities and Exchange Commission (SEC) issuers".
- Paragraph .09 to note applicability of loss of individual membership as a possible ramification of noncooperation.
- Paragraph .11 to include all board committees, including the National PRC.
- Paragraph .128 to include all board committees, including the National PRC.
- Paragraph .129 to clarify that jurisdictions not administering the program request an entity to do so.
- Paragraph .131 to make requests for approval of alternate compliance methods with the *Standards*, Interpretations, and other guidance more principles-based.
- Paragraph .145 to add an appeal mechanism for hearing panels of firms without AICPA members.
- Paragraph .206 to remove permitting early implementation.
- Paragraph .207 to expand the applicability of goals of practice monitoring to all enrolled firms, expand the goal to enhance accounting and audit quality, and to effect consistency with regard to usage of "engagements not subject to PCAOB permanent inspection" as opposed to "non-Securities and Exchange Commission (SEC) issuers".

## Revisions to Interpretations

The proposal includes revisions to:

- Notice to Readers to remove applicability to only AICPA members.
- Interpretation 1-1 to indicate that firms without AICPA members may enroll in the Program.
- Interpretation 1-2 to include all committees of the board, including the National PRC, and indicate that firms without AICPA members may enroll in the Program.
- Interpretation 1-4 remove requirement that one owner of the firm be a member of the AICPA and to refer to firms without AICPA members consistently.
- Interpretation 3-1 to allow firm without AICPA member CPAs to enroll individually if they meet criteria.
- Interpretation 3-5 to expand fair procedures established by the board to include individuals enrolled in the program.
- Interpretation 5h-1 to provide appeal rights under fair procedures to firms without AICPA members pursuant to fair procedures established by the board and note limited applicability to ramification of referral to AICPA Professional Ethics Division.
- Interpretation 11-1 to include all committees of the board, including the National PRC, and remove requirement that one owner of the firm be an AICPA member for administration by the National Peer Review Committee.
- Interpretation 13-1 to clarify impact of peer reviews conducted under the auspices of another peer review program by an administering entity not approved by the board and indicate timing of peer reviews for firms previously enrolled in other programs.
- Interpretation 21-20 to update time periods in example.
- Interpretation 25-1 to expand document retention policy for those firms appealing through Joint Trial Board to apply to all firms appealing through fair procedures established by the board.
- Interpretation 26-1 to expand to firms without AICPA members, clarify that Board approval of the Association Information Form does not mean approval or endorsement of any other peer review programs conducted or administered by that association, and to further clarify the statement that representations contained in marketing by association must be objective and quantifiable.
- Interpretation 31b-1 to remove references to CPCAF PRP.
- Interpretation 31b-4 to remove references to CPCAF PRP.
- Interpretation 34-2 to note applicability of AICPA Code of Professional Conduct.
- Interpretation 59-3 to expand guidance related to foreign offices to include all enrolled firms.
- Interpretation 132-1 to specify that all peer review committee members, RAB members, national RAB consultants, and technical reviewers must be AICPA members.

## Comment Period

The comment period for this exposure draft ends on August 19, 2016.

Written comments on the exposure draft will become part of the public record of the AICPA and will be available on the AICPA's website after August 19, 2016, for a period of one year.

## **Guide for Respondents**

The Board welcomes feedback from all interested parties on this proposal. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, where appropriate, make specific suggestions for any proposed changes to wording.

Comments and responses should be sent to Lisa Joseph, Technical Manager – Peer Review, AICPA Peer Review Program, AICPA, 220 Leigh Farm Road, Durham, NC 27707-8110 and must be received by August 19, 2016. Respondents can also direct comments and responses to [PR\\_expdraft@aicpa.org](mailto:PR_expdraft@aicpa.org) by August 19, 2016.

## **Effective Date**

Final revisions to the *Standards* will be effective, if approved by the Board, May 1, 2017.

DRAFT

# Proposed Revisions

To aid understanding, *Standards* are presented in this section if they contain a proposed revision or if a related Interpretation contains a proposed revision.

## Peer Review Standards

### Notice to Readers

In order to be admitted to or retain their membership in the AICPA, members of the AICPA who are engaged in the practice of public accounting in the United States or its territories are required to be practicing as partners or employees of firms 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.

Firms have peer reviews because of the public interest in the quality of the accounting, auditing, and attestation services provided by public accounting firms. In addition, firms indicate that peer review contributes to the quality and effectiveness of their practices. Furthermore, most state boards of accountancy require its licensees to undergo peer review, which they may also call compliance assurance, to practice in their state. Other regulators require peer review in order to perform engagements and to issue reports under their standards. Therefore, due to this public interest, we allow firms without AICPA members to enroll in the AICPA Peer Review Program.

A firm (or individual) enrolled in the AICPA Peer Review Program is deemed to be enrolled in an approved practice-monitoring program. See BL sections 230, 2.3 Requirements for Retention of Membership, 220, 2.2 Requirements for Admission to Membership, and 760, 7.6 Publication of Disciplinary Action (AICPA, Professional Standards); AICPA Code of Professional Conduct Rule 505, Form of Organization and Name (AICPA, Professional Standards, ET sec. 505); and the implementing council resolutions under those sections.

These standards are applicable to firms (and individuals) enrolled in the AICPA Peer Review Program and to individuals and firms who perform and report on such peer reviews, to entities approved to administer the peer reviews, and to associations of CPA firms authorized by the AICPA Peer Review Board (board) to assist its members in forming review teams. The AICPA Peer Review Program may not be administered by any entity -without written permission from the AICPA Peer Review Board. These standards are not intended for peer reviews of organizations that are not public accounting firms.

Users of these standards should be knowledgeable about the standards and their interpretations and effective dates, as well as guidance issued by the board that might affect the application of these standards. Those subject to the standards should be prepared to justify departures from these standards, and it is expected that departures will be rare.

These standards are effective for peer reviews commencing on or after January 1, 2009. ~~Early implementation of these standards is not permitted.~~

## Overview

- .01 The purpose of this document is to provide standards for administering, planning, performing, reporting on and the acceptance of peer reviews of CPA firms (and individuals) enrolled in the AICPA Peer Review Program (program) (see interpretations). Those processes collectively are also called practice monitoring because it is the monitoring of a CPA firm's accounting and auditing practice.
- .02 The goal of practice monitoring, and the program itself, is to promote and enhance quality in the accounting and auditing services provided by the CPA firms (and individuals) subject to these standards. This goal serves the public interest and enhances the significance of AICPA membership.
- .03 Firms (and individuals) (see interpretations) enrolled in the program are required to have a peer review, once every three years, of their accounting and auditing practice not subject to Public Company Accounting Oversight Board (PCAOB) permanent inspection (see interpretations) 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.

## Introduction and Scope

- .05 Firms (and individuals) (see interpretations) enrolled in the program have the responsibility to:
  - a. Design and comply with a system of quality control for its accounting and auditing practice that provides the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Statement on Quality Control Standards (SQCS) No. 8, A Firm's System of Quality Control (Redrafted) (AICPA, Professional Standards, QC sec. 10), requires every CPA firm, regardless of its size, to have a system of quality control for its accounting and auditing practice.
  - b. Perform accounting and auditing engagements in accordance with applicable professional standards using competent personnel<sup>1</sup> (partners<sup>2</sup> and staff<sup>3</sup>).
  - c. Have independent peer reviews of their accounting and auditing practices (see interpretations).  
All enrolled firms that an AICPA member is associated with should undergo a peer review if the services performed and reports issued by the firm require a peer review.

<sup>1</sup> Personnel are defined per Statement on Quality Control Standards (SQCS) as partners and staff.

<sup>2</sup> Partners are defined per SQCS as any individual with authority to bind the firm with respect to the performance of a professional services engagement. Depending on how a CPA firm is legally organized, its partner(s) could have other names, such as shareholder, member, or proprietor.

<sup>3</sup> Staff are defined per SQCS as professionals, other than partners, including any specialists that the firm employs.

- d. Engage a peer reviewer to perform the peer review in accordance with these standards, in a timely manner.
- e. Take such measures, if any, as may be necessary to satisfy its obligations concerning client confidentiality any time state statutes or ethics rules promulgated by state boards of accountancy do not clearly provide an exemption from confidentiality requirements when peer reviews are undertaken.
- f. Provide written representations to describe matters significant to the peer review (see appendix B "Considerations and Illustrations of Firm Representations").
- g. Understand the AICPA Peer Review Board's (board) guidance on resignations from the program (see interpretations).
- h. Cooperate with the peer reviewer, administering entity, and the ~~AICPA Peer Review Board~~ (board) in all matters related to the peer review, that could impact the firm's enrollment in the program, including paying administrative fees, arranging, scheduling, and completing the review and taking remedial, corrective actions and implementing other plans as needed (see interpretations).

**.06** An accounting and auditing practice for the purposes of these standards is defined as all engagements performed under Statements on Auditing Standards (SASs); Statements on Standards for Accounting and Review Services (SSARS)<sup>4</sup>; Statements on Standards for Attestation Engagements (SSAEs); Government Auditing Standards (the Yellow Book) issued by the U.S. Government Accountability Office; and engagements performed under ~~Public Company Accounting Oversight Board (PCAOB)~~ standards (see interpretations). Engagements covered in the scope of the program are those included in the firm's accounting and auditing practice that are not subject to PCAOB permanent inspection (see interpretations).

**.09** The program is based on the principle that a systematic monitoring and educational process is the most effective way to attain high quality performance throughout the profession. Thus, it depends on mutual trust and cooperation. On System Reviews, the reviewed firm is expected to take appropriate actions in response to findings, deficiencies, and significant deficiencies identified with their system of quality control or their compliance with the system, or both. On Engagement Reviews, the reviewed firm is expected to take appropriate actions in response to findings, deficiencies, and significant deficiencies identified in engagements. These actions will be positive and remedial. Disciplinary actions (including those that can result in the termination of a firm's enrollment in the program and the subsequent loss of membership, if applicable, in the AICPA and some state CPA societies by its partners<sup>5</sup> and employees) will be taken only for a failure to cooperate,

<sup>4</sup> Statements on Standards for Accounting and Review Services that provide an exemption from those standards in certain situations are likewise excluded from this definition of an accounting and auditing practice for peer review purposes (see interpretations).

<sup>5</sup> Partners are defined per SOCS as any individual with authority to bind the firm with respect to the performance of a professional services engagement. A partner is a proprietor, shareholder, equity or non-equity partner, or any individual who assumes the risks and benefits of firm ownership or who is otherwise held out by the firm to be the equivalent of any of the aforementioned. Depending on how a CPA firm is legally organized, its partner(s) could have other names, such as *shareholder, member, or proprietor*.

failure to correct inadequacies, or when a firm is found to be so seriously deficient in its performance that education and remedial, corrective actions are not adequate.

## **General Considerations**

### **Administrative Requirements**

- .11 All peer reviews intended to meet the requirements of the program should be carried out in conformity with these standards under the supervision of a state CPA society, group of state CPA societies, the ~~AICPA Peer Review Board's~~ board's committees including but not limited to the National Peer Review Committee (National PRC) (see interpretations), or other entity (hereinafter, administering entity) approved by the board to administer peer reviews.

### **Timing of Peer Reviews**

- .13 A firm's due date for its initial peer review is ordinarily 18 months from the date it enrolled in the program or should have enrolled, whichever date is earlier (see interpretations).

### **Peer Review Documentation and Retention Policy**

- .25 Peer review documentation should not be retained for an extended period of time after the peer review's completion, with the exception of certain documents that are maintained until the subsequent peer review's acceptance and completion (see interpretations).

### **Organizing the System or Engagement Review Team**

- .26 A System Review team comprises one or more individuals, depending upon the size and nature of the reviewed firm's practice and other factors. An Engagement Review team ordinarily comprises one individual. A review team may be formed by a firm engaged by the firm under review (a firm-on-firm review) or an association of CPA firms authorized by the board to assist its members in forming review teams (an association formed review team) (see interpretations). For Engagement Reviews, review teams may also be formed by the administering entity if it chooses to appoint such teams (hereinafter, a committee-appointed review team, also known as a CART review).

## **Qualifying for Service as a Peer Reviewer**

### **System and Engagement Reviewers**

- .31 Performing and reporting on a peer review requires the exercise of professional judgment by peers (see paragraphs .147–.153 for a discussion of a reviewer's responsibilities when performing a peer review). Accordingly, an individual serving as a reviewer on a System or Engagement Review should at a minimum:
- a. Be a member of the AICPA in good standing (that is, AICPA membership in active, non-suspended status) licensed to practice as a CPA.
  - b. Be currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program (see interpretations), as a partner of the firm, or as a

manager or person with equivalent supervisory responsibilities.<sup>6, 7</sup> To be considered currently active in the accounting or auditing function, a reviewer should be presently involved in the accounting or auditing practice of a firm supervising one or more of the firm's accounting or auditing engagements or carrying out a quality control function on the firm's accounting or auditing engagements (see interpretations). CPAs who wish to serve as reviewers should carefully consider whether their day-to-day involvement in accounting and auditing work is sufficiently comprehensive to enable them to perform a peer review with professional expertise (see interpretations).

