

December 10, 2010

National Peer Review Committee  
American Institute of CPAs  
220 Leigh Farm Road  
Durham, NC 27707

Re: Administrative Oversight Visit to National Peer Review Committee

Dear Committee Members:

Oversight procedures were conducted with respect to the administrative function of the National Peer Review Committee (National PRC) in place as of October 18, 2010. The objective of the procedures was to evaluate whether the National PRC's administrative functions were being conducted in accordance with the AICPA Standards for Performing and Reporting on Peer Reviews and the National PRC policies and procedures, which are approved by the AICPA Peer Review Board (PRB) through inclusion in the National PRC's Plan of Administration.

It is important to note that the National PRC administered peer reviews are subject to involvement of AICPA technical staff and oversight of National Peer Review Committee members. The National PRC consists of several members who serve on both the PRB and the National PRC, as well as two former state board regulatory representatives. Additionally, the National PRC chair attends meetings of the PRB, reporting National PRC activity on a quarterly basis. Accordingly, as a result of the additional scrutiny surrounding National PRC administered reviews, further procedures related to the peer review report acceptance procedures are not considered necessary.

In conjunction with the oversight procedures, the following observations are being communicated.

### **Administrative Procedures**

On October 18-19, 2010, I met with Francis McClintock, Senior Technical Manager and Christopher Ellis, Manager - Operations to review the program's administration. I believe the administrative processes were being handled in a manner consistent with peer review standards.

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

I also reviewed the policies and procedures for the granting of extensions. I found that the Manager of Operations handles short-term extension requests with discussion from the Senior Technical Manager when the circumstances warrant.

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

- Follow up with Team Captains related to delinquent response to inquiries resulting from the technical review process is primarily through informal e-mail communication. While such communication would generally appear to be appropriate for the initial request, continued use of informal e-mail to follow-up on requests is not consistent with the more formal letter process outlined in the administrative manual. The more formal letter process is required to support placing restrictions on reviewers for non-cooperation. A delay in utilizing the more formal process

has the potential to delay appropriate actions for non-cooperation. In discussion, some technical reviewers were not aware of the letter process as outlined in the administrative manual.

- It should be noted that as a result of implementation issues related to the PRISM system, certain administrative functions, such as initiation of actions to drop a firm, were not functional from September, 2009 to June, 2010. The issues appear to have been resolved as of June, 2010 and effective June, 2010 follow up on those delayed actions was initiated.

I requested copies of recent confidentiality agreements for committee members.

- Confidentiality agreements could not be located for approximately one-half of the committee members.

I reviewed the back-up plan to support the administrative and technical review process. The functions related to administrative and technical review were reorganized during the past year to provide for more cross-training of the respective functions utilizing staff that formerly were separately assigned to the National PRC and as support for the AICPA Peer Review Program.

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

I reviewed the National PRC information on the AICPA Web site material and other media information (if applicable), I noted that the administering entity maintains current information as it relates to the peer review program. In addition, the administering entity has individuals who are responsible for maintaining the Web site and monitors the Web site to ensure peer review information is accurate and timely.

### **Working Paper Retention**

I reviewed the completed working papers and found compliance with the working paper retention policies, except as follows:

- There is no centralized filing system to maintain FFC forms. Currently, FFCs are stored with the electronic version of the RAB acceptance package, which can include information that should be purged 120 days after completion of the review. Accordingly, while the paper version of documents are being purged 120 days after completion of the review, the same is not true with the electronic version of documents included in RAB packages, which should also be purged.
- Copies or other record of letters to team captains regarding working paper retention is not maintained.

### **Technical Review Procedures**

I met with technical reviewers, to discuss procedures. I reviewed summary resumes of all individuals performing technical reviews and reviewed information related to participation in a peer review. All technical reviewers had either participated in a peer review or were scheduled to participate during the next twelve months. Information related to required training was also reviewed without exception.

I reviewed the reports, letters of response, if applicable, and the working papers for four reviews. All review issues appear to have been addressed properly by the technical reviewer before reviews were presented to the committee. Note that there were no engagement reviews administered by the National PRC.

### **Oversight Program**

Lisa Joseph, Technical Manager, administers the process for verification of reviewer resume information. Reviewer resume verification was requested for approximately sixty reviewers in 2009. The reviewer

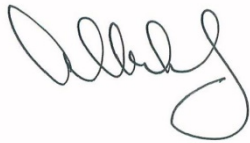
resume verification process appears to be in conformity with the AICPA Peer Review Program Oversight Handbook.

**Summary**

My observations to enhance the administration of the program are summarized as follows:

- In the event of a lack of response by a team captain to an informal e-mail with questions rising during the technical review process, the technical reviewer should follow-up with non-cooperation letters outlined in the Administrative Manual.
- There should be follow up regarding confidentiality agreements not yet received from National PRC committee members and a system established to ensure such agreements are obtained on an annual basis and maintained for ready retrieval.
- A centralized filing system should be established to maintain FFC forms until the subsequent peer review. Currently, FFCs are stored with the electronic version of the RAB acceptance package, which can include information that should be purged 120 days after completion of the review.
- Copies or other record of letters to team captains regarding working paper retention should be maintained.

Sincerely,

A handwritten signature in black ink, appearing to read "Albert R. Denny". The signature is fluid and cursive, with a large loop at the end.

Albert R. Denny, CPA