



AICPA PEER REVIEW BOARD
ANNUAL REPORT ON OVERSIGHT

Issued
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Acronyms

Certain acronyms are used throughout this Report.

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

Introduction

Purpose of this Report

The purpose of this Annual Report on Oversight (Report) is to provide a general overview; past and current statistics and information; the results of the various oversight procedures performed on the AICPA Peer Review Program (AICPA PRP); and to conclude on whether the objectives of the AICPA Peer Review Board's 2008 oversight process were met.

Scope and Use of this Report

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

- Approximately 29,000 firms enrolled in the AICPA PRP.
- Approximately 10,000 peer reviews taking place each year.
- 41 administering entities covering 55 licensing jurisdictions.
- Over 600 volunteer Peer Review Committee members.

Years Presented in this Report

Statistical information presented in this Report for 2006, 2007, and 2008 is determined by the actual date of the peer review, that is, when the peer review is performed.

Oversight procedures are to be performed based on a calendar year.

Changes in Peer Review at the AICPA

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

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

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

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

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

Since both the AICPA PRP and CPCAF PRP (Programs) were now only peer reviewing non-SEC issuer practices, it was determined that the Programs could be merged into one and have one set of peer review standards for all firms subject to peer review. In October 2007, the PRB approved revised Standards for Performing and Reporting on Peer Reviews effective for peer reviews commencing on or after January 1, 2009. This coincided with the official merger of the Programs at which time the CPCAF PRP was discontinued, and the AICPA PRP is now the single program for all AICPA firms subject to peer review. This report covers peer reviews performed during 2006-2008 and accordingly does not report CPCAF PRP reviews.

About the AICPA Peer Review Board

The PRB is the senior technical committee governing the AICPA PRP, and as such, it is responsible for overseeing the entire peer review process. The mission of the PRB is to establish and conduct a peer review program, including developing, communicating, and monitoring comprehensive performance and reporting of peer reviews performed under the Standards for Performing and Reporting on Peer Reviews (*Standards*). The PRB's goal is to enhance quality in the performance of accounting, auditing, and attestation services provided by AICPA members and their firms enrolled in the AICPA PRP. The PRB also reevaluates the validity and objectives of the AICPA PRP to ensure it continues to enhance the quality of accounting and auditing practices of public accounting firms and to explicitly recognize that protecting the public interest is an important objective of the AICPA PRP.

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

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

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

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AICPA Peer Review Program

Letter to the AICPA Peer Review Board

To the Members of the AICPA Peer Review Board:

We have completed a comprehensive oversight program for the 2008 calendar year. In planning and performing our procedures, we considered the objectives of the oversight program, which state there should be reasonable assurance that (1) administering entities are complying with the administrative procedures established by the PRB as set forth in the *State CPA Society AICPA Peer Review Program Administrative Manual*, (2) the reviews are being conducted and reported upon in accordance with the *Standards*, (3) the results of the reviews are being evaluated on a consistent basis by all administering entity peer review committees, and (4) the information provided via the Internet or other media by administering entities is accurate and timely. Our responsibility is to oversee the activities of state CPA societies or groups of state societies that elect and are approved to administer (administering entity) the AICPA PRP, including the establishment and results of each administering entity's oversight processes.

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

- Visits to the administering entities, on a rotation basis ordinarily every other year, by a member of the Oversight Task Force. The visits include testing the administrative and report acceptance procedures established by the PRB. See pages 11–12, *Oversight Visits of the Administering Entities*.
- Reviews of peer review working papers by AICPA PRP staff that are reviewed and approved by the Oversight Task Force PRB members, which covered all parts of the peer review process from administrative functions, peer reviewer documents and checklists, technical reviewer procedures, and peer review committee actions. For 2008, 311 or approximately 3% of total reviews were selected for oversight by the AICPA PRP staff which also covered 293 different peer reviewers or 17% of all active peer reviewers. See pages 12–13, *Peer Review Working Paper Oversight*.
- Monitoring the overall activities of the program. See page 13, *Review of AICPA PRP Statistics*.

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

- Administrative oversight performed by a peer review committee member in the year in which there was no oversight visit by a member of the Oversight Task Force. See page 14, *Administrative Oversight of the Administering Entity*.
- Oversight of various reviews, selected by reviewed firm or peer reviewer, subject to minimum oversight requirements of the PRB. For 2008, approximately 3.4% of total reviews were selected for oversight by the administering entities. See pages 15–16, *Oversight of the Peer Reviews and Reviewers*

- Verification of reviewers' resumes. See pages 16-17, *Annual Verification of Reviewers' Resumes*.

Based on the results of the oversight procedures performed, the Oversight Task Force has concluded that in all material respects (1) the administering entities were complying with the administrative procedures established by the PRB, (2) the reviews were being conducted and reported upon in accordance with *Standards*, (3) the results of the reviews were being evaluated on a consistent basis by all administering entity peer review committees, and (4) the information provided via the Internet or other media by administering entities was accurate and timely. Based upon the Oversight Task Force's conclusions, we believe for the 2008 calendar year, that the objectives of the PRB oversight program, taken as a whole, were met.

Respectfully submitted,

Robert C. Bezgin

Robert C. Bezgin, Chair
AICPA Peer Review Board
Oversight Task Force

August 5, 2009

AICPA Peer Review Program

Overview

AICPA bylaws require that members engaged in the practice of public accounting be with a firm that is enrolled in an approved practice-monitoring program or, if practicing in firms not eligible to enroll, are themselves enrolled in such a program if the services performed by such a firm or individual are within the scope of the AICPA's practice monitoring *Standards*, and the firm or individual issues reports purporting to be in accordance with AICPA professional standards. In addition, there are currently 13 state CPA societies that have made participation of a member's firm in an approved-practice monitoring program a condition of continued state CPA society membership. Also, there are currently 44 state boards of accountancy that have made participation in a type of practice monitoring program mandatory for licensure with 2 more in the process of implementing this requirement. See Exhibit 1.

The AICPA PRP has approximately 29,000 enrolled firms within the United States and its territories at the time this report was prepared. See Exhibit 2. There are approximately 10,000 peer reviews performed each year by a pool of approximately 1,700 peer reviewers.