- c. Be associated with a firm (or all firms if associated with more than one firm) that has received a report with a peer review rating of pass for its most recent System or Engagement Review that was accepted timely, ordinarily within the last three years and six months (see interpretations).
- d. Possess current knowledge of professional standards applicable to the kind of practice to be reviewed, including quality control and peer review standards. This includes recent experience in and knowledge about current rules and regulations appropriate to the level of service applicable to the industries of the engagements that the individual will be reviewing (see interpretations).<sup>8</sup>
- e. Have at least five years of recent experience in the practice of public accounting in the accounting or auditing function.
- f. Have provided the administering entity with information that accurately reflects the qualifications of the reviewer including recent industry experience, which is updated on a timely basis (see interpretations).
- g. If the reviewer will review engagements that must be selected in a System Review under paragraph .63, possess specific additional qualifications (see interpretations).
- h. If the reviewer is from a firm that is a provider of quality control materials (QCM) or is affiliated with a provider of quality control materials and is required to have a QCM review under these standards, be associated with a provider firm or affiliated entity that has received a QCM report with a review rating of pass for its most recent QCM review that was submitted timely, ordinarily within six months of the provider's year-end.

#### **Other Peer Reviewer or Reviewing Firm Qualification Considerations**

**.34** Communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of a peer reviewer or reviewing firm's accounting and auditing practice, and

---

<sup>6</sup> The board recognizes that practitioners often perform a number of functions, including tax and consulting work, and cannot restrict themselves to accounting and auditing work. These standards are not intended to require that reviewers be individuals who spend all their time on accounting and auditing engagements. However, CPAs who wish to serve as reviewers should carefully consider whether their day-to-day involvement in accounting and auditing work is sufficiently comprehensive to enable them to perform a peer review with professional expertise. For instance, in a System Review, a reviewer of auditing engagements should be currently reviewing or performing auditing engagements. In an Engagement Review, a reviewer of engagements performed under the Statements on Standards for Attestation Engagements should also be currently reviewing or performing the same type of engagements.

<sup>7</sup> A manager or person with equivalent supervisory responsibilities is a professional employee of the firm who has either a continuing responsibility for the overall planning and supervision of engagements for specified clients or authority to determine that an engagement is complete subject to final partner approval if required.

<sup>8</sup> A reviewer should be cautious of those high-risk engagements or industries in which new standards or regulations have been issued. For example, in those cases in which new industry standards or practices have occurred in the most recent year, it may be necessary to have current practice experience in that industry.



notifications of limitations or restrictions on a peer reviewer or reviewing firm to practice, may impact the peer reviewer or reviewing firm's ability to perform the peer review. The peer reviewer or reviewing firm has a responsibility to inform the administering entity of such communications or notifications (see interpretations).

## Planning and Performing Compliance Tests

### Selection of Engagements

- .59 Engagements selected for review should provide a reasonable cross section of the reviewed firm's accounting and auditing practice, with greater emphasis on those engagements in the practice with higher assessed levels of peer review risk. Examples of the factors to consider when assessing peer review risk at the engagement level include size; industry area; level of service; personnel (including turnover, use of merged-in personnel, or personnel not routinely assigned to accounting and auditing engagements); communications from regulatory, monitoring, or enforcement bodies; extent of non-audit services to audit clients; significant clients' fees to practice office(s) and partner(s); and initial engagements (see interpretations).

### Administering Peer Reviews

- .128 All peer reviews intended to meet the requirements of the program should be carried out in conformity with these standards under the supervision of a state CPA society, group of state CPA societies, the AICPA Peer Review Board's committees including but not limited to the National PRC (see interpretations), or other entity (hereinafter, administering entity) approved by the board to administer peer reviews. This imposes an obligation on reviewed firms to facilitate completion of their peer reviews in compliance with the procedures established by the board, and to cooperate with the peer reviewer, administering entity, and the board in all matters related to the review, that could impact the firm's enrollment in the program.
- .129 Entities requesting to administer the program are required to complete and sign a Plan of Administration annually whereby the entity agrees to administer the program in compliance with these standards, interpretations, and other guidance established by the board. Upon receipt of the plans by the AICPA, including jurisdictions not requesting another entity to administer the program for firms in its their state, the board annually approves the administering entities for all of the jurisdictions covered by the program.
- .130 This imposes an obligation on the administering entities to ensure that their staff, technical reviewers, committee members, and all others involved in the administration of the program and performance of peer reviews comply with these standards, interpretations, and other guidance established by the board. Administering entities shall also cooperate with the board in all matters related to the administration of the program. Failure to comply with these standards, interpretations, and other guidance may result in the revocation of the administering entity's plan by the board. If an administering entity refuses to cooperate or is found to be deficient in administering the program in compliance with these standards or with other guidance, the board may decide pursuant to fair procedures whether the

administering entity's plan should be revoked or whether some other action should be taken.

- .131 Due to the volume of peer reviews, firms, reviewers, and other contributing factors, the board recognizes that administering entities, and in some situations firms and peer reviewers, may need the flexibility, in specific circumstances, to implement alternate methods of complying with the standards, interpretations, or guidance issued by the board. The board or its staff will consider reasonable requests from administering entities' peer review committees on such matters. The comprehensiveness of the administering entity's oversight policies and procedures will be considered as well as such factors as whether the objectives of the standards, interpretations, or guidance would still be met. Requests for consideration of alternative methods Administering entities must submit a request must be approved by in writing to the board for approval prior to implementing alternative methods of complying with the standards, interpretations, or other guidance. Ordinarily, such This requests should ordinarily be submitted in conjunction with an entity's plan of administration the submission of its plan.

### **Fulfilling Peer Review Committee and Report Acceptance Body Responsibilities**

- .132 An administering entity appoints a peer review committee to oversee the administration, acceptance, and completion of peer reviews. The committee may decide to delegate a portion of the report acceptance function to report acceptance bodies (RABs), whose members may be, but are not required to be, members of the committee as well. Members of a committee or a RAB must meet minimum qualification requirements (see interpretations). It is ultimately the committee's responsibility to ensure that it (or a RAB on its behalf) considers the results of peer reviews it administers that are undertaken to meet the requirements of the program. The activities of the committee should be carried out in accordance with administrative procedures and guidance issued by the board. Committee members may not participate in any discussion or have any vote with respect to a reviewed firm if the member lacks independence or has a conflict of interest with the reviewing firm, the reviewer, or the reviewed firm.

### **Cooperating in a Peer Review**

- .145 If a decision is made by the hearing panel to terminate a firm's enrollment in the program, the firms with AICPA members will have the right to appeal to the AICPA Joint Trial Board and firms without AICPA members will have the right to appeal in accordance with fair procedures developed by the board, for a review of the termination decision. ~~hearing panel's findings.~~ The fact that a firm's enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe.

### **Effective Date**

- .206 The effective date for these standards is for peer reviews commencing on or after January 1, 2009 and QCM reviews commencing on or after January 1, 2011. ~~Early implementation is permitted for QCM reviews, but not for peer reviews.~~

## Appendix A Summary of the Nature, Objectives, Scope, Limitations of, and Procedures Performed in System and Engagement Reviews and Quality Control Materials Reviews (as Referred to in a Peer Review Report)

(Effective for Peer Reviews Commencing on or After January 1, 2009)

.207

1. Firms (and individuals) enrolled in the AICPA Peer Review Program are required to have a peer review, once every three years, of their accounting and auditing practice that are not subject to PCAOB permanent inspection related to non-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.

2. The peer review helps to monitor a CPA firm's accounting and auditing practice (*practice monitoring*). The goal of the practice monitoring, and the program itself, is to promote and enhance quality in the accounting and auditing services provided by the AICPA members and their CPA firms subject to these standards. This goal serves the public interest and enhances the significance of AICPA membership and accounting and audit quality.

3. There are two types of peer reviews: System Reviews and Engagement Reviews. System Reviews focus on a firm's system of quality control and Engagement Reviews focus on work performed on particular selected engagements. As noted in paragraphs .04 and .157, a further description of System and Engagement Reviews, and Quality Control Materials (QCM) Reviews, as well as a summary of the nature, objectives, scope, limitations of, and procedures performed on them, is provided in the following sections.

### System Reviews

4. A System Review is a type of peer review that is a study and appraisal by an independent evaluator(s), known as a peer reviewer, of a CPA firm's system of quality control to perform accounting and auditing work. The system represents the policies and procedures that the CPA firm has designed, and is expected to follow, when performing its work. The peer reviewer's objective is to determine whether the system is designed to ensure conformity with professional standards and whether the firm is complying with its system appropriately.

5. Professional standards are literature, issued by various organizations, that contain the framework and rules that a CPA firm is expected to comply with when designing its system and when performing its work. Professional standards include but are not limited to the Statements on Quality Control Standards issued by the AICPA that pertain to leadership responsibilities for quality within the firm (the "tone at the top"); relevant ethical requirements (such as independence, integrity and objectivity); acceptance and

continuance of client relationships and specific engagements; human resources; engagement performance; and monitoring.

6. To plan a System Review, a peer reviewer obtains an understanding of (1) the firm's accounting and auditing practice, such as the industries of its clients, and (2) the design of the firm's system, including its policies and procedures and how the firm checks itself that it is complying with them. The reviewer assesses the risk levels implicit within different aspects of the firm's practice and its system. The reviewer obtains this understanding through inquiry of firm personnel and review of documentation on the system, such as firm manuals.

7. Based on the types of engagements firms perform, they may also have their practices reviewed or inspected on a periodic basis by regulatory or governmental entities, including but not limited to the Department of Health and Human Service, the Department of Labor, and the PCAOB. The team captain obtains an understanding of those reviews or inspections, and he or she considers their impact on the nature and extent of the peer review procedures performed.

8. Based on the peer reviewer's planning procedures, the reviewer looks at a sample of the CPA firm's work, individually called engagements. The reviewer selects engagements for the period covered by the review from a cross section of the firm's practice with emphasis on higher risk engagements. The engagements selected include those performed under *Government Auditing Standards*, audits of employee benefit plans, audits of depository institutions (with assets of \$500 million or greater), audits of carrying broker-dealers, and examinations of service organizations (Service Organization Control [SOC] 1<sup>®</sup> and SOC 2<sup>®</sup> engagements) when applicable. The scope of a peer review only covers accounting and auditing engagements performed under U.S. professional standards; it does not include the firm's engagements that are subject to PCAOB permanent inspection ~~SEC issuer practice~~, nor does it include tax or consulting services. The reviewer will also look at administrative elements of the firm's practice to test the elements listed previously from the Statements on Quality Control Standards.

9. The reviewer examines engagement working paper files and reports, interviews selected firm personnel, reviews representations from the firm, and examines selected administrative and personnel files. The objectives of obtaining an understanding of the system and then testing the system forms the basis for the reviewer's conclusions in the peer review report.

10. When a CPA firm receives a report from the peer reviewer with a peer review rating of *pass*, the report means that the system is appropriately designed and being complied with by the CPA firm in all material respects. If a CPA firm receives a report with a peer review rating of *pass with deficiencies*, this means the system is designed and being complied with appropriately by the CPA firm in all material respects, except in certain situations that are explained in detail in the peer review report. When a firm receives a report with a peer review rating of *fail*, the peer reviewer has determined that the firm's system is not suitably designed or being complied with, and the reasons why are explained in detail in the report.

11. There are inherent limitations in the effectiveness of any system and, therefore, noncompliance with the system may occur and not be detected. A peer review is based on selective tests. It is directed at assessing whether the design of and compliance with the firm's system provides the firm with reasonable, not absolute, assurance of conforming to applicable professional standards. Consequently, it would not necessarily detect all weaknesses in the system or all instances of noncompliance with it. It does not provide assurance with respect to any individual engagement conducted by the firm or that none of the financial statements audited by the firm should be restated. Projection of any evaluation of a system to future periods is subject to the risk that the system may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

### Engagement Reviews

12. An Engagement Review is a type of peer review that is a study and appraisal by an independent evaluator(s), known as a peer reviewer, of a sample of a CPA firm's actual accounting work, including accounting reports issued and documentation prepared by the CPA firm, as well as other procedures that the firm performed.

13. By definition, CPA firms undergoing Engagement Reviews do not perform audits or other similar engagements but do perform other accounting work including reviews and compilations, which are a lower level of service than audits. The peer reviewer's objective is to evaluate whether the CPA firm's reports are issued and procedures performed appropriately in accordance with applicable professional standards. Therefore, the objective of an Engagement Review is different from the objectives of a System Review, which is more system oriented and involves determining whether the system is designed in conformity with applicable professional standards and whether the firm is complying with its system appropriately.

14. Professional standards represent literature, issued by various organizations, that contain the framework and rules that a CPA firm is expected to follow when performing accounting work.

15. The reviewer looks at a sample of the CPA firm's work, individually called engagements. The scope of an Engagement Review only covers accounting engagements; it does not include tax or consulting services. An Engagement Review consists of reading the financial statements or information submitted by the reviewed firm and the accountant's report thereon, together with certain background information and representations from the firm and, except for certain compilation engagements, the documentation required by applicable professional standards.

16. When the CPA firm receives a report with a peer review rating of *pass*, the peer reviewer has concluded that nothing came to his or her attention that the CPA firm's work was not performed and reported on in conformity with applicable professional standards in all material respects. A report with a peer review rating of *pass with deficiencies* is issued when the reviewer concludes that nothing came to his or her attention that the work was not performed and reported on in conformity with applicable professional standards in all

material respects, except in certain situations that are explained in detail in the report. A report with a peer review rating of *fail* is issued when the reviewer concludes that as a result of the situations described in the report, the work was not performed or reported on in conformity with applicable professional standards in all material respects.