Firms enrolled in the AICPA PRP are required to have a peer review of their accounting and auditing practices once every three years. An accounting and auditing practice, as defined by the *Standards*, is defined as "all engagements covered by SASs, SSARS, SSAEs, and GAGAS (the Yellow Book) issued by the GAO." The peer review is conducted by an independent evaluator (one or more individuals depending on size of the reviewed firm) and covers a current one-year period. A written report is prepared by the peer reviewer upon completion of the review.

The following summarizes the different peer review types, objectives, and reporting requirements as defined under the *Standard* effective prior to 1/1/09. The revised *Standards*, effective 1/1/09, incorporate different report types and reporting requirements. The PRB has issued a white paper, "*Navigating Through the Revised AICPA Standards for Performing and Reporting on Peer Reviews and Related Interpretations*" to assist readers in learning about the changes. http://www.aicpa.org/download/centerprp/White_Paper_final_6_23_08.pdf.

During the years 2006, 2007 and 2008, the AICPA PRP had three different types of peer reviews: system, engagement, and report reviews.

System Reviews: System reviews are for firms that perform audits or examinations of prospective financial statements solely, or in addition to reviews, compilations, or agreed-upon procedures. The peer reviewer's objective is to determine whether the system of quality control for performing and reporting on auditing and accounting engagements is designed to ensure conformity with professional standards and whether the firm is complying with its system appropriately. The peer review report may be unmodified (firm's system of quality control is adequately designed and firm has complied with its system of quality control); modified (firm has less than reasonable assurance of conforming with professional standards); or adverse (firm's system of quality control is not adequately designed or complied with and there is no assurance of conforming with professional standards). A letter of comments may also be issued in addition

to the peer review report, which includes matters not of such significance to affect the opinion but areas where the firm has more than a remote possibility of not conforming with professional standards in all material respects.

Engagement Reviews: Engagement reviews are for firms that do not perform audits or examinations of prospective financial statements and are not eligible to have a report review (see Report Reviews below) and focus on work performed and reports and financial statements issued on particular engagements (reviews, compilations, or agreed-upon procedures). The peer review report may be unmodified (the financial statements or information and the accountant's reports and the documentation submitted for review did conform with the requirements of professional standards in all material respects); modified (the financial statements or information and the accountant's reports and the documentation submitted for review did conform with the requirements of professional standards in all material respects with the exception of a deficiency(s)); or adverse (the engagements submitted for review by the firm did not conform with the requirements of professional standards in all material respects). A letter of comments may also be issued in addition to the peer review report, which includes departures from professional standards that are not deemed significant departures but that should be considered by the reviewed firm in evaluating the quality control policies and procedures over its accounting practice.

Report Reviews: Report reviews focus on the reports and financial statements issued by firms that only perform compilation engagements without disclosures. On a report review, a reviewer may issue a peer review report without comments and recommendations or one with comments and recommendations, segregating any comments that may be identified as significant.

Administering Entities

Each state CPA society annually elects the level of involvement it desires in the administration of the AICPA PRP. The three options are: (1) self administer; (2) arrange for another state CPA society or group of state societies to administer, or (3) ask the AICPA to request another state CPA society to administer the AICPA PRP for enrolled firms whose main offices are located in that state. The state CPA societies that choose the first option agree to administer the AICPA PRP in compliance with the *Standards* and related guidance materials issued by the PRB. The PRB approved 41 state CPA societies or group of state societies, hereafter referred to as "administering entities," to administer the AICPA PRP in 2008. See Exhibit 3. Each administering entity is required to establish a peer review committee that is responsible for administration, acceptance, and oversight of the AICPA PRP.

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

Results of AICPA PRP

From 2006–2008, there were approximately 29,000 peer reviews performed in the AICPA PRP. Exhibit 4 shows a summary of the reviews performed in the AICPA PRP from 2006–2008 by type of peer review and report issued. For system and engagement reviews, approximately 92% of the reviews resulted in unmodified reports, 6% and 7% were modified, and 2% and 1% were adverse, respectively. Exhibit 5 is a list of items noted as matters on peer reviews performed between 2006-2008. This list contains examples of noncompliance (both material and immaterial) with professional standards. While this list is not all-inclusive and is not representative of all peer review results, it does contain some examples of matters that were identified during the peer review process.

On system reviews, a firm will receive a modified report if the firm has less than reasonable assurance of conforming with professional standards and will receive an adverse report if the firm's system of quality control is not adequately designed or complied with and there is no assurance of conforming with professional standards. A report can have multiple reasons for modification. Exhibit 6 summarizes the reasons by elements of quality control as defined by the Statements on Quality Control Standards (SQCS), for report modifications (that is, modified or adverse reports) and shows the number of firms that received modified reports from system reviews performed in the AICPA PRP from 2006–2008.

From 2006–2008, approximately 4% of the engagements reviewed were identified as substandard. The *Standards* state that an engagement is ordinarily considered substandard when deficiencies, individually or in aggregate, exist that are material to understanding the report or the financial statements accompanying the report, or represents omission of a critical accounting, auditing, or attestation procedure required by professional standards. Exhibit 7 shows the total number of individual engagements reviewed along with those identified as substandard.

During the report acceptance process, the administering entities' peer review committees determine the need for and nature of any follow-up actions based on the nature, significance, pattern, and pervasiveness of engagement deficiencies; whether the recommendations of the review team appear to address the engagement deficiencies adequately; and whether the reviewed firm's responses to the review team's recommendations are comprehensive, genuine, and feasible. Follow-up actions are remedial or educational in nature and are imposed in an attempt to strengthen the performance of the firm. There can be multiple follow-up actions required on an individual review. There were 6,112 follow-up actions required on 4,315 reviews from 2006–2008 and are summarized in Exhibit 8.

Oversight Process

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

All State Boards of Accountancy (SBAs) accept the AICPA PRP as a program that satisfies its peer review licensing requirements. Some SBAs have entered into an agreement with State CPA Societies to perform oversight of their administration of the AICPA PRP. The SBA's oversight process is designed to assess their reliance on the AICPA PRP for re-licensure purposes. This report is not intended to describe or report on that process. Exhibit 9 shows whether the respective administering entity has entered into a peer review oversight relationship with the 44 SBAs that currently have made participation in a type of practice monitoring program mandatory for licensure as indicated in Exhibit 1.

Oversight Task Force of the PRB

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

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

The oversight program also establishes a communications link with administering entities and builds a relationship that enables the PRB to accomplish the following: obtain information about problems and concerns of administering entities' peer review committees, provide consultation on those matters to specific administering entities, and initiate the development of guidance on a national basis, where appropriate.

OTF Oversight Procedures

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

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

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

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

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

As part of the visit, the OTF member will request that the administering entity complete an Information Sheet documenting policies and procedures in the areas of administration, technical review, peer review committee, report acceptance, and oversight processes in administering the AICPA PRP. The OTF member evaluates the Information Sheet and then completes a comprehensive oversight work program which contains the various procedures performed during the oversight visit and the OTF member's comments. At the conclusion of the visit, the OTF member discusses any comments and issues identified as a result of the visit with the administering entity's peer review committee chair. The OTF member then issues an AICPA Oversight Visit Letter to the administering entity which discusses the purpose of the oversight visit and that the objectives of the oversight program were considered in performing those procedures. The letter also contains the OTF member's conclusion as to whether the administering entity has complied with the administrative procedures and *Standards* in all material respects as established by the PRB. In addition to the aforementioned letter, the OTF member issues the administering entity an AICPA Oversight Visit Letter of Procedures and Observations which details the oversight procedures performed and observations noted by the OTF member and includes recommendations that may enhance the entity's administration of the AICPA PRP. The administering entity is then required to respond to the chair of the OTF, in writing, to any findings reported in the letter of procedures and observations, or at a minimum, when there are no findings reported, an acknowledgement of the visit. The oversight letters, including the letter of procedures and observations, and the administering entity's response are presented to the OTF PRB members at the next PRB meeting for acceptance. The administering entity may be required to take corrective actions as a condition of acceptance. The acceptance letter would reflect corrective actions, if any. A copy of the acceptance letter, the two oversight visit letters and the response are posted to the AICPA Peer Review Program web site.

Results

During 2007–2008, a member of the OTF performed at least one on-site oversight visit to each of the 41 administering entities. See Exhibit 10 for a listing of the administering entities and the year of oversight. See Exhibit 11 for a summary of observations from the on-site oversight visits performed during 2007-2008.

Peer Review Working Paper Oversight:

Description

Throughout each year, a sample of system, engagement, and report reviews are randomly selected (by AICPA PRP Staff and approved by the OTF) from each of the administering entities for submission to the AICPA PRP staff for a full working paper review. Documents from all parts of the peer review process (administrative, AS/400 computer system, peer review checklists, technical reviewer checklist, and peer review committee actions) are submitted and then reviewed by the AICPA PRP staff to determine whether:

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

As the AICPA PRP staff completes the full working paper review, a summary report with staff comments is prepared for each administering entity and submitted to the OTF PRB members at the next PRB meeting for review and approval. Once approved, the summary report is submitted to the respective administering entities' peer review committee chairs requesting that they share the findings with their committees, technical reviewers, peer reviewers, and team captains, where applicable. The committee chair is asked to communicate the comments to the committee and return the acknowledgement of communication letter to the AICPA PRP staff. Normally, the cover letter (included with the summary report) sent to the administering entities indicates that they are not asked to take any additional actions on the specific reviews. If significant pervasive deficiencies, problems, or inconsistencies are encountered during the review of the above materials, the OTF may choose to: (1) expand the review of peer review documents; or (2) visit the administering entity in which the deficiencies, problems, or inconsistencies were noted to assist them in determining the cause of these problems and prevent their recurrence, or both; or (3) request the administering entity to take appropriate corrective or monitoring actions.

Results

For the year 2008, 311 working paper reviews were selected for oversight covering 293 different peer reviewers. This represents approximately 3% of peer reviews conducted in 2008 and approximately 17% of peer reviewers. Exhibit 12 shows, by administering entity, the number and type of reviews selected. The most prevalent comments from the working paper oversight process are summarized in Exhibit 13.

Review of AICPA PRP Statistics:

Description

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

- The status of reviews in process
- The results of reviews
- The number and types of corrective actions
- The number, nature, and extent of substandard engagements
- The number of extensions considered and granted
- The number of overdue peer reviews

Results

As of July 2008, there were 1,070 incomplete reviews (181 due in 2005–2006 and 889 due in 2007). As of July 2009, 187 of these reviews remained open in various stages of the review process. Approximately 92% of these open reviews were in the technical review or committee acceptance process, open with outstanding follow-up actions, or were submitted to the PRB for a termination hearing due to noncooperation. The remaining 8% were in the background or scheduling phases of the review. AICPA PRP staff has been working with the administering entities to determine whether due process procedures have been initiated to drop or terminate such firms, in compliance with the guidelines as contained in the *Standards*.

The status of 2008 reviews has been monitored on a weekly basis to determine reviews are being processed timely and to identify any reviews which are delinquent in the process. As of July 2009, there were 1,119 incomplete 2008 reviews. Firms that had not submitted background information or provided scheduling information were reviewed to determine that the appropriate overdue requests were mailed and notification sent to the AICPA to drop the firm from the program for failure to comply. For reviews that were scheduled but past their due date, inquiries were made to determine the proper extension procedures were followed.

Results of AICPA PRP are further summarized on page 9 of this Report.

Oversight by the Administering Entities' Peer Review Committees

The administering entities' peer review committees are solely responsible for monitoring and evaluating peer reviews of those firms whose main offices are located in its state and other states it has agreed to administer. Committees may designate a task force to be responsible for the administration and monitoring of its oversight program.

Administering entities are required to submit their oversight policies and procedures to the PRB on an annual basis. In conjunction with the administering entity personnel, the peer review committee establishes oversight policies and procedures that at least meet the minimum requirements (discussed on pages 14–17, *Administering Entity Oversight Procedures*) established by the PRB to provide reasonable assurance that:

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

Administering Entity Oversight Procedures

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

Administrative Oversight of the Administering Entity:

Description

At a minimum, a committee member or a subcommittee of the administering entity's peer review committee should perform the administrative oversight in those years when there is no oversight visit by OTF. Procedures to be performed should cover the administrative requirements of administering the AICPA PRP.