17. An Engagement Review does not provide the reviewer with a basis for expressing any assurance as to the firm's system of quality control for its accounting practice, and no opinion or any form of assurance is expressed on that system.

#### Quality Control Materials Reviews

18. An organization (hereinafter referred to as *provider*) may sell or otherwise distribute quality control materials (QCM or materials) that it has developed to CPA firms (hereinafter referred to as *user firms*). QCM may be all or part of a user firm's documentation of its system of quality control, and it may include manuals, guides, programs, checklists, practice aids (forms and questionnaires) and similar materials intended for use in conjunction with a user firm's accounting and auditing practice. User firms rely on QCM to assist them in performing and reporting in conformity with the professional standards covered by the materials (as described in the preceding paragraphs).

19. A QCM review is a study and appraisal by an independent evaluator (known as a QCM reviewer) of a provider's materials, as well as the provider's system of quality control to develop and maintain the materials (hereinafter referred to as *provider's system*). The QCM reviewer's objective is to determine whether the provider's system is designed and complied with and whether the materials produced by the provider are appropriate so that user firms can rely on the materials. The scope of a QCM review only covers materials related to accounting and auditing engagements under U.S. professional standards. The scope does not include SEC or PCAOB guidance, nor does it cover materials for tax or consulting services.

20. To plan a QCM review, a QCM reviewer obtains an understanding of (1) the provider's QCM, including the industries and professional standards that they cover, and (2) the design of the provider's system, including the provider's policies and procedures and how it ensures that they are being complied with. The QCM reviewer assesses the risk levels implicit within different aspects of the provider's system and materials. The QCM reviewer obtains this understanding through inquiry of provider personnel, review of documentation on the provider's system, and review of the materials.

21. Based on the planning procedures, the QCM reviewer looks at the provider's QCM, including the instructions, guidance, and methodology therein. The scope of a QCM review encompasses those materials which the provider elects to include in the QCM review report; QCM designed to aid user firms with tax or other non-attest services are outside of the scope of this type of review. The QCM reviewer will also look at the provider's system and will test elements including, but not limited to, requirements regarding the qualifications of authors and developers, procedures for ensuring that the QCM are current, procedures for reviewing the technical accuracy of the materials, and procedures for soliciting feedback from users. The extent of a provider's policies and procedures and the

manner in which they are implemented will depend upon a variety of factors, such as the size and organizational structure of the provider and the nature of the materials provided to users. Variance in individual performance and professional interpretation affects the degree of compliance with prescribed quality control policies and procedures. Therefore, adherence to all policies and procedures in every case may not be possible. The objectives of obtaining an understanding of the provider's system and the materials forms the basis for the QCM reviewer's conclusions in the QCM review report.

22. When a provider receives a QCM review report from an approved QCM reviewer with a review rating of *pass*, this means the provider's system is designed and being complied with and the materials produced by the provider are appropriate so that user firms can rely on the QCM to assist them in performing and reporting in conformity with the professional standards covered by the materials. If a provider receives a QCM review report with a review rating of *pass with deficiencies*, this means the provider's system is designed and being complied with and the materials produced by the provider are appropriate so that user firms can rely on the QCM to assist them in performing and reporting in conformity with the professional standards covered by the materials, except in certain situations that are explained in detail in the review report. When a provider receives a report with a review rating of *fail*, the QCM reviewer has determined that the provider's system is not suitably designed or being complied and the materials produced by the provider are not appropriate, and the reasons why are explained in detail in the report.

23. There are inherent limitations in the effectiveness of any system and, therefore, noncompliance with the system may occur and not be detected. A QCM review is based on the review of the provider's system and its materials. It is directed at assessing whether the provider's system is designed and complied with and whether the QCM produced by the provider are appropriate so that user firms have reasonable, not absolute, assurance that they can rely on the materials to assist them in performing and reporting in conformity with the professional standards covered by the materials. Consequently, a QCM review would not necessarily detect all weaknesses in the provider's system, all instances of noncompliance with it, or all aspects of the materials that should not be relied upon. Projection of any evaluation of a system or the materials to future periods is subject to the risk that the system or materials may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

## Peer Review Interpretations

### Notice to Readers

Interpretations of the AICPA Standards for Performing and Reporting on Peer Reviews (sec. 1000) are developed in open meetings by the AICPA Peer Review Board for peer reviews of firms enrolled in the AICPA Peer Review Program. Interpretations need not be exposed for comment and are not the subject of public hearings. These interpretations are applicable to firms (and individuals) enrolled in the program; individuals and firms who perform and report on peer reviews; entities approved to administer the peer reviews; associations of CPA firms, whose members are also AICPA members, authorized by the board to assist its members in forming review teams; and AICPA program staff. Interpretations are effective upon issuance unless otherwise indicated.

The prefix of each interpretation refers first to the paragraph number in the standards and second to the number of the interpretation relating to that paragraph. For example, Interpretation No. 5-3 would be the third interpretation of paragraph .05 of the standards. Not every paragraph of the standards has an interpretation, and thus there could be gaps in the numbering sequence of the interpretations. If more than one paragraph of the standards refers to a particular interpretation, then the interpretation's prefix will refer to the first instance in the standards, and the interpretation would note what other paragraphs refer to the interpretation. Interpretations have been grouped by topic for reference purposes. For example, there are paragraph Interpretation Nos. 3-1 and 3-2 under the interpretation related to "Individual Enrollment in the Program."

To the extent that new interpretations are added before the next version of the standards is issued, an interpretation may not be referred to in the standards with the phrase (see interpretations).

### Use of Standards

**1-1** *Question*—Paragraph .01 of the standards discusses that the standards are provided for CPA firms (and individuals) those enrolled in the program. Who determines program enrollment eligibility and who may administer the program? Who else may use these standards and who determines who enrolls in the program?

*Interpretation*—The AICPA Peer Review Board ("board") determines program enrollment eligibility and who may administer the program. CPA firms (and individuals) with AICPA members as well as without AICPA members may enroll in the program. Although the standards are currently intended for AICPA members and their firms, state CPA societies, or other organizations that are approved by the AICPA Peer Review Board (board) to administer the program, AICPA members may also use these standards, as applicable, in administering peer reviews of non-



AICPA firms (and individuals). Administering entities may only use the Standards to administer the AICPA Peer Review Program.

The board determines who is eligible for enrollment in the program.

There are professional organizations with peer review programs to assist government audit organizations in meeting their *Government Auditing Standards* peer review requirements. For example, the President's Council on Integrity and Efficiency peer review program arranges reviews for the Federal Inspector General; the National Association of State Auditors, Comptrollers and Treasurers (NASACT) program arranges reviews for state auditors; and the Association of Local Government Auditors (ALGA) program arranges reviews for local government auditors. Each of these programs have established their own set of standards for conducting peer reviews and should be contacted for additional information when a peer reviewer is considering performing a peer review for one of their members because these standards are not intended for those purposes. Other professional accounting organizations interested in conducting a peer review program for firms to meet their state board licensing requirements would need to develop their own peer review standards and process.

1-2 *Question*—Who is currently eligible to enroll in the program, which is administered by committees of the board including but not limited to the National Peer Review Committee (National PRC), state CPA societies, or other organizations approved by the board?

*Interpretation*—CPA firms in which at least one partner is a member of the AICPA and, in certain circumstances, individual AICPA members and CPAs who are not members of the AICPA may enroll.

1-4 *Question*—Can state CPA societies or other organizations that are approved by the board to administer the program use the standards, as applicable, to administer peer reviews of non-AICPA firms without AICPA members?

*Interpretation*—Yes, except for firms required to be registered with and subject to permanent inspection by the PCAOB or firms that perform engagements under PCAOB standards. Those firms are required to be administered by the National PRC. This would also require that at least one owner of the firm be a member of the AICPA.

## Individual Enrollment in the Program

3-1 *Question*—AICPA bylaws require individual CPAs (not the firm) to enroll in the program if they perform compilation services in firms or organizations not eligible to enroll in such a program. To reflect this requirement, paragraphs .03 and .05 of the standards refer to “firms and individuals in the program.” What is meant by “firms or organizations not eligible to enroll,” and can any AICPA member enroll in the program as an individual?

*Interpretation*—Under the AICPA Code of Professional Conduct ET appendix B, Council Resolution Concerning Rule 505—Form of Organization and Name (AICPA, Professional Standards), when the majority of the ownership of a firm, in terms of financial interests and voting rights, belongs to CPAs, it must enroll in the program. A firm or organization without CPA majority ownership (a non-CPA owned entity) would not be eligible to enroll in the program. The characteristics of such a firm are discussed in ET appendix B. Where the firm or organization is not eligible to enroll, such as due to a lack of majority ownership by CPAs, and where the individual AICPA member performs compilation services in the firm or organization, the AICPA member is required to enroll individually in the program. Only AICPA members meeting these criteria are able to enroll individually. Individual AICPA members who are only practicing with a firm that is eligible to enroll in the program may not enroll in the program individually. In addition, CPAs who are not members of the AICPA that perform services that fall within the scope of the program in a firm that is not eligible to enroll may enroll in the program.

**3-5** *Question*—As discussed in paragraph .144 of the standards, can a hearing panel decide to terminate an individual's enrollment in the program?

*Interpretation*—Yes. The fair procedures related to hearings and appeals established by the board to the AICPA Joint Trial Board for individuals enrolled in the program would parallel the process for enrolled firms, including publication of termination in such form and manner as the AICPA Council may prescribe. If a hearing panel decides to terminate an individual's enrollment in the program, that individual can appeal pursuant to fair procedures established by the board to the AICPA Joint Trial Board. When the fact that an individual's enrollment has been terminated is published, the name of the firm or organization that was not eligible to enroll in the program with which the individual was practicing is not published.

## Cooperating in a Peer Review

**5h-1** *Question*—Paragraph .05(h) of the standards notes that firms (and individuals) enrolled in the program have the responsibility to cooperate with the peer reviewer, administering entity, and the board in all matters related to the peer review, that could impact the firm's enrollment in the program, including arranging, scheduling, and completing the review and taking remedial, corrective actions as needed (paragraph .143 of the standards). Under what circumstances will a firm (or individual) be not cooperating, and what actions can be taken by the board for noncooperation?

*Interpretation*—The board has issued a resolution regarding dropping a firm's enrollment from the program that is as follows:

### AICPA Peer Review Board Resolution

(Adopted April 29, 1996 with amendments through January 1, 2009, May 3, 2011, January 30, 2014, and September 30, 2014, and September 27, 2016)

WHEREAS, a firm enrolled in the AICPA Peer Review Program is required to have a peer review once every three years performed in conformity with the AICPA *Standards for Performing and Reporting on Peer Reviews*; and

WHEREAS, a firm enrolled in the AICPA Peer Review Program is required under the AICPA *Standards for Performing and Reporting on Peer Reviews* to cooperate with the peer reviewer, administering entity and the AICPA Peer Review Board in all matters related to the review, that could impact the firm's enrollment in the program;

NOW, THEREFORE, BE IT RESOLVED: A firm's enrollment in the AICPA Peer Review Program will be dropped by the AICPA Peer Review Board, without a hearing, thirty days after the AICPA Peer Review Program notifies the firm by certified mail, or other delivery method providing proof of receipt that the firm has failed to:

- (1) Timely file requested information with the entity administering the firm's peer review concerning the arrangement or scheduling of that peer review, prior to the commencement of the peer review,
- (2) Timely submit requested information to the reviewer necessary to plan or perform the firm's peer review, prior to the commencement of the peer review,
- (3) Have a peer review by the required date,
- (4) Accurately represent its accounting and auditing practice, as defined by the AICPA Standards for Performing and Reporting on Peer Reviews, after notifying its administering entity that it does not perform engagements that require the firm to have a peer review,
- (5) Timely pay in full the fees and expenses of the review team formed by an administering entity, or
- (6) Timely pay all fees related to the administration of the program that have been authorized by the governing body of an administering entity and the AICPA.

The AICPA Peer Review Board may at its discretion decide to hold a hearing. Whether a hearing is held or not, a firm with AICPA members enrolled in the AICPA Peer Review Program has the right to appeal to the AICPA Joint Trial Board and firms without an AICPA member have the right to appeal pursuant to fair procedures established by the board within 30 calendar days of being notified that the firm's enrollment has been dropped.

If a firm's enrollment is dropped for not accurately representing its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews*, or subsequent failure to submit a peer review by a required due date, the matter will result in referral to the AICPA Professional Ethics Division of firms with AICPA members for investigation of a possible violation of the AICPA *Code of*

*Professional Conduct.* If a firm's enrollment is dropped for such an omission or misrepresentation, reenrollment will be subject to approval by a hearing panel.