Results

The administrative oversight reports were submitted to the AICPA by the administering entity as part of the 2009 Plan of Administration. Comments or suggestions resulting from the administrative oversights are summarized in Exhibit 14. In addition, the OTF member reviewed the results of the administrative oversight during their oversight visit (described on pages 11–12, *Oversight Visits of the Administering Entities*) and compared the results of the administrative oversight to those noted during the OTF oversight visit.

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

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

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

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

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

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

Administering entities that administer less than 100 reviews annually can apply for a waiver from the minimum requirements. The request for a waiver includes the

reason(s) for the request and suggested alternatives to the minimum requirements. The waiver is to be submitted and approved by the PRB each year.

Also, at least two engagement oversights must be performed by the administering entity's peer review committee or by its designee from a national list of qualified reviewers, on an annual basis. An engagement oversight (performed either off-site or on-site) is the review of all peer reviewer materials and the reviewed firm's financial statements and working papers on the engagement. The two engagement oversights must include audits of employee benefits plans under ERISA, engagements performed under GAGAS, or audits of insured depository institutions subject to FDICIA. Also, the two oversights selected should not be of the same types of audits. No waivers of oversight of these types of engagements are permitted.

Results

For 2008, the administering entities conducted oversight on 342 reviews, representing approximately 3.4% of all reviews performed in a twelve-month period of time. There were 140 system, 105 engagement, and 97 report reviews oversighted. Approximately 62% of the system oversights were conducted on-site. In addition, 65 ERISA, 62 GAGAS, and 2 FDICIA engagements were oversighted. See Exhibit 15 for a summary of oversights by administering entity.

Annual Verification of Reviewers' Resumes:

Description

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

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

Ensuring that reviewers' resumes are updated annually and are accurate is a critical element in determining if the reviewer or review team has the appropriate knowledge and experience to perform a specific peer review. The administering entity must verify information within a sample of reviewers' resumes on an annual basis. All reviewer resumes should be verified over a three-year period, as long as at a minimum, one third are verified in year 1, a total of

two thirds has been verified by year 2, and 100% have been verified by year 3. Verification must include the reviewers' qualifications and experience related to engagements performed under GAGAS, audits of employee benefit plans under ERISA, and audits of insured depository institutions subject to FDICIA. Verification procedures may include requesting copies of their license to practice as a certified public accountant; continuing professional education (CPE) certificate from a qualified reviewer training course; CPE certificates to document the required 48 CPE credits related to accounting and auditing to be obtained every three years with at least 8 hours in one year; and CPE certificates to document qualifications to perform Yellow Book audits, if applicable. The administering entity should also verify whether the reviewer is a partner or manager in a firm enrolled in a practice monitoring program and whether the reviewer's firm received an unmodified report on its most recently completed peer review.

Results

Each administering entity submitted a copy of their oversight policies and procedures indicating compliance with this oversight requirement, along with a list of reviewers whose resume information was verified for 2008. See Exhibit 16.

Feedback and Enhancements

Feedback from the Administering Entities

In order to maintain effective oversight procedures, the PRB obtains information from the administering entities about matters to address, to provide consultation, and to provide additional guidance as needed on a national basis. The following are areas in which feedback has been received during 2007 and 2008 and subsequently addressed.

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

The AICPA has been working diligently on training all employees as quickly as possible in order to provide timely support for administering entities. In addition, staff continually reevaluates its processes and revisions are made that will better serve our members, firms, and administering entities.

AS/400 Computer System: Administering entities have expressed the need for a more responsive and flexible computer system to use in administering the peer reviews.

The AICPA is designing a new system to improve the processes for scheduling, administering and monitoring peer reviews. The new Peer Review Information System Manager (PRISM) will replace the AS/400 system currently utilized by administering entities with a user oriented web-based tool. PRISM is scheduled to go live in September 2009. In October 2008, a new letter writing module for editing and printing correspondence was deployed as the first release of the new PRISM capabilities.

Peer Reviewer Pool: Numerous concerns have been expressed on the declining pool of peer reviewers and shortage of new peer review committee members. It was also requested that the AICPA consider underwriting part of the costs for the two-day “How To” course or schedule regional classes to increase attendance.

The AICPA began a comprehensive peer reviewer recruitment campaign in 2007 to attract new, quality peer reviewers and educate firms on the benefits of having their owners and staff members involved in performing peer reviews. Components of the campaign include:

- Conference call to peer reviewers on increasing profitability in peer review and benefits of serving on a peer review committee.

- State Society Tool Kit (Peer Review Flyer, Top State Society Strategies, Web Site Template Text, Recruitment Letter, Follow-up Letter, PowerPoint Presentation, Welcome Letter, How-to Participant Tracking Tool and Promotional Video) for state societies to help in efforts to recruit new peer reviewers and help peer reviewers become productive and profitable.

-A Practitioners Tool Kit (Marketing Peer Review Services Prospect Q & A, Introduction Letter to Prospect Firms, Top Marketing and Sales Ideas, Pipeline Tool, and Internal Positioning Document) which will allow reviewers to become more efficient.

-Practice Management Tool Kits have been developed to provide reviewers with easy access to all the documents they need to get started on a review. Tool kits have been created for System, Engagement, and Report Reviews.

-Regional “How to” Courses offered by the AICPA in conjunction with cosponsoring states. Courses were held in Las Vegas, Nevada and New York, New York between November 2007 and June 2008.

-In conjunction with the 2008 Peer Review Program Conference, the AICPA sponsored the “How to Conduct a Review under the AICPA Practice-Monitoring Programs - Acronym HCRPM” based on the revised *Standards for Performing and Reporting on Peer Reviews* effective 1/1/09 on November 13-14, 2008. Participants were provided the opportunity to meet and mingle with the participants of the conference.

In 2009, the AICPA is planning an initiative to encourage peer review committee participation.

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

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

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

The 2008 AICPA Peer Review Program Conference held on November 12 – November 14, 2008 focused on the revised *Standards*. This conference included the latest developments, insights and training regarding the peer review process, including the revised *Standards* effective 1/1/09, that peer reviewers, technical reviewers, administrators and committee members will encounter. Attendees received updated information that affects their role in the peer review process, participated in challenging conference cases and shared recent peer review information, ideas and experiences.