*Interpretation*—The AICPA Peer Review Board has issued a resolution regarding terminating a firm's enrollment from the AICPA Peer Review Program that is as follows:

#### **AICPA Peer Review Board Resolution**

**(Adopted April 29, 1996 with amendments through January 1, 2009, May 3, 2011, August 8, 2012, January 30, 2014, September 30, 2014, and November 30, 2014, and September 27, 2016)**

WHEREAS, a firm enrolled in the AICPA Peer Review Program is required to have a peer review once every three years performed in conformity with the AICPA *Standards for Performing and Reporting on Peer Reviews*; and

WHEREAS, a firm enrolled in the AICPA Peer Review Program is required under the AICPA *Standards for Performing and Reporting on Peer Reviews* to cooperate with the peer reviewer, administering entity and the AICPA Peer Review Board in all matters related to the review, that could impact the firm's enrollment in the program;

NOW, THEREFORE, BE IT RESOLVED: A firm is deemed as failing to cooperate by actions including but not limited to:

- Not responding to inquiries once the review has commenced,
- Withholding information significant to the peer review, for instance but not limited to:
  1. failing to discuss communications received by the reviewed firm relating to allegations or investigations in the conduct of accounting, auditing, or attestation engagements from regulatory, monitoring, or enforcement bodies;
  2. omission or misrepresentation of information relating to its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews*, including, but not limited to, engagements performed under Government Auditing Standards; audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organizations Control (SOC) 1 and 2 engagements],
- Not providing documentation including but not limited to the representation letter, quality control documents, engagement working papers, all aspects of functional areas,
- Not responding to MFCs or FFCs timely,

- Limiting access to offices, personnel or other once the review has commenced,
- Not facilitating the arrangement for the exit conference on a timely basis,
- Failing to timely file the report and the response thereto related to its peer review, if applicable,
- Failing to cooperate during oversight, or
- Failing to timely acknowledge and complete required corrective actions or implementation plans.

The firm will be advised by certified mail, or other delivery method providing proof of receipt, that the AICPA Peer Review Board will appoint a hearing panel to consider whether the firm's enrollment in the AICPA Peer Review Program should be terminated. A firm enrolled in the AICPA Peer Review Program that has been notified that it is the subject of such a hearing may not resign until the matter causing the hearing has been resolved. After a hearing is held, a firm whose enrollment in the AICPA Peer Review Program has been terminated has the right to appeal the panel's decision to the AICPA Joint Trial Board or, for firms without an AICPA member partner, have the right to appeal pursuant to fair procedures established by the board within 30 calendar days of the hearing; and

If a firm omits or misrepresents information relating to its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews* that results in a material departure<sup>9</sup> in the firm's most recently accepted peer review, acceptance of the peer review documents will be recalled. A hearing panel will determine whether the firm's enrollment in the AICPA Peer Review Program should be terminated. If the hearing panel determines that the firm's enrollment will not be terminated, at a minimum the hearing panel will require that the firm have a replacement review submitted to the administering entity by the due date which will be approximately 60 days after the hearing panel's decision.

## Peer Reviews To Be Administered by the National Peer Review Committee

- 11-1** *Question*—Paragraphs .11, .128, and .161 of the standards note that peer reviews intended to meet the requirements of the program should be carried out in conformity with the standards under the supervision of a state CPA society, group of state CPA societies, the National PRC, or other board committee or entity (hereinafter, administering entity) approved by the board to administer peer reviews. Under what circumstances are peer reviews administered by the National PRC?

<sup>9</sup> Material departure is defined in the Report Acceptance Body Handbook, Chapter 3, Section VII, Recall of Peer Review Documents.

*Interpretation*—Firms are required to have their review administered by the National PRC if they meet any of the following criteria:

- a. The firm is required to be registered with and subject to permanent inspection by the PCAOB.
- b. The firm performs engagements under PCAOB standards.
- c. The firm is a provider of quality control materials (QCM) (or affiliated with a provider of QCM) that are used by firms that it peer reviews.

Firms that meet any or all of the preceding criteria during the peer review year, but not as of their peer review year end (for example, because they resigned or were terminated from their SEC issuer clients, whether or not they deregistered with the PCAOB) are still ordinarily required to have their review administered by the National PRC. The firm's peer reviewer is still required to comply with guidance specific to firms administered by the National PRC, including, but not limited to, guidance at Interpretations 40-1 and 40-2 regarding other planning considerations and reporting of PCAOB inspection results. One exception is if a firm was required to be registered with and inspected by the PCAOB during the peer review year, but then did not perform the engagement during that period (because they resigned or were terminated and thus were no longer the "auditor or accountant of record"), is not required to have its review administered by the National PRC if they deregister with the PCAOB prior to scheduling their review.

Firms that are not required to have their review administered by the National PRC may choose to do so. However, such firms are subject to the National PRC's administrative fee structure and should familiarize themselves with that structure prior to making such a decision. This would also require that at least one owner of the firm be a member of the AICPA.

## Timing of Peer Reviews

13-1

*Question*—Paragraph .13 of the standards notes that a firm's due date for its initial peer review is ordinarily 18 months from the date it enrolled in the program or should have enrolled, whichever date is earlier. What is meant by "should have enrolled?" In addition, what is the due date for a firm that was previously enrolled in another peer review program C/CAF PRP?

*Interpretation*—When an individual becomes an AICPA member, and the services provided by his or her firm (or individual) fall 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*, the firm (or individual) should enroll in the program and submit an enrollment form by the report date of the initial engagement. If the firm (or individual) does not initially provide services falling within the scope of the standards, the firm (or individual) should enroll in the program and submit an enrollment form by the report date of their initial engagement. The administering entity will consider the firm's (or individual's) practice, the year-ends of their engagements, the report dates of their engagements, and the number and type of engagements to be encompassed in the review, in determining an appropriate due date. A firm's subsequent peer review ordinarily will be due three years and six months from this peer review year-end.

If a firm's most recent peer review was under the auspices of a peer review program administered by an entity approved by the board fully involved in the administration of the AICPA Peer Review Program, conducted in accordance with the AICPA Standards for Performing and Reporting on Peer Reviews of the C/CAF PRP, its subsequent peer review ordinarily will be due three years and six months from the year-end of that peer review.

If a firm's most recent peer review was under the auspices of another peer review program by an administering entity not approved by the board, even if conducted in accordance with the AICPA Standards for Performing and Reporting on Peer Reviews, its subsequent peer review ordinarily will be considered an initial peer review, due 18 months from the date it enrolled in the Program administered by an administering entity approved by the board.

## Independence, Integrity, and Objectivity

21-20

*Question*—Firm A and Firm B have shared office facilities for the last several years. Due to the growth of both firms, Firm B moved into new offices on January 1, 2014~~07~~. In March 2016~~09~~, Firm A engaged Firm B to perform the peer review of Firm A. Firm

A's peer review year-end is December 31, 2015~~08~~. Can Firm A perform the peer review of Firm B?

*Interpretation*—Yes, because the firms did not share office facilities within the current peer review year and any subsequent periods thereafter.

## Peer Review Documentation and Retention Policy

25-1

*Question*—Paragraph .25 of the standards notes that all peer review documentation should not be retained for an extended period of time after the peer review's completion, with the exception of certain documents that are maintained until the subsequent peer review's acceptance and completion. What period of time should peer review documentation be retained and what documentation should be maintained until the subsequent peer review's acceptance and completion?

*Interpretation*—Peer review documentation prepared during system and engagement reviews, with the exception of those documents described in the following paragraphs, should be retained by the reviewing firm, the administering entity, and the association in an association formed review team (if applicable) until 120 days after the peer review is completed (see Interpretation No. 25-2) or 42 months if firm is unenrolled or does not perform engagements requiring a peer review.

If the administering entity refers the firm to a hearing of the board due to non-cooperation, peer review documentation prepared during system and engagement reviews should be retained by the administering entity until the appeals period has ended. The appeals period ends 30 days from the date that the hearings process is completed (that is, the date of the decision notice letter, upon receipt of a plea of guilty by the firm, or the date of the administering entity's request to stop the hearings process). Peer review documentation should be retained by the administering entity for an additional 120 days after the end of the appeals period. If the reason the firm is referred for non-cooperation is due to failing to submit documentation or requested revisions to the review team or the administering entity, the reviewing firm and the association in an association formed review team (if applicable) should also adhere to these retention guidelines.

If the firm appeals the hearings decision, the administering entity, reviewing firm (if applicable), and the association in an association formed review team (if applicable) should retain peer review documentation until 120 days after the Joint Trial Board decision or, for firms without AICPA members, pursuant to fair procedures established by the board.

The reviewing firm and administering entities should retain the following documents until the firm's subsequent peer review has been completed:



- a. Peer review report and the firm's response, if applicable
- b. Letter notifying the firm that its peer review has been accepted
- c. Letter indicating that the peer review documents have been accepted with the understanding that the firm agrees to take certain actions, if applicable. The administering entity should retain the version signed by the firm
- d. Letter notifying the firm that certain required actions have been completed, if applicable
- e. Finding for Further Consideration (FFC) forms, if applicable
- f. Letter requesting the reviewed firm's completion of an implementation plan, if applicable (the administering entity should retain the version signed by the firm)
- g. Letter notifying the firm that the implementation plan has been completed, if applicable
- h. Letter(s) relating to peer review document recall considerations
- i. Written representations from management of the reviewed firm
- j. Scheduling information

If the firm received two consecutive pass with deficiency(ies) or fail peer review reports, the administering entity should retain both the prior and current peer review reports until the subsequent peer review has been completed.

Administering entities may also retain the following administrative materials until the firm's subsequent peer review has been completed:

- a. Engagement letters
- b. Review team appointment acceptance letters
- c. Due date extension and year-end change requests and approvals
- d. Settlement agreements received by the administering entity from the AICPA Professional Ethics Division related to individual members' performance on accounting, auditing, or attestation engagements

The administering entity's peer review committee or the board may indicate that any or all documentation for specific peer reviews should be retained for a longer period of time than specified in the preceding paragraphs because, for example, the review has been selected for oversight. All peer review documentation is subject to oversight or review by the administering entity, the board, or other bodies the board may designate, including their staff. All peer review documentation prepared by the administering entities is subject to oversight.

If a firm has been enrolled in a peer review program administered by an entity approved by the board fully involved in the administration of the AICPA Peer Review

~~Program n institute approved practice monitoring program~~ but has not undergone a peer review in the last three years and six months since its last peer review because the firm has not performed engagements and issued reports requiring it to have a peer review, the documents previously noted should still be retained for 42 months after completion of the previous peer review. The administering entity may also choose to retain the administrative documents noted, as applicable.

If a firm's most recent peer review was under the auspices of another peer review program administered by an entity not approved by the board, even if conducted in accordance with the AICPA Standards for Performing and Reporting on Peer Reviews, ~~The documents for a firm that has not been enrolled in an Institute approved practice monitoring program for the last consecutive three years and six months are not required to be retained for purposes of the program.~~

## **Associations of CPA Firms and Association Formed Review Teams**

26-1

*Question*—Paragraph .26 of the standards states that a review team may be formed by a firm engaged by the firm under review (a firm-on-firm review) or an association of CPA firms authorized by the board to assist its members in forming review teams (an association formed review team). What criteria have been established by the board for association formed review teams?

*Interpretation*—Associations of CPA firms include any group, affiliations, or alliances of accounting firms. The term also applies to two or more firms or a group of firms (whether a formal or informal group) that jointly market or sell services. Firms and other entities in the association cooperate with one another to enhance their capabilities to provide professional services.

A member firm of an association may conduct a peer review of another association-member firm enrolled in the program, provided that the association is not a network as defined by Interpretation No. 26-2 and the association receives annual approval from the board. The National PRC administers this process on behalf of the board. The association must submit an AIF to the National PRC that must be approved by the board prior to any aspect of the review being planned, scheduled, or performed.

The AIF contains questions regarding general information about the association, independence matters, and whether the association requests to be approved to assist its members in the formation of review teams, provide technical assistance to such review teams, or do both. All review teams must still be approved by the administering entity. The AIF is subject to oversight by the board.

The approval of the AIF specifically relates to AICPA members of an association having the ability to perform peer reviews of other ~~firms~~AICPA members in the same association enrolled in the program. Furthermore,

- a. Annual approval of the AIF does allow, where the association is not a network and has answered the specific questions making such a request, the association the ability to assist its members in the formation of review teams (association formed review teams) or to provide technical assistance to such review teams.
- b. The reviewed firm and administering entity, not the association, is ultimately responsible for ensuring that its peer review is scheduled, performed, and completed in a timely manner.
- c. Annual approval of the AIF does not grant the association the authority to administer the program; therefore, the association is not deemed an approved administering entity.
- d. Approval of the AIF is not an endorsement of, approval of, or has any applicability to a separate peer review program that an association may conduct or administer for firms not enrolled in the program~~non-AICPA members~~.
- e. If the association makes any representations (in brochures, directories, pamphlets, websites, or any marketing or selling materials regarding its member firms in obtaining engagements), in order for the AIF to be approved such representations must be objective and quantifiable. The purpose of this requirement is to mitigate the appearance of a lack of independence. The board does not prohibit an association from making representations that are not objective or quantifiable; however, associations that make the decision to do so should understand that its member firms will then be unable to peer review other association members.

For a member firm of an association to conduct peer reviews of another association-member firm enrolled in the program, in addition to the independence requirements related to network firms appearing in Interpretation No. 26-2 and other peer review independence requirements, the association and its member firms must meet the following independence criteria:

- a. The association, as distinct from its member firms, does not perform any professional services other than those it provides to its member firms or affiliates. For purposes of this requirement, *professional services* include accounting, tax, personal financial planning, litigation support, and professional services for which standards are promulgated by bodies designated by AICPA Council.
- b. The association does not make representations regarding the quality of professional services performed by its member firms to assist member firms in obtaining engagements unless the representations are

objective or quantifiable. However, member firms may independently publicize their membership in the association. In addition, an association may respond to inquiries and prepare promotional materials that firms may use to obtain professional engagements on their own behalf.