Completion of Follow-up Actions: Administering entities have requested specific guidance to follow in determining the length of time to allow for the completion of follow-up actions.

The AICPA PRP staff will be reviewing consistency in the length of time firms are given to complete follow-up actions. The *Report Acceptance Body Handbook*, effective January 1, 2009, indicates that corrective action should be completed as soon as reasonably possible.

Promotion of Peer Review: There continues to be a need for more promotion of the peer review program and its benefits to AICPA members and to the business and regulatory communities.

The AICPA is currently working on a communications program to users of peer reviews.

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

AICPA PRP staff offered additional training to administrators on implementation of the revised *Standards* during February, March, April, and May of 2009. Additional training will be offered as needed.

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

The AICPA Peer Review Conference continues to offer sessions that are geared toward committees and technical reviewers. In addition, a large segment at the conference offers practical case studies that assist technical reviewers and committee members.

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

The AICPA Auditing Standards Board Quality Control Task Force revised the practice aid, "Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice" for the issuance of Statement on Quality Control Standards No. 7, *A Firm's System of Quality Control* effective January 1, 2009. This practice aid provides additional guidance to small firms in establishing and maintaining a system of quality control, including documenting their monitoring process. The AICPA has developed quality control questionnaires used in the peer review process which may also be sufficient documentation of the system of quality of control for some firms. In order for the questionnaire to properly satisfy the SQCS's documentation requirement, it should be completed and in effect prior to the beginning of the peer review year.

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

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

AICPA is exploring technology that will allow firms to enter the information directly into the peer review system.

Guidance on Oversight: Administering entities have requested additional guidance on the oversight processes, specifically the verification of reviewer resumes. In addition, requests have been received to automate the oversight checklists.

The *Oversight Handbook* was reissued to include additional guidance and aids to assist with the verification of reviewer resumes. The PRISM system will automate several of the oversight functions and provide enhanced reporting capabilities.

Exhibit 1

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

<u>Licensing Jurisdiction</u>	<u>Required for State CPA Society Membership</u>	<u>Required for State Boards of Accountancy Licensure</u>
Alabama	No	Yes
Alaska	No	Yes
Arizona	No	Yes
Arkansas	No	Yes
California	No	No
Colorado	Yes	No
Connecticut	Yes	Yes
Delaware	Yes	No
District of Columbia	No	No
Florida	No	No
Georgia	Yes	Yes
Guam	No	Yes
Hawaii	No	No
Idaho	No	Yes
Illinois	No	Yes* in 2012
Indiana	No	Yes
Iowa	No	Yes
Kansas	No	Yes
Kentucky	No	Yes
Louisiana	Yes	Yes
Maine	Yes	Yes
Maryland	No	Yes
Massachusetts	No	Yes
Michigan	No	Yes
Minnesota	Yes	Yes
Mississippi	Yes	Yes
Missouri	No	Yes

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

Exhibit 1 (continued)**State CPA Societies and State Boards of Accountancy That Have Made Participation in an Approved Practice-Monitoring Program a Condition of Membership or Licensure**

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

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

Exhibit 2
Number of Firms Enrolled in the AICPA Peer Review Program by Licensing Jurisdiction

Licensing Jurisdiction	Enrolled Firms by Number of Professionals in Practice							
	Sole Practitioners	2-5	6-10	11-19	20-49	50-99	100+	Total
AK	41	30	9	7	-	1	-	88
AL	197	204	43	31	10	-	2	487
AR	82	92	36	16	3	1	-	230
AZ	220	185	54	9	8	2	-	478
CA	1,185	915	321	134	80	13	2	2,650
CO	251	287	48	20	11	1	-	618
CT	257	199	68	26	7	-	-	557
DC	10	10	6	1	3	3	1	34
DE	18	31	11	3	7	-	-	70
FL	512	663	175	75	30	4	1	1,460
GA	408	409	120	40	19	2	-	998
GU	3	1	1	1	1	1	-	8
HI	62	69	27	9	1	1	-	169
IA	77	113	45	15	11	1	-	262
ID	57	88	24	7	5	-	-	181
IL	327	379	124	58	32	7	3	930
IN	156	209	50	24	16	1	1	457
KS	102	126	36	20	10	3	1	298
KY	151	171	54	22	8	2	-	408
LA	290	236	71	22	11	2	-	632
MA	362	381	103	34	19	3	-	902
MD	184	237	75	32	30	6	-	564
ME	45	51	14	7	4	1	-	122
MI	316	380	123	47	16	2	-	884
MN	193	194	51	26	17	3	-	484
MO	130	225	57	33	13	2	-	460
MP	1	-	-	-	-	-	-	1
MS	128	113	31	11	6	1	-	290
MT	34	51	10	8	1	3	1	108
NC	397	442	127	41	23	2	-	1,032
ND	30	28	4	1	1	-	-	64
NE	38	76	32	16	6	2	-	170
NH	80	70	13	6	4	1	-	174
NJ	438	486	106	47	26	5	1	1,109
NM	121	92	24	4	2	2	-	245
NV	88	76	24	16	2	1	-	207
NY	392	655	232	102	57	13	5	1,456
OH	387	445	152	67	23	6	-	1,080
OK	156	180	46	10	5	-	-	397
OR	170	217	63	31	8	3	2	494
PA	363	513	153	65	35	5	3	1,137
PR	47	68	18	12	13	2	-	160
RI	59	68	15	5	5	2	-	154
SC	190	199	24	16	10	1	-	440
SD	16	33	13	7	-	1	-	70
TN	282	246	76	28	10	1	-	643
TX	1,182	1,032	223	79	38	7	1	2,562
UT	94	87	21	12	8	-	-	222
VA	326	275	67	28	13	3	3	715
VI	7	1	2	-	-	-	-	10
VT	37	32	10	6	3	-	-	88
WA	197	198	81	26	16	1	-	519
WI	100	133	45	17	13	2	2	312
WV	70	74	18	7	5	-	-	174
WY	32	41	14	2	2	-	-	91
Totals	11,098	11,816	3,390	1,389	707	126	29	28,555

Note: The above data reflects enrollment as of June 24, 2009.