- c. Referral or participating work among member firms is arranged directly by the firms involved.

An association may voluntarily elect to have an independent QCM review of its system of quality control to develop and maintain QCM used by its member firms (see paragraphs .154–.205 of the standards). An association may wish to have such a review to enable its member firms that use the materials it develops to have more efficient peer reviews. Associations that elect to have this type of review should consult with AICPA program staff.

An association formed review team,

- a. requires that a majority of the review team members, including the team captain in a System Review, and all members in an Engagement Review, be from association member firms.
- b. performs peer reviews in accordance with these standards, interpretations, and other guidance and the peer review report is issued on the letterhead of the team captain or review captain's firm and signed in the name of the team captain or review captain's firm (not the association).

Peer reviews performed by association-formed review teams are subject to oversight by the board and the administering entities and other bodies agreed upon by the board and the administering entity.

## Qualifying for Service as a Peer Reviewer

31b-1

*Question*—Paragraphs .31(b) and (c) of the standards state that an individual serving as a peer reviewer should be currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program and the firm (or all firms if associated with more than one firm) that the member is associated with should have received a report with a peer review rating of pass for its most recent System Review or Engagement Review that was accepted timely, ordinarily within the last 3 years and 6 months. Does this apply to all firms the individual is associated with? Is the individual still qualified to serve as a reviewer if the individual starts, or becomes associated with, a newly formed firm (or a firm that has not had a peer review)?

*Interpretation*—If the individual is associated as a partner with more than one firm, then each of the firms the individual is associated with should have received a report

with a peer review rating of pass for its most recent System Review or Engagement Review that was accepted timely, ordinarily within the last three years and six months.

An individual who was previously a System Review team captain, a reviewer in a System Review or a review captain in an Engagement Review that starts or becomes associated with a newly formed firm (or a firm that has not had a peer review) may continue to serve in such capacity during a transition period. The transition period begins with the earlier of the dates of disassociation from the previous firm or when the individual starts or becomes associated with a new firm. The transition period ends with the earlier of 18 months from the beginning date or the peer review due date of the new firm. In no circumstances will the transition period exceed 18 months. The previous firm should have received a report with a peer review rating of pass on its most recently accepted peer review, and the individual should meet all of the other qualifications for service as a team captain or reviewer in a System Review or review captain in an Engagement Review. An individual who was previously a team captain or reviewer in a System Review qualified to perform peer reviews administered by the National PRC ~~or CPCAF PRP~~ that starts or becomes associated with a newly formed firm (or a firm that has not had a peer review), or a firm enrolled in the program that has undergone a peer review administered by another administering entity, may serve as a team captain or a reviewer on a review administered by the National PRC under the same conditions and requirements mentioned previously.

31b-4

*Question*—What further qualifications are necessary to perform a peer review of a firm whose review is required to be administered by the National PRC?

*Interpretation*—In order to be qualified to perform a peer review of a firm required to be administered by the National PRC, ordinarily a peer reviewer must currently be with a firm whose most recent review was administered by the National PRC ~~or the CPCAF PRP~~. This is not a requirement for a peer reviewer on a review of a firm that elects (but is not required) to have their peer review administered by the National PRC.

34-2

*Question*—What if a reviewer or reviewing firm fails to notify the relevant administering entity or AICPA technical staff, as applicable, of any such allegations or investigations, limitations or restrictions, or both, relating to the conduct of his, her or its performance of accounting, audit, or attestation engagements within the specified time requirements?

*Interpretation*—If a reviewer or reviewing firm fails to notify the relevant administering entity or AICPA technical staff, as applicable, of such allegations or investigations, limitations or restrictions, or both, within the specified time requirements of “prior to being engaged to perform a peer review, or immediately, (if after engaged)” the reviewer or reviewing firm is not cooperating with the program. The board will consider and investigate, as deemed necessary, what actions should be taken in the specific circumstances. These actions may include, but are not limited to, on-site oversight at the reviewer’s expense, permanent removal from the list of qualified peer reviewers and referral of any AICPA members to the AICPA’s Professional Ethics Division for violating the AICPA Code of Professional Conduct, if applicable.

## Office and Engagement Selection in System Reviews

59-3 *Question*—What factors should be considered if a firm has an office in a foreign country or other territory?

*Interpretation*—The standards are intended for firms enrolled in the Program of AICPA members who are engaged in the practice of public accounting in the United States or its territories, as well as other firms enrolled in the program. Some firms also have offices in foreign countries or their territories (“foreign jurisdictions”), including the Cayman Islands and Bermuda. One important factor to consider in determining whether reports issued for clients in those foreign jurisdictions are to be included in the scope of the peer review is the letterhead of the report issued. For instance, ordinarily if a U.S. firm issues a report on letterhead from its office in that foreign jurisdiction, the engagement would not be included in the scope of the peer review. Another factor is whether the reports issued for clients in the foreign jurisdictions are addressed by guidance from the state board of accountancy(s) that issues the firm’s license(s). Team or review captains should consult with AICPA technical staff if there is any question of whether an engagement is subject to peer review under these circumstances. In addition, reviewed firms need to consider whether there are peer review or practice monitoring requirements issued by the licensing authority of the foreign jurisdiction which are applicable to the reviewed firm.

## Qualifying for Service as a Peer Review Committee Member, Report Acceptance Body Member, or Technical Reviewer

132-1 *Question*—Paragraphs .132 and .136 of the standards note that minimum requirements must be met to be a peer review committee member, a report acceptance body member, or a technical reviewer. What are those requirements?

*Interpretation*—

### *Peer Review Committee Member*

A majority of the peer review committee members and the chairperson charged with the overall responsibility for administering the program at the administering entity should possess the qualifications required of a team captain in a System Review. All committee members must be AICPA members in good standing, whether conducting committee member duties for firms with or without AICPA members. A committee member who is suspended or restricted from scheduling or performing peer reviews no longer meets the qualifications until such suspension or restriction is removed. Reinstatement as a committee member would be at the discretion of the administering entity or committee.

### *Report Acceptance Body Member*

Each member of an administering entity's report acceptance body charged with the responsibility for acceptance of peer reviews must

- a. be currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program, as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities. To be considered currently active in the accounting or auditing function, a reviewer should be presently involved in the accounting or auditing practice of a firm supervising one or more of the firm's accounting or auditing engagements or carrying out a quality control function on the firm's accounting or auditing engagements.
- b. be associated with a firm (or all firms if associated with more than one firm) that has received a report with a peer review rating of *pass* on its most recently accepted System or Engagement Review that was accepted timely, ordinarily within the last 3 years and 6 months (see Interpretation No. 31b-1).
- c. demonstrate proficiency in the standards, interpretations, and guidance of the program (see Interpretation No. 33-1).
- d. be an AICPA member in good standing, whether conducting report acceptance body member duties for firms with or without AICPA members.

A majority of the report acceptance body members and the chairperson charged with the responsibility for acceptance of System Reviews should possess the qualifications required of a System Review team captain.

A national list of consultants will be maintained by the AICPA, so that the administering entity has an available pool of consultants with GAS, ERISA, FDICIA, carrying broker-dealer, and service organization experience to call upon in the instance when it does not have an experienced RAB member to consider the review of a firm when circumstances warrant. The national RAB consultant would not necessarily have to participate physically in the RAB meeting (teleconference option). The national RAB consultant will not be eligible to vote on the acceptance of a review. Determination that a review requires a national RAB consultant should be made prior to assigning the review to a RAB. The national RAB consultant would have to meet the following qualifications for RAB participation:

- a. Currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program, as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities. To be considered currently active, a consultant should be presently involved in the supervision of one or more of his or her firm's accounting or auditing engagements or

carrying out a quality control function on the firm's accounting or auditing engagements. To be considered a consultant on GAS, ERISA, FDICIA, carrying broker-dealer or service organization engagements, the current activity must include the respective industry asked to consult upon.

- b. Associated with a firm (or all firms, if associated with more than one firm) that has received a report with a peer review rating of *pass* on its most recently accepted System Review that was accepted timely, ordinarily within the last three years and six months.
- c. Not associated with an engagement that was deemed not performed in accordance with professional standards on the consultant's firm's most recently accepted System Review.
- d. be an AICPA member in good standing whether conducting consultant duties for firms with or without AICPA members.

A report acceptance body member who is suspended or restricted from scheduling or performing peer reviews no longer meets the qualifications until such suspension or restriction is removed. Reinstatement as a report acceptance body member would be at the discretion of the administering entity or committee.

#### *Technical Reviewers*

Each technical reviewer charged with the responsibility for performing technical reviews should

- a. demonstrate proficiency in the standards, interpretations, and guidance of the program applicable to the type of peer reviews being evaluated and that meet the requirements of the team captain or review captain training requirements established by the board (see Interpretation No. 33-1).
- b. participate in at least one peer review each year, which may include participation in an on-site oversight of a System Review.
- c. be an AICPA member in good standing, whether conducting technical reviewer duties for firms with or without AICPA members.
- d. have an appropriate level of accounting and auditing knowledge and experience suitable for the work performed. Such knowledge may be obtained from on-the-job training, training courses, or a combination of both. Technical reviewers are to obtain a minimum amount of CPE to maintain the appropriate level of accounting and auditing knowledge.

If a technical reviewer does not have such knowledge and experience, the technical reviewer may be called upon to justify why he or she should be permitted to perform technical reviews or oversights. The administering entity has the authority to decide whether a technical reviewer's knowledge and experience is sufficient and whether he or



she has the capability to perform a particular technical review or oversight whether there are high-risk engagements involved or other factors.

The fundamental purpose of CPE is to maintain or increase, or both, professional competence. AICPA members are required to participate in 120 hours of CPE every 3 years. In order to maintain current knowledge of accounting, auditing, and quality control standards, technical reviewers should obtain at least 40 percent of the AICPA-required CPE in subjects relating to accounting, auditing, and quality control. Technical reviewers should obtain at least 8 hours in any 1 year and 48 hours every 3 years in subjects relating to accounting, auditing, and quality control. The terms *accounting*, *auditing*, and *quality control* should be interpreted as CPE that would maintain current knowledge of accounting, auditing, and quality control standards for engagements that fall within the scope of peer review as described in paragraphs .06–.07 of the standards.

Technical reviewers have the responsibility of documenting their compliance with the CPE requirement. They should maintain detailed records of CPE completed in the event they are requested to verify their compliance. The reporting period will be the same as that maintained for the AICPA.

A technical reviewer who is also a peer reviewer and is suspended or restricted from scheduling or performing peer reviews no longer meets the qualifications until such suspension or restriction is removed. Reinstatement as a technical reviewer would be at the discretion of the administering entity or committee.

Corresponding changes to the Peer Review Program Manual will be made as necessary based on the final guidance approved by the Peer Review Board.

# Proposed Evolution of Peer Review Administration

*A supplemental discussion paper seeking input from  
State Boards of Accountancy.*

Released for comment: July 18, 2016  
Feedback requested: Oct. 31, 2016

## Background

During a strategic planning session held in October 2010, the AICPA Peer Review Board (PRB) focused on enhancements and improvements in five key areas of the AICPA Peer Review Program (Program). One key area was improving the peer review administrative process. The PRB observed that the existing processes remained largely the same since the inception of the Program in 1985, despite dramatic changes in the environment and in technology. Historically administering entities (AEs) have administered the Program on behalf of the AICPA. Through annual Plans of Administration (POAs), AEs agree to:

- Administer the Program in compliance with the AICPA Standards for Performing and Reporting on Peer Reviews (Standards) and other guidance established by the PRB
- Ensure staff and all others involved in the Program comply with the Standards and other guidance established by the PRB
- Appoint a peer review committee to oversee the administration, acceptance and completion of peer reviews to ensure the Program is performed in accordance with the Standards and other guidance established by the PRB
- Employ staff who meet the requirements defined in the Standards to perform technical reviews on all peer reviews administered

Based on surveys and focus groups conducted in 2011 and 2012 with enrolled firms, peer reviewers and AEs, stakeholder feedback indicated various opportunities to improve the administration of the Program, including consistency and quality of the:

- Report Acceptance Body (RAB) process,
- Resume verification process,
- Reviewer qualification on must-select engagements,
- Firm reenrollment/reinstatement,
- Firm change of venue,
- Administrative fee structures, and
- Managerial skills needed to run a complex technology driven process.

Consideration of this feedback led the PRB to conclude that fewer entities administering the program would result in greater consistency in peer reviews, and hence, greater quality. Further, the PRB noted the importance of consistent peer review administration and acceptance processes across AEs as states move to adopt firm mobility, as the public is best served when peer reviews are consistently administered in accordance with the Standards, regardless of where the peer review takes place.

The PRB's work was temporarily suspended, pending the work of the AICPA Board of Directors authorized Practice Monitoring of the Future (PMoF) initiative. The initiative conceptualizes a future technology-driven system, much different from today's peer review process. Upon the realization that PMoF will take several years – and the input of many stakeholders – to achieve actualization, the PRB resumed its focus on improvements to the current Program.

In 2015, a group of state CPA society (society) staff leaders was engaged to advise and assist in designing a potential new administration model (referred to as the Evolution of Peer Review

Administration). The group offered a variety of suggestions that shaped the model developed by AICPA staff, and though they did not offer consensus on proposed criteria for AEs they all agreed a reduction in the number of AEs was needed to ensure consistency.