Exhibit 3**Administering Entities Approved to Administer the 2009 AICPA PRP**

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

Exhibit 4**Results by Type of Peer Review and Report Issued**

The following shows the results of the AICPA PRP from 2006–2008 by type of peer review and report issued.

	2006	%	2007	%	2008	%	Total	%
System Reviews:								
Unmodified without comments	2,576	48%	2,080	50%	2,242	51%	6,898	50%
Unmodified with comments	2,350	44%	1,748	42%	1,781	41%	5,879	42%
Modified	314	6%	249	6%	250	6%	813	6%
Adverse	99	2%	78	2%	81	2%	258	2%
	<u>5,339</u>	100%	<u>4,155</u>	100%	<u>4,354</u>	100%	<u>13,848</u>	100%
Engagement Reviews:								
Unmodified without comments	1,359	47%	1,311	47%	1,428	51%	4,098	48%
Unmodified with comments	1,332	45%	1,231	45%	1,133	41%	3,696	44%
Modified	200	7%	199	7%	181	7%	580	7%
Adverse	30	1%	38	1%	36	1%	104	1%
	<u>2,921</u>	100%	<u>2,779</u>	100%	<u>2,778</u>	100%	<u>8,478</u>	100%
Report Reviews:								
No comments	1,415	64%	1,512	66%	1,667	67%	4,594	66%
With comments	611	27%	609	26%	618	25%	1,838	26%
With significant comments	205	9%	183	8%	200	8%	588	8%
	<u>2,231</u>	100%	<u>2,304</u>	100%	<u>2,485</u>	100%	<u>7,020</u>	100%
Total reviews	<u><u>10,491</u></u>		<u><u>9,238</u></u>		<u><u>9,617</u></u>		<u><u>29,346</u></u>	

Note: The above data reflects peer review results as of July 14, 2009. Approximately 4% of 2008 reviews are in process and their results are not included in the totals above.

Exhibit 5

Examples of Matters Noted in Peer Reviews

The following is a list of items noted as matters in peer reviews performed between 2006-2008. This list contains examples of noncompliance (both material and immaterial) with professional standards. While this list is not all-inclusive and is not representative of all peer reviews it does note some examples of matters that were identified during the peer review process.

Reports

- Compilation reports that failed to include the paragraph regarding the omission of required disclosures or supplemental information as applicable in the circumstances.
- Reports dated incorrectly, issued without a date or without appropriate reference to all time periods covered by the financial statements.
- Reports reflecting financial statement titles and terminology not in accordance with professional standards.
- Compilation reports that contained outdated wording.
- Issuance of an audit or review report when the accountant is not independent.
- Inappropriate references to GAAP in the accountant's report on financial statements in conformity with OCBOA.
- Failure to appropriately qualify an auditor's report for a scope limitation or departure from the basis of accounting used for the financial statements.
- Failure to disclose the lack of independence in a compilation report.
- Departures from standard wording where the report does not contain the critical elements of the applicable standards.
- Failure to disclose, in the accountant's or auditor's report, a departure from professional standards [examples include: omission of significant income tax provision on interim financial statements; omission of significant disclosures related to defined employee benefit plans; or omission of required supplemental information for a unique industry.
- Failure to explain the degree of responsibility the accountant is taking with respect to supplementary information

Financial Statement Measurement

- Revenues and expenses not presented and disclosed in accordance with professional standards (i.e. freight revenue and related shipping and handling expenses).
- Financial statements prepared on a basis of accounting other than generally accepted accounting principles (OCBOA) properly reported on but containing inconsistencies between the report and the financial statements, where the actual basis is not readily determinable.

Exhibit 5 (continued)**Examples of Matters Noted in Peer Reviews**

- Investments in marketable securities presented at cost and not fair market value resulting in a misstatement to the balance sheet.
- Improper accounting of a transaction (for example, recording a capital lease as an operating lease).
- Inclusion of balances that are not appropriate for the basis of accounting used.
- Failure to include an amount or balance necessary for the basis of accounting used (examples include omission of accruals, failure to amortize a significant intangible asset, failure to provide for losses or doubtful accounts, or failure to provide for deferred income taxes).
- Use of inappropriate method of revenue recognition.

Presentation and Disclosure

- Supplementary information not clearly segregated or marked as supplementary and departures from standard report presentation.
- Financial statement presentation inappropriate for the type of non-profit organization reported on.
- Failure to disclose the accounting policy related to significant advertising costs in the notes to the financial statements.
- Omission of the disclosure of the method of income recognition as required by professional standards.
- Misclassification of items on the statement of cash flows.
- Omitted or inadequate disclosures related to account balances or transactions (for example: disclosure deficiencies relating to accounting policies, inventory, valuation allowances, long-term-debt, related party transactions, concentrations of credit risk).
- Bank overdrafts not properly presented on the balance sheet, failure to accrue income taxes where the accrual and provision are expected to be significant to the financial statements taken as a whole, missing disclosures in the financial statements where the item to be disclosed was included in a disclosure checklist used in preparing the financial statements.
- Financial statement titles on computer generated financial statements that were inconsistent with the accountant's report.
- Failure to refer to the accountant's report on each page of the financial statements and financial statements inconsistently titled with the applicable reports.
- Failure to disclose the omission of substantially all disclosures (in a compilation without disclosures).
- Misclassification of a transactions or balances and omission of significant required disclosures related to financial statement balances on transactions.
- Failure to disclose the omission of the statement of cash flows in financial statements prepared in accordance with GAAP.

Exhibit 5 (continued)**Examples of Matters Noted in Peer Reviews**

- Failure to disclose an OCBOA for financial statements compiled without disclosures, where the basis of accounting is *not* readily determinable from reading the report.
- Significant departures from the financial statement formats prescribed by industry accounting and audit guides.
- Omission of the disclosure(s) related to significant accounting policies applied (GAAP or OCBOA).
- Omission of significant matters related to the understanding of the financial statements (the cumulative effect of a number of deficiencies).
- Failure to include a summary of significant assumptions in a financial forecast or projection.
- Failure to segregate the statement of cash flows into the components of operating, investing, and financing.
- Failure to disclose the cumulative effect of a change in accounting principle.
- Omission of statement of income and retained earnings when referred to in the report.
- Failure to disclose significant related party transactions.
- Material depreciation miscalculations not corrected in the financial statements and/or depreciation on specific newly acquired assets omitted from the financial statements.
- Incorrect application of GASB 34/35.
- Improper accounting for a particular fund.