The proposed model was presented to the society CEOs (the Program administrators) in a discussion paper on February 22, 2016, as a first step in gathering feedback from the Program's key stakeholders. The paper primarily focused on issues directly impacting the societies that administer the Program, including staffing, Peer Review Committees and RABs. The objective was to first gather feedback on the proposal from societies, then solicit input from state boards of accountancy (boards) after consideration of initial feedback.

The proposed model was next introduced to board executive directors at the National Association of State Boards of Accountancy (NASBA) Executive Directors conference in March 2016, with the Evolution paper distributed more broadly to boards shortly thereafter. Further discussions were held at the June 2016 NASBA Regional Meetings.

This follow-up discussion paper is being provided for further consideration and feedback by boards. It includes responses to initial comments as well as thoughts on additional issues of importance to boards, including oversight of the Program and access to peer review information.

## **Process Improvement**

The goal of the proposed model is to enhance quality by reducing inconsistencies in peer review administration and acceptance, enhance objectivity and professional skepticism in the report acceptance process and improve timeliness of review acceptance.

All AEs are required to administer the Program in accordance with the Standards and other guidance established by the PRB. Any issues identified during the AICPA's annual administrative oversight process are noted in the [AE oversight report](#) and are required to be rectified for the state to remain an AE. However, many inconsistencies exist with the way the Program guidance is applied. Improving consistency is important for quality and supports the profession's overall efforts to increase mobility in the profession.

## **Achieving Greater Consistency**

History has demonstrated that it is difficult to achieve consistency among 40 or more AEs, and consistency is critical. Firms and their regulators should expect the same peer review results regardless of where the peer review is conducted and administered. While some lower volume AEs excel at Program administration, AEs that administer a larger volume of reviews generally have more effective and consistent administrative processes. Such AEs have important attributes, including full-time staff dedicated to peer review. Although staffing specifics vary, each has *at least* one full-time administrator, manager and technical reviewer with appropriate qualifications. Further, these AEs have dedicated management focusing exclusively on peer review. As the profession and the assurance services it performs continues to evolve and become more complex, the Program continues to evolve with it, becoming increasingly complex and making it more challenging for staff to remain fully versed on the Program if they are also focused on non-peer review related responsibilities. Throughout the rapid changes in the Program, dependency on technology for all steps of the process, including administration, has

increased (and will continue to increase). The ability to adapt and work effectively with changing technology has been considered critical in determining the qualifications of staff necessary to perform these roles.

A high-level summary of the duties AE staff perform is outlined below.

#### Administrator

- Confirm all enrolled firms schedule reviews in accordance with Standards and board requirements and assist firms to resolve scheduling errors or issues
- Work with peer reviewers to coordinate the submission and processing of peer review documents to the AE to ensure that all required documentation is received and work papers are accessible for Technical Reviewers
- Maintain Facilitated State Board Access (FSBA) records in a timely manner

#### Manager

- Develop processes and procedures for the scheduling and processing of reviews, maintain information on the status of reviews and monitor compliance with deadlines
- Coordinate the review of working papers with Technical Reviewers, and coordinate and document activities of the RAB

#### Technical Reviewer

- Perform full work paper reviews before the presentation of a peer review to the RAB
- Work closely with peer reviewers and public accounting firms to identify and resolve questions and issues prior to RAB presentation
- Assist the RAB member responsible for presenting the review by providing additional detailed information as necessary

AEs that administer a larger volume of reviews also have a greater pool of available volunteer committee and RAB members with the expertise needed to accurately assess high risk reviews. Coupled with a proportionately lower number of technical reviewers (since full-time technical reviewers are employed), these AEs are able to have more frequent RAB meetings, resulting in a more efficient and consistent process, and are more easily able to minimize the threat of being overly familiar with the reviewers whose reports they consider.

#### **Noted Inconsistencies**

The nature of some of the inconsistencies across the current structure include how the following are identified and addressed.

- Peer review report ratings – inconsistency in identifying and/or requiring a modification to a report (e.g., from pass to pass with deficiency or fail)
- Corrective actions and implementation plans – inconsistently imposing appropriate corrective action or implementation plans on the reviewed firm

- Reviewer performance matters (including feedback) – inconsistency in appropriately addressing reviewer performance issues and reluctance to eliminate reviewer from the pool when warranted
- Firms with consecutive non-pass reports – inconsistencies among AEs referring such firms to the PRB for non-cooperation
- Determination of pervasiveness (and impact on the firms as a whole) – inconsistencies in requiring expansion of scope or study when problems encountered in a review
- Determination of systemic cause – inconsistencies in requiring peer reviewer to determine (and opine on) systemic cause
- Inconsistencies in implementation of and compliance with new and existing Standards
- Inconsistent treatment of documentation issues – verbal acceptance that audit work was completed where no or little documentation exists
- Engagement selection – scope and reasonable cross-section – inconsistency in challenging the reviewer on the number or scope of engagements selected
- Inconsistent timeliness of presentation to RABs, following-up with overdue reviews and firms with corrective action – general timeliness due to staffing priorities
- Matter for Further Consideration (MFC) and Finding for Further Consideration (FFC) – inconsistency in properly elevating a matter to a finding where remediation should be monitored and implementation plans required
- Accuracy of information input into peer review database (PRISM)

### **Initial Proposed Criteria for AEs of the Future**

To help improve audit quality, a peer review process is needed that appropriately and consistently detects and corrects issues by providing feedback in a timely manner. This means that peer review staff must be thoroughly versed on the rapidly changing Standards and processes, and the pool of volunteer participants must be large enough to support frequent RAB meetings and provide the expertise needed for appropriate review and acceptance of reviews.

Accordingly, the following criteria were initially proposed for AEs to be most effective and to continue to administer the Program. The criteria are based upon discussions with society leaders, meetings with AEs and the results of AE and RAB oversights. The criteria have been proposed as a “straw-man” to begin the discussion and are expected to change based on stakeholder feedback received.

- Consistent AE peer review management, employee and consultant structure, qualifications and responsibilities
- Effective performance of Peer Review Committee and RABs
- Administration of at least 1,000 peer reviews annually to improve efficiencies

### **Oversight**

The PRB has always recognized and supported the value of oversight to boards and is an active partner with NASBA in promoting the board Peer Review Oversight Committee (PROC) process.

By way of this paper and other means, the AICPA expresses its understanding that proposed changes in peer review administration will have an impact on the current model for board oversight of the program and may necessitate changes by boards of the current PROC process. The AICPA, and members of the PRB and its Oversight Task Force, are cooperating with NASBA's Compliance Assurance Committee and NASBA leadership to assist boards in considering and vetting new potential models for board oversight based on the proposed new administration model and will continue to work with boards to ensure an effective board oversight process is implemented.

### **Initial Feedback on Discussion Paper:**

Provided below is clarification for questions and commentary received on a number of issues.

#### **Continuing as AEs**

*Many states currently and successfully have their states' peer reviews administered by an AE outside of their state. Additionally, prior to the release of the discussion paper, some societies had already been considering transitioning out of Program administration due to the exit of an employee or other factors, and had begun conversations with other states independent of the discussion paper proposed model. As a result of the discussion paper, societies have advised us that they are considering continuing to be an AE, transitioning administration to another state (or AICPA) or are unsure. A process for states to transition to another state (or AICPA) will be developed once final criteria and structure are determined. Societies have been advised to engage in discussions with their respective boards regarding their future vision for peer review administration.*

#### **Cost of Peer Review**

*The reduction in the number of AEs should not, in and of itself, cause a rise in administrative fees. However, the cost of peer review for firms will increase moderately with or without the Evolution of Administration, as a result of enhancements to the program designed to better detect and correct deficiencies. Peer Review administrative fees have always been expected to be based on cost recovery, and this will continue to be the expectation.*

#### **Peer Reviewer Pool**

*The current active reviewer pool is larger than ever before. In addition, many reviewers already perform reviews for firms administered in multiple states. Some reviewers may choose to discontinue reviewing due to changes in the Program, but many qualified reviewers are available and ready to handle reviews if some leave the pool. The AICPA remains committed to monitoring and taking action to ensure an appropriate pool of reviewers remains available.*

#### **Performance by a Peer**

*The Evolution of Administration does not change the review process as articulated in the Standards, including having peers performing the peer review, considering and accepting the review and determining the appropriate remedial action, when necessary. Some states have statutes and other state-specific considerations, and future guidelines will address this concern.*

## **Proposed Number of AEs (8-10) and Administering 1,000 Annual Reviews**

*The straw-man suggested in the initial discussion paper is a proposal, as are the other criteria and timeline. None of the proposed criteria including the total number of AEs or annual reviews are fixed. It is possible the final number of AEs and the number of annual reviews administered will be different, if stated at all. In addition, though the discussion paper indicates the AICPA will develop a new national AE to provide an additional option for societies that choose not to administer the program in their state, the AICPA is encouraging societies to look first to other societies to share administration.*

## **RABs and RAB Members**

### **Inconsistencies among RABs**

*Achieving consistency among 40+ AEs has been difficult and costly. PRB oversights have noted inconsistencies in the RAB process from state to state and peer reviewers who perform reviews in multiple states have voiced concerns about this as well. Firms and regulators should be able to expect the same review results regardless of the state in which they are based.*

### **Commitment required of RAB Members**

*The commitment effort for individual volunteers is not expected to change from the current program. The 50 hours per year estimate was developed by AICPA staff based on the time anticipated volunteers would need to prepare for and participate in RAB meetings. Though the proposed model articulates more frequent RAB meetings than are currently held by lower-volume AEs to better assist firms in meeting state licensing requirements, the increased frequency will be possible due to the larger number of volunteers participating in the consolidated AE.*

### **Pool of RAB Members**

*The majority of the current volunteers will continue to play a significant role in the new RAB structure. Society CEOs are already having discussions with existing peer review committees, indicating their value and need for their continued service. In addition, as they do now, states that administer peer review and those that do not will be involved in the active recruitment of both peer reviewers and volunteers.*

### **Timeline**

*The original proposed model suggested a timeline for implementation of the new model. However, initial feedback has clearly indicated that more time will be needed for the proposed changes, and it is now assumed the previously proposed implementation dates will be pushed back.*

## **Board Involvement**

### **Choosing Future AEs**

*Virtually all of the laws or regulations of states that mandate peer review provide the board the ability to withdraw its recognition of a program or AE if it is shown to be ineffective. The AICPA fully supports such provisions and are confident that all AEs formed from the evolution initiative will be as or more effective than existing AEs.*



## Oversight

*The AICPA and the PRB recognize and support the value of oversight to boards. The AICPA is an active partner with NASBA in promoting the board PROC process. The PRB and members of the PRB Oversight Task Force are cooperating with NASBA's Compliance Assurance Committee to assist boards in developing an effective board oversight model under Evolution.*

## Resources, Support and Transparency

*All AEs under a new model will continue to have designated personnel charged with responding to board questions. In addition, recognizing the need of boards to have such information, the AICPA has requested the assistance of several board executive directors to join a working group to develop a standardized information reporting form. Representatives from 10 boards have agreed to participate. Also, a representative of NASBA staff will participate to facilitate communication with all boards. This group will have its initial meeting in July 2016.*

## Working with State Societies

*Just as happens today with states that currently do not administer peer review, societies will continue to be the first point of contact with boards for their members, including issues and concerns regarding the Program. The AICPA has encouraged societies to engage in a dialogue with the board in their states.*

## **Board Feedback Requested by October 31, 2016**

With the distribution of this paper, the AICPA is asking boards to consider the proposed criteria and structure for Program administration in the future. All input will be considered and will inform and shape how the AICPA and societies move forward with this initiative.

Please consider the following questions when formulating your response.

- Considering the information presented in the proposed model, what changes do you believe will best increase consistency in peer review acceptance results?
- Considering the information presented in the proposed model, what changes do you believe will best promote proper and timely application of Standards and guidance?
- How do you believe the familiarity threat in the peer review acceptance process can best be minimized?

Comments and responses should be sent to Beth Thoresen, Director – Peer Review Operations, AICPA Peer Review Program, AICPA, 220 Leigh Farm Road, Durham, NC 27707-8110 or [prsupport@aicpa.org](mailto:prsupport@aicpa.org) and are requested by October 31, 2016.

Thank you in advance for your thoughtful consideration of the issues facing Peer Review administration, and your commitment to enhancing audit quality throughout the CPA profession.



Peer Review Program

**National Association of State Boards of Accountancy, Inc.**

Meeting of the Board of Directors

April 29, 2016 – Marriott San Francisco Union Square, CA

1. Call to Order

A duly scheduled meeting of the Board of Directors of the National Association of State Boards of Accountancy was called to order by Chair Donald H. Burkett at 9:00 a.m. on Friday, April 29, 2016 at the Marriott Union Square in San Francisco, CA.

2. Report of Attendance

President Ken L. Bishop reported the following were present:

Officers

Donald H. Burkett, CPA (SC), Chair  
Telford A. Lodden, CPA (IA) Vice Chair  
E. Kent Smoll, CPA (KS), Treasurer  
Laurie J. Tish, CPA (WA), Secretary

Directors-at-Large

A. Carlos Barrera, CPA (TX)  
Jimmy E. Burkes, CPA (MS)  
Tyrone E. Dickerson, CPA (VA)  
Janice L. Gray, CPA (OK)  
Raymond N. Johnson, CPA (OR)  
Harry O. Parsons, CPA (NV)  
Richard N. Reisig, CPA (MT)

Regional Directors

J. Coalter Baker, CPA (TX), Southwest Regional Director  
Maria E. Caldwell, CPA (FL), Southeast Regional Director  
Stephanie S. Saunders, CPA (VA), Middle Atlantic Regional Director  
John F. Dailey, Jr., CPA (NJ), Northeast Regional Director  
W. Michael Fritz, CPA (OH), Great Lakes Regional Director  
Sharon A. Jensen, CPA (MN), Central Regional Director  
Edwin G. Jolicoeur, CPA (WA), Pacific Regional Director  
Benjamin C. Steele, CPA (NV), Mountain Regional Director

James Corley (AR) – Executive Directors Committee Liaison

Absent

Walter C. Davenport, CPA (NC), Past Chair

Staff

Ken L. Bishop, President and Chief Executive Officer

Colleen K. Conrad, CPA, Executive Vice President and Chief Operating Officer  
Michael R. Bryant, CPA, Senior Vice President and Chief Financial Officer  
Louise Dratler Haberman, Vice President - Information and Research  
Thomas G. Kenny, Director – Communications  
Maria L. Caldwell, Esq., Director – Compliance Services  
Troy Walker, CPA, Controller  
Noel L. Allen, Esq., Outside Legal Counsel

### 3. Approval of Minutes

Secretary Laurie Tish presented the minutes of the Board of Directors' January 22, 2016 meeting and moved for their approval. Ray Johnson seconded and the minutes were unanimously approved as presented with Janice Gray abstaining (as she did not attend the meeting).

### 4. Report of the Chair

Chair Burkett summarized the February 3, 2016 NASBA/AICPA leadership summit discussions. He noted the AICPA's promotion of the CGMA and how that might impact the CPA candidate pipeline were among the top items covered. Other topics included: how large firms are using data analytics and how that could affect regulation, increasing diversity in the profession and its leadership, recognition of international professionals, and changes in peer review and continuing professional education. The next NASBA/AICPA summit meeting will be held in August in New York City.

The 2016 Executive Directors Conference received positive evaluations, Chair Burkett noted, and he thanked all those involved in the planning and execution of that event for producing a "great" conference. He observed that the executive directors are looking to NASBA for even more leadership and he commended President Ken Bishop and his staff for enhancing NASBA's relationship with the member Boards.

Messrs. Burkett and Bishop met leaders of ACAUS (Association of Chartered Accountants in the United States) prior to their annual meeting in New York City. Chair Burkett had also met with the NASBA Diversity Committee and discussions are going on to expand NASBA's role in developing the candidate pipeline. He noted that he also attended a meeting of the NASBA Legislative Support Committee, which is addressing the fallout of the North Carolina Dental Board case.

NASBA's redesigned Nashville office had been toured by Chair Burkett and he commended President Bishop and his staff for the amazing difference the new space has made.

### 5. Recognition of American Samoa

Secretary Tish described for the Board of Directors the Territory of American Samoa, the CPAs practicing there and its Board of Accountancy. Ms. Tish made a motion to allow American Samoa to become the 56<sup>th</sup> member board of NASBA upon their application. Harry Parsons seconded the motion. All approved.

## 6. Report from Vice Chair

Vice Chair Lodden reported he had listened in on six NASBA Committee meetings and taken notes on participation in each. He had conferred with his AICPA counterpart at the AICPA/NASBA leadership summit meeting, and she also has her home office in Iowa. Mr. Lodden said his planning meeting for the 2016-2017 Committee year will be held on May 11-13 in San Diego and he requested the Board members to submit their recommendations for committee members to him as all information would be helpful.

## 7. Report from President

President Bishop reported on staff appreciation activities. He has received many positive employee comments about the Nashville office's new open space environment

Nigyar Mamedova has been added to the NASBA staff in the new position of Technical Director, President Bishop announced. This position will provide technical support to volunteers on NASBA committees, as well as external committees, and will work to assist in responding to exposure drafts. Ms. Mamedova holds a CPA from Oregon and is a Canadian CPA. Regulatory Response Committee Chair W. Michael Fritz commented that Ms. Mamedova is very insightful and provides valuable research. Executive Vice President and COO Colleen Conrad reported she had attended the April Private Company Council meeting with Ms. Mamedova.

Ms. Conrad summarized her meetings with the Department of Labor, Center for Audit Quality and other professional groups. The Department of Labor is sending referrals to the State Boards and NASBA is working to track where the referrals are going. Dialog is continuing with the DOL.

The NASBA Strategic Plan has evolved into a volunteer-driven document, which is good, President Bishop commented. NASBA managers have done a SWOT (Strengths-Weaknesses-Opportunities – Threats) analysis of the plan to determine what each department needs to do. The annual business plan to coordinate with the strategic plan is being formulated.

In addition to its support of the the Ph.D. Project, NASBA is taking other measures to increase the CPA pipeline, President Bishop stated. Data has been gathered on potential Latino CPA candidates and NASBA will be setting some goals to increase the number of Hispanic students pursuing the CPA.

President Bishop announced he had been selected as the U.S. representative on the Financial Professional Standards Committee of the Financial Planning Standards Board, which met in Toronto on April 7.

In response to the decision in the *North Carolina Dental Board* case, NASBA has joined in the Professional Licensing Coalition with the associations of other professional licensing boards including architects, doctors, physical therapists, landscapers and others, President Bishop announced. The goal is to eliminate the threat of anti-trust financial liability from regulatory boards and their members when they are acting in their official capacity. The strategy is to

amend the 1984 Local Government Anti-Trust Act (LGAA) to include state regulatory boards. NASBA Director of Legislative and Governmental Affairs John Johnson serves as NASBA's representative to this group.

The AICPA has proposed changes to the Peer Review Program, which includes the consolidation of the program's administrative entities. This could have a significant effect on the State Boards' Peer Review Oversight Committees (PROCs) and the Boards' oversight ability of the program, Ms. Conrad explained. The changes in the Peer Review Program are being studied by the Compliance Assurance Committee, she said.

Dr. Jan R. Williams, past president of the American Accounting Association, has been engaged as a consultant in NASBA and AICPA's dialogue with the accreditors of higher education institutions, President Bishop announced. Questions have also been raised about the content of the 150-hour education requirement and the suggestion has been made that a data analytics course be included as part of the 150. Very preliminary conversations have been started, Ms. Conrad said.

In April the finalization of the revised Uniform CPA Examination was announced to the public, with the inauguration of the new Examination to take place in April 2017, Ms. Conrad reported. An increase in candidate population is anticipated in the next 6-9 months and staff has been supplemented to handle the greater volume, Ms. Conrad said. Webcasts in Japan and the Middle East promoting the U.S. CPA have been successful and the NASBA International Evaluation Services' experience verification program has been growing, she reported.

President Bishop said NASBA is having a good financial year. Mission spending has increased to 9.2 percent of NASBA's budget this year. The rewrite of the Gateway system is expected to be completed by summer of 2017. IT security initiatives continue, Ms. Conrad added.

Entries for the NASBA Center for the Public Trust video contest can be viewed on the web and President Bishop encouraged the Board members to do so. He commented that although fund raising for the CPT continues to be challenging, the CPT has helped increase NASBA's relevance on campuses across the country.

#### 8. Report from Director of Compliance Services

NASBA Director of Compliance Services Maria L. Caldwell, Esq., reported 51 Boards are now participating in the Accountancy Licensee Database and an additional state is expected to join them in a month. Ms. Caldwell said her staff is working with the Accountancy Licensee Database/CPA Verify Committee to enhance the database and tools to offer to the State Boards. Her staff has been very active in adding to the enforcement tools being offered to the Boards. The California Mobility Enforcement Project, which is utilizing NASBA's Guiding Principles of Enforcement as a baseline for comparing states' enforcement programs, has spurred more Boards to add disciplinary information to their websites, which will be flowing into the ALD.

Ms. Caldwell's staff has kept contact with the Department of Labor to ensure the appropriate referrals are getting through to the State Boards. However, the Boards are supposed

to be receiving from the DOL working papers when the firms involved give their consent for such distribution, but that has not been happening. The NASBA staff is working to coordinate this..

The exposure period for the revised “Statement on Standards for Continuing Professional Education Programs” is to end on April 30, 2016, and the standards are to take effect in September, Ms. Caldwell stated. There are now 2,142 sponsors listed on the Registry of CPE Sponsors. The National Registry Summit will be held in Tampa, FL, September 13-14, 2016.

Ms. Caldwell was asked about the CPETracking tool. She explained that it is being offered at no cost to the State Boards. Eight states are now participating in the program and others are waiting to get on. This program eliminates the need for paper file review and allows the Boards to audit a larger group of licensees. Virginia is checking CPE compliance on a monthly basis. Ms. Caldwell observed that if the CPAs know they are going to be reviewed, they are more likely to comply with the requirement.

#### 9. Report of the Nominating Committee

President Bishop reported the Nominating Committee will meet May 4-5, 2016, in Dallas to select their nominee for Vice Chair 2016-2017. The candidates will be asked to complete questionnaires and the Nominating Committee will hold interviews with each candidate.

#### 10. Report of the Education Committee

Education Committee Chair Raymond Johnson reported the review of the accounting education research grant proposals had just been completed by the Committee on Monday, April 25. One grant had been approved by the Board of Directors in January and the Education Committee now requested approval for:

1- “Accreditation and CPA Exam Performance: An Examination of Gender and Race,” submitted by Dr. Adrain L. Mayse of Howard University. The Education Committee proposes to award \$9,000. Ms. Gray seconded and the award was unanimously approved.

2- “Strategies to Help Students in a Minority University Achieve Success in the Accounting Profession and Help to Diversify the Accounting Pipeline,” submitted by Dr. Kalama Raghaven of Texas Southern University. The Education Committee proposed to award \$4,000-\$9,000 depending upon the Education Committee receiving more information on the role of the consultant to be engaged for this project. Mr. Steele seconded and the award was unanimously approved.

Dr. Johnson summarized the Accreditation Forum, cosponsored with the AICPA on January 29, and then the follow-up discussion held with representatives of NASBA and the AICPA on March 22. When speaking with the accrediting bodies, there was no agreement on how the term “competency-based” education was being used. The accreditors also admitted that they had not considered the lack of transparency in the colleges’ transcripts, Dr. Johnson reported. NASBA and AICPA are still working on specific examples to bring to the accreditors. The group is in a fact-finding stage of how to bring about quality control in higher education. It

was suggested that other professions (such as architecture, engineering, nursing, psychology) might be potential partners in determining how this could be achieved.

The Education Committee identified three areas of greatest concern to them, Dr. Johnson reported: 1- How do we better position State Boards to be better resources to accounting programs? 2- How do we help students understand their opportunity for success as CPAs? 3- Do NASBA and the State Boards need to be more precise about what the extra 30 credit hours should look like?

#### 11. Report of the Administration & Finance Committee

Treasurer Kent Smoll reported the A&F Committee's Investment Committee had met on April 27. The A&F Committee had reviewed the insurance coverage and budgets. Mr. Smoll made the following motions based on the recommendations of the A&F Committee:

1. Approve the financial statements as presented. Mr. Dailey seconded and all approved.
2. Remove the liquidity requirement for alternative investments as currently present in the Investment Policy Statement. Mr. Steele seconded and all approved.
3. Grant CEO Bishop the authority to maintain NASBA's 20 percent ownership interest in its equity investee when negotiations are complete with regards to an acquisition in progress. Additionally, the existing note receivable from the sale of PCS, to the extent available, will be used to fund NASBA's investment to maintain such interest. Mr. Jolicoeur seconded and all approved.

Chief Financial Officer and Senior Vice President Bryant reported the first two phases of the renovation of NASBA's Nashville office had been completed and the last phase is due to be completed by May 23, 2016. President Bishop explained that the new space will give NASBA room to grow.

#### 12. Report from the Uniform Accountancy Act Committee

UAA Committee Chair Coalter Baker reported the joint AICPA/NASBA committee had met on February 2 and reviewed the feedback received on the proposed changes to the UAA that would allow for a CPA-Retired status. Comments called for clarification on allowable compensation, permissible activities and age qualifications. The UAA Committee is finalizing the proposed language and will bring it to the NASBA and AICPA Boards of Directors for approval at their July meetings. At that time the Boards will also be asked to approve definitions pertaining to SSARS 21 services.

Mr. Baker reported the joint committee also had questions about the proposed CPE Model Rules and Model Rules for peer review. The CPE Model Rules have been sent back to the task force for further discussion with the NASBA CPE Committee. Similarly, the peer review rules are being revisited as the AICPA is planning for changes in the administration of the program that are likely to impact the rules. Additional recommendations from the Compliance Assurance Committee are anticipated.



A motion to approve for exposure the UAA Committee's proposed changes to UAA Section 6 (allowing for a new international pathway for recognition of experienced international professionals) and for Model Rules pertaining to the Examination's administration was made by Mr. Baker and was seconded by Tyrone Dickerson. The motion was unanimously approved.

### 13. Report from the Compliance Assurance Committee

CAC Chair John Dailey reported the committee met on March 31, having received a copy of the AICPA's "Proposed Evolution of Peer Review Administration" shortly before the meeting. The paper had been mentioned by speakers at the March NASBA Executive Directors Conference. Mr. Dailey pointed out that an AICPA Peer Review Program study had found a 43 percent noncompliance rate in the reports sampled, while the peer reviewers had only found 9 percent. The AICPA is working to get more consistent quality, policies and criteria in the Peer Review Program, Mr. Dailey explained. One idea they have is to reduce the current 41 administering entities down to 8-10 administering entities. The paper describes how this would aid in consistency and management of costs. Comments have been requested from the State CPA Societies by August 1, 2016 and by January 1, 2017 the administering entities are to inform the AICPA if they intend to continue to participate in the restructured program, which is to be in place by December 28, 2018, Mr. Dailey reported.