Audit Procedures (including Documentation)

- Firm did not document arrangements with client regarding nonattest services.
- Failure to adequately document the use of analytical procedures to determine the nature, timing and extent of audit procedures.
- Failure to document reportable conditions.
- Failure to adequately document the results of preissuance reviews and communicate the results to the professional staff when required by the firm's quality control policies and procedures.
- Omission of certain planning documentation required under professional standards.
- Documentation deficiencies related to substantive tests and failure to document considerations of sample selection.
- Amounts appearing in footnotes to audited financial statements not properly documented in the workpapers when required by the firm's quality control policies and procedures.
- Failure to document management's policy on recording cash equivalents.
- Failure to require a concurring partner review of financial statements for new clients in a specialized industry when required by the firm's quality control policies and procedures.
- Failure to document assessment of control risk when the audit program and substantive procedures support assessment at the maximum for all critical assertions related to significant balances and classes of transactions.
- Dating discrepancies between the dating of management representation letters and/or attorney letters, and the last day of field work.

Exhibit 5 (continued)**Examples of Matters Noted in Peer Reviews**

- Failure to document the inspection of board of director minutes.
- Failure to document whether accounts receivable were collectible and/or realizable.
- Failure to complete routing sheets verifying partner review when required by the firm's quality control policies and procedures.
- Failure to sign off on audit program steps in audit programs.
- Failure to have a current individual license to practice public accounting as required by state law.
- Failure to document audit planning procedures, use a written audit program or failure to consult industry audit guides.
- Failure to assess or document risk of fraud and to perform adequate tests in key audit areas.
- Failure to obtain a client management representation letter and/or failure to request a legal representation letter
- Failure to tailor audit programs for specialized industries or for a specific type of engagement (e.g., significant areas of inventory and receivable balances).
- Omission of key components in a client management representation letter.
- Failure to test for unrecorded liabilities and to review loan covenants relating current and long term liabilities.
- Failure to document the auditor's consideration of the internal control structure.
- Substantial documentation deficiencies related to key audit areas.
- Failure to document tests of controls and compliance for engagements subject to OMB circular A-133.
- Failure to observe inventory
- Failure to perform essential audit procedures required by an industry audit guide.
- Failure to confirm significant receivables or document appropriateness and utilization of other audit techniques.
- Failure to document the levels of materiality and tolerable misstatement, including any changes thereto, used in the audit and the basis on which those levels were determined
- Failure to perform audit cut-off procedures.
- Failure to document communications between predecessor and successor auditors.
- Failure to perform a review of subsequent events.
- Failure to include appropriate references to client responsibilities concerning fraud in the engagement letter.
- Failure to perform or document the discussion among the audit team regarding the susceptibility of the entity's financial statements to misstatement due to error or fraud, including how and when the discussion occurred, the subject matter discussed, the audit team members who participated, and significant decisions reached concerning planned responses at the financial statement and relevant assertion levels.
- Failure to perform or document inquiries with management regarding fraud.
- Failure to document consideration of nonstandard journal entries.
- Management representation letter did not cover prior period on comparative statements.

Exhibit 5 (continued)**Examples of Matters Noted in Peer Reviews**

- Inadequate documentation of performance and expectations of analytical procedures.
- Failure to document key elements of the understanding obtained regarding each of the aspects of the entity and its environment, including each of the components of internal control, to assess the risks of misstatement of the financial statements, the sources of information from which the understanding was obtained, and the risk assessment procedures.
- Failure to document:
 - The assessment of the risks of misstatement both at the financial statement level and at the relevant assertion level and the basis for the assessment.
 - The significant risks identified and related controls evaluated.
 - The overall responses to address the assessed risks of misstatement at the financial statement level.
 - The nature, timing, and extent of the further audit procedures.
 - The linkage of those procedures with the assessed risks at the relevant assertion level.
 - The results of the audit procedures.
 - The conclusions reached with regard to the use in the current audit of audit evidence about the operating effectiveness of controls that was obtained in a prior audit.
 - A summary of uncorrected misstatements, other than those that are trivial, related to known and likely misstatements.
 - Conclusion about whether uncorrected misstatements, individually or in aggregate, do or do not cause the financial statements to be misstated, and the basis for that conclusion.

SSARS Procedures (including Documentation)

- The engagement letter on a SSARS 8 engagement did not refer to supplementary information, which was presented along with the basic financial statements.
- Failure to use a work program or a reporting and disclosure checklist when required by firm policy. (This is not required by professional standards.)
- For review engagements, failure to perform analytical and inquiry procedures and failure to adequately document the procedures.
- For review engagements, failure to obtain a client management representation letter, and failure to segregate the current portion of long-term debt.
- Engagement letters on SSARS 8 engagements that omit the required descriptions or statements documenting the understanding with the client.
- Reference to the accountant's compilation report was not present on the financial statements.

Attestation Procedures (including Documentation)

- Failure to clearly identify the responsible party and/or failure to have the responsible party accept responsibility for its assertions or subject matter.
- Failure to appropriately label pro forma financial information to distinguish it from historical financial information.

Exhibit 5 (continued)**Examples of Matters Noted in Peer Reviews**Engagement Performance

The following are not required by professional standards but were noted as instances of noncompliance with the individual firm's quality control policies and procedures:

- Failure to use specialized checklists for personal financial statements.
- Failure to appropriately complete financial and disclosure checklists.
- Failure of firm personnel to consult reference materials, outside sources or engage the services of specialists which resulted in financial statement disclosure or presentation departures.
- Failure to perform an adequate review of the engagement working papers and/or the accountant's and/or auditor's report and accompanying financial statements by the practitioner-in-charge of the engagement prior to the issuance of the auditor's or accountant's report.
- Failure to perform pre-issuance review of engagement working papers and/or reports and accompanying financial statements by an independent party not associated with the engagement.
- Failure to use accounting and auditing practice aids developed by third party providers which resulted in engagement deficiencies.
- Failure to use engagement letters for accounting engagements.