Mr. Dailey reported AICPA Vice President James Brackens, who heads the Peer Review Program, called him and explained that the AICPA first wanted to get input from the State Societies. He will address the CAC and participate in a panel discussion at NASBA's June Regional Meetings. The CAC will next meet on May 23. Revisions to the Uniform Accountancy Act and Model Rules will have to wait until it becomes clearer how this program will operate, Mr. Dailey observed.

### 14. Report on the Accountancy Licensee Database

ALD/CPAverify Committee Chair Laurie Tish referred the Board members to the paper prepared by her committee: "Accountancy Licensee Database (ALD): A Vision for 2020." She explained that the paper is a strategy document, intended to set out a roadmap recommending policies for people working on the ALD in the future. The Committee wants to optimize the use of the unique data that has been captured in the ALD and have responsible use of it as permitted by the State Boards. The Committee's advisory role on the use of the data is extremely important, Ms. Tish stressed. Federal agencies have expressed interest in how the data could be used, she noted.

The Committee and staff want to make the data even more robust and are working to establish a common vocabulary among the states and to have automated feed from all Boards. They are educating agencies to bring information about their disciplinary actions to the Boards' attention.

Ms. Tish reported a task force comprised of three members from each of the Enforcement, Compliance Assurance and ALD/CPA verify Committees is looking at common issues and will hold a conference call in May.

15. Report of the Executive Directors Committee

Executive Directors Committee Chair James Corley reported the March Executive Directors Conference was well received and drew 145 attendees, including 21 representatives from State CPA Societies. He announced that 61 percent of the NASBA attendees said the joint State Board/State Society conference should be continued every year. Mr. Corley explained that the conference organizers had tried to divide the attendees into two discussion groups based on the organization of the boards (standalone vs. under an umbrella agency).

The Boards' executive directors expressed frustration with the AICPA on both their approach to restructuring of the Peer Review Program and the creation of the CGMA program, Mr. Corley observed. They felt the AICPA made their decisions on the Peer Review Program without input from the Boards.

16. Report of the Regulatory Response Committee

Regulatory Response Committee Chair W. Michael Fritz reported NASBA had issued two letters during the quarter, one to the International Ethics Standards Board for Accountants on "Proposed Revisions Pertaining to Safeguards in the Code – Phase 1" and the other to "Proposed Restructured Code – Phase 1." Another response to the AICPA Professional Ethics Executive Committee on its "Omnibus Ethics Proposals" is currently being vetted for submission by May 16, 2016.

The Ethics Committee has been working with the RRC on developing NASBA's ethics-related responses. Ethics Committee Chair Janice Gray said the letter on the "Omnibus Ethics Proposals" should be completed soon.

17. Report of Committee on Relations with Member Boards

Committee Chair John Dailey reported the Regional Directors were continuing to look at formats to make it simpler for State Boards to respond to their Focus Questions and have the responses presented in a report that is easier to read. Chair Dailey reported the Committee had reviewed the program details for the New Board Member Orientation Program and the Regional Meetings. Final preparation for the Regional Meetings will take place the afternoon prior to the Orientation Program. Scheduling a break prior to the Executive Committee's coming in to speak with the Regional Directors may allow the Executive Committee a few minutes to prepare for their responses.

18. Report on IQAB

The NASBA/AICPA International Qualifications Appraisal Board has held many conference calls since February, IQAB Chair Telford Loden reported. He explained the unilateral pathway that IQAB is considering would only be open to those qualified in other countries to sign audit reports in their countries. IQAB is recommending a 90-day exposure

period for the proposed change to the UAA that the NASBA Board had just approved. IQAB has completed work on the manual to be used should the new pathway be approved.

As changes are being made to the Uniform CPA Examination, IQAB is considering if the REG section is still a suitable test to use as IQEX, Mr. Lodden said. Also under study by IQAB task forces are renewals with CPA Canada and the Instituto Mexicano de Contadores Públicos, the Chartered Accountants of Australia/New Zealand, and the Institute of Chartered Accountants of Ireland. Work on renewing the MRA with the Hong Kong Institute of CPAs has just recently been started. A standard format has been developed for new MRAs that includes a standard cover sheet with appendices that clearly set out what is needed to qualify for recognition. Each task force is to produce written reports for IQAB's files to describe the work done to arrive at their conclusions.

#### 19. Policy Discussion

Chair Burkett led the Board of Directors in a discussion of NASBA policies covering: the Boards' enforcement of their current laws; use of titles as described in the Uniform Accountancy Act; anticipated changes in the Peer Review Program's administration; and expectations of accrediting organizations.

#### 20. Future Meetings

The following Board meetings were announced by Chair Burkett:

July 21-22, 2016 – Rapid City, SD

October 27-28, 2016 – Austin, TX

Regional Meetings will be held June 7-9 in Asheville, NC, AND June 22-24 in Denver, CO.

#### 21. Adjournment

Harry Parsons made a motion to adjourn the meeting and Ms. Tish seconded. All approved. The meeting was adjourned at 4:00 p.m.

## NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

### Highlights of the Board of Directors Meeting

July 22, 2016 – Rapid City, SD

At a duly called meeting of the Board of Directors of the National Association of State Boards of Accountancy, Inc., held on Friday, July 22, 2016 at Hotel Alex Johnson in Rapid City, South Dakota, the Board took the following actions:

- Approved the Awards Committee's recommendations: Billy M. Atkinson (TX) will be the recipient of the 2016 William H. Van Rensselaer Public Service Award; Robert B. Cagnassola (NJ) will be the recipient of the 2016 NASBA Distinguished Service Award; and Jim Abbott (ND) will be the recipient of the 2016 Lorraine P. Sachs Award for Executive Directors. The awards will be presented at the 2016 Annual Business Meeting in November.
- Accepted the slate of NASBA 2016-2017 officers and directors selected by the Nominating Committee, as presented by Nominating Committee Chair Walter C. Davenport (NC). The election of officers and directors will be held at the Annual Business Meeting on November 1.
- Approved the Fiscal 2017 operating and capital budgets as presented by Administration and Finance Committee Chair E. Kent Smoll (KS).
- Approved the revised *Statement on Standards for Continuing Professional Education Programs* and the *Fields of Study That Qualify for Continuing Professional Education*, as presented by CPE Committee Chair Maria E. Caldwell (FL). In developing its final recommendations, the CPE Committee had carefully considered all of the comments received during the comment period, Ms. Caldwell reported.
- Approved the amendments to Uniform Accountancy Act Section 6(d) and the related Model Rule 6-7 to create the "CPA-retired" status, as recommended by the AICPA/NASBA UAA Committee and presented by NASBA UAA Chair J. Coalter Baker (TX). The Board also approved definitions to be added to UAA Sections 3 and 14 to clarify "preparation of financial statements," as proposed by the joint UAA Committee and presented by Mr. Baker. The AICPA Board of Directors is expected to approve the same changes at their meeting August 4-5.
- Heard a report from NASBA Chair Donald H. Burkett (SC) on leadership's meeting with representatives of the Instituto Mexicano de Contadores Públicos and CPA Canada, as well as his participation in several NASBA Committees' meetings and conference calls. He commended the Regional Directors and NASBA staff for their development and presentation of the well-received New State Board Member Orientation Programs and the June Regional Meetings.
- Received an update from President Ken L. Bishop on the activities of the Association, including the formal opening of NASBA's redesigned Nashville office space containing

conference rooms named in honor of Past President David A. Costello and Past Executive Vice President and COO Lorraine P. Sachs. He reported NASBA spent \$8.9 million on services to Boards of Accountancy this year, and for next year projects spending \$10.2 million on such mission services.

□ Was updated by NASBA Executive Vice President and Chief Operating Officer Colleen K. Conrad on the preparations for the next version of the Uniform CPA Examination, to be launched in April 2017. NASBA continues to enhance its IT operations and expand its international evaluation, experience verification, Accountancy Licensee Database and communications services.

□ Was notified by Compliance Assurance Committee Chair John F. Dailey, Jr. (NJ) of the AICPA's recent release of a report entitled: "Proposed Evolution of Peer Review Administration: A Supplemental Discussion Paper Seeking Input from State Boards of Accountancy." Mr. Dailey reported the CAC is studying the paper and will develop a comment letter for NASBA Chair Burkett and President Bishop. The AICPA has requested the State Boards send them comments on the paper and Mr. Dailey asked that Boards send copies of their comments to CAC Staff Liaison Leona Johnson ([cjohnson@nasba.org](mailto:cjohnson@nasba.org)). In addition, the CAC will also be asking Boards to complete a short survey on this topic, he stated.

□ Heard a report from Legislative Support Committee Chair Sharon A. Jensen (MN) on the work being done by the Committee with NASBA Director of Legislative and Governmental Affairs John Johnson to safeguard the Boards from negative consequences of the Supreme Court's decision in the *North Carolina Dental Board* case. The Professional Licensing Coalition, which represents NASBA and other similar licensing board associations, is developing support for amending the Local Government Antitrust Act of 1984, to eliminate the threat of anti-trust financial liability for regulatory boards and their members acting in their official capacity.

□ Learned from Education Committee Chair Raymond N. Johnson (OR) the NASBA/AICPA accreditation project is continuing its work and will be meeting in New York City in August, in conjunction with the Annual Meeting of the American Accounting Association.

The next meeting of the NASBA Board of Directors will be held on October 28, 2016 in Austin, Texas.

**Distribution:**

State Board Chairs/President, Members and Executive Directors  
NASBA Board of Directors, Committee Chairs and Staff Directors

Save my progress and resume later | [Resume a previously saved form](#)

## REGIONAL DIRECTORS' FOCUS QUESTIONS

*To State Board Chairs/Presidents, Members and Executive Directors:*

*The input received from our Focus Questions is reviewed by all members of NASBA's Board of Directors, committee chairs and executive staff and used to guide their actions. We encourage you to place the following questions early on the agenda of your next Board meeting to allow for sufficient time for discussion. Only one set of responses should be submitted per Board. Please submit your Board's responses by October 7, 2016.*

### GENERAL INFORMATION

Board of Accountancy: \*

Please select...	^
Alabama State Board of Public Accountancy	
Alaska Board of Public Accountancy	
Arizona State Board of Accountancy	v

Name of person submitting form: \*

Email: \*

Phone:

### QUESTIONS

1. (a) Has your Board received and/or discussed the July AICPA report: "Proposed Evolution of Peer Review Administration: A Supplemental Discussion Paper Seeking Input from State Boards of Accountancy"?

- Yes  
 No

Comments 1(a)

1. (b) Will your Board be sending in comments to the AICPA? If yes, would you please be sure copies of those responses to Leona Johnson (ljohnson@nasba.org), staff liaison to the NASBA Compliance Assurance Committee?

Yes

No

2. The revised *Statement on Standards for Continuing Professional Education Programs and the Fields of Study* were approved by the NASBA Board of Directors in July, and the AICPA Board is expected to do the same at their August meeting. These will be effective for program sponsors on the NASBA CPE Sponsor Registry as of September 1, 2016. (a) How does your Board use those Standards? For example, do they adopt them as a basis for approving courses? Do they refer would-be providers to those Standards? Do they refer licensees to those standards for guidance on acceptable CPE? Please explain what your Board does.

Comments 2(a)

2. (b) *Is your Board implementing the revised Standard No. 13 (now Standard No. 16)? See below in bold.*

Yes

No

Considering

Not yet on agenda

***Sponsored Learning activities are measured by actual program length, with one 50-minute period equal to one CPE credit. Sponsors may recommend CPE credits under the following scenarios:***

***-- Group programs, independent study, and blended learning programs - A minimum of one full credit must be awarded initially, but after the first credit has been earned, credits may be awarded in one-fifth increments or in one-half increments (1.0, x.2, x.4, x.5, x.6, x.8, and so on). -- Self study - A minimum of one-half credit must be awarded initially, but after the first full credit has been earned, credits may be awarded in one-fifth increments or in one-half increments (0.5, 1.0, x.2, x.4, x.5, x.6, x.8, and so on).***

***-- Nano learning - Credits must be awarded only as one-fifth credit (0.2 credit). A 20-minute program would have to be produced as two stand-alone nano learning programs. Sponsors may round down CPE credits awarded to the nearest one-fifth, one-half, or whole credit at their discretion and as appropriate for the instructional delivery method; however, the CPA claiming CPE credits should refer to respective State Board requirements regarding acceptability of one-fifth and one-half CPE credits.***

3. What is the most recent step your Board has taken to improve its service to the public?

4. What is happening in your jurisdiction that is important for other State Boards and NASBA to about?

5. Can NASBA be of any assistance to your Board at this time?

6. NASBA Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply.

- Input only from Board Chair
- Input only from Executive Director
- Input only from Board Chair and Executive Director
- Input from all Board Members and Executive Director
- Input from some Board Members and Executive Director
- Input from all Board Members
- Input from some Board Members
- Other (please explain below)

If other, please explain:

Submit

[Save my progress and resume later](#) | [Resume a previously saved form](#)

[Need assistance with this form?](#)