Human Resources

- Failure of professional staff to take adequate continuing professional education (CPE) in accounting and auditing related subjects and or failure to take CPE as required under Yellow Book standards.
- Failure of professional staff to take adequate continuing professional education (CPE) in specialized industries, which resulted in disclosure and reporting deficiencies on engagements selected for review.

Monitoring

- Failure to implement a procedure that provides a means of ensuring that library materials contain relevant and up to date references.
- Failure by engagement partners to adequately review audit reports and accompanying financial statements before they are issued as required by firm policies and procedures.
- Failure to document the firm's compliance with policies and procedures for its system of quality control as required by AICPA Quality Control Standards.
- Failure to perform or document annual inspections that include the functional elements of quality control, as required by firm policy.
- Failure to extend monitoring policies and procedures to non-audit services (e.g., compilation engagements and/or review engagements).

Exhibit 5 (continued)**Examples of Matters Noted in Peer Reviews****AREAS OF NONCOMPLIANCE UNIQUE TO ENGAGEMENTS SUBJECT TO GAGAS OR ERISA**Engagements subject to GAGAS:

- Performance of a review when an audit was required by statute.
- Failure to identify and audit major programs
- Failure to issue a report on compliance and internal controls for audits subject to *Government Auditing Standards*.
- Failure to include proper A-133 reports as required under GAGAS
- Failure to document tests of controls and compliance for engagements subject to OMB Circular A-133 engagements, perform adequate tests in other key area and failure to test controls over compliance in Single Audit Act engagements.
- Compliance and control tests, including sampling applications are not adequately designed to support the type of reports issued.
- Inadequate or outdated reference material related to the governmental engagements performed.
- Report on financial statements does not refer to reports on controls and compliance.
- Yellow Book CPE requirements are not met.
- Failure to restrict the use of the accountant's report to the proper governmental agency.
- Management letters not modified for Yellow Book or Single Audit Act disclosures.
- Failure to submit peer review reports to requisite third parties.
- Failure to disclose reportable conditions or non-compliance with GAGAS.
- The auditor's report and related reports on internal control did not follow the formats provided in GAS.

Employee benefit plans subject to ERISA:

- Inadequate testing of participant data.
- Inadequate testing of investments, particularly when held by outside parties.
- Failure to properly report on and/or include required supplemental schedules relating to ERISA and DOL.
- Inadequate disclosures related to participant directed investment programs.
- Failure to understand testing requirements on a limited-scope engagement.
- Inadequate consideration of prohibited transactions.
- Incomplete description of the plan and its provisions.
- Inadequate or missing disclosures related to investments.
- Failure to properly report on a DOL limited-scope audit.
- Improper use of limited scope exemption because financial institution did not qualify for such an exemption.
- Inadequate or missing disclosures related to participant data.

Exhibit 6

Number and Reasons for Report Modifications

The following lists the reasons, summarized by elements of quality control as defined by the SQCS, for report modifications (that is, modified or adverse reports) and shows the number of firms that received modified reports from system reviews performed in the AICPA PRP from 2006–2008. On a system review, the peer reviewer’s objective is to express an opinion on whether the system of quality control for the accounting and auditing practice of the reviewed firm had been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was being complied with during the year reviewed to provide the firm with reasonable assurance of conforming with professional standards. SQCS requires every CPA firm, regardless of its size, to have a system of quality control for its accounting and auditing practice. It states that the quality control policies and procedures applicable to a professional service provided by the firm should encompass the following elements: independence, integrity, and objectivity; personnel management; acceptance and continuance of clients and engagements; engagement performance; and monitoring. A firm will receive a modified report on a system review if the firm has less than reasonable assurance of conforming with professional standards and will receive an adverse report if the firm’s system of quality control is not adequately designed or the firm has a system but is not complying with it.. Since modified or adverse reports can have multiple reasons identified, the numbers contained in this exhibit will exceed the number of modified or adverse system reviews in Exhibit 4.

Reasons for Report Modifications	<u>2006</u>	<u>2007</u>	<u>2008</u>
Independence, Integrity & Objectivity	21	9	13
Engagement Performance	275	218	209
Personnel Management	57	38	58
Acceptance & Continuance of Clients & Engagements	19	8	6
Monitoring	154	124	101
Totals	<u>526</u>	<u>397</u>	<u>387</u>

Note: The above data reflects peer review results as of July 14, 2009. Approximately 4% of 2008 reviews are in process and their results are not included in the totals above.

Exhibit 7

Number of Substandard Engagements

The following shows the total number of engagements reviewed and the number identified as “substandard” from peer reviews performed in the AICPA PRP from 2006–2008. The *Standards* state that an engagement is ordinarily considered substandard when deficiencies, individually or in aggregate, exist that are material to understanding the report or the financial statements accompanying the report, or represents omission of a critical accounting, auditing, or attestation procedure required by professional standards.

Engagement Type	2006			2007			2008		
	Number of Engagements		%	Number of Engagements		%	Number of Engagements		%
	Reviewed	Substandard		Reviewed	Substandard		Reviewed	Substandard	
Audits - Single Audit Act (A-133)	1,751	119	7%	1,429	100	7%	1,647	130	8%
Audits - Governmental - All Other	1,736	128	7%	1,307	97	7%	1,516	104	7%
Audits - ERISA	1,736	125	7%	1,604	97	6%	2,034	111	5%
Audits - FDICIA	8	3	38%	89	2	2%	80	2	3%
Audits - Other	5,138	273	5%	4,450	240	5%	5,073	236	5%
Reviews	6,142	188	3%	5,344	211	4%	6,124	197	3%
Compilations with Disclosures	4,495	93	2%	3,774	75	2%	4,269	74	2%
Compilations without Disclosures	13,770	531	4%	12,082	386	3%	13,243	416	3%
Financial Forecast & Projections	150	6	4%	165	15	9%	163	2	1%
Other SSAEs	769	21	3%	788	23	3%	986	31	3%
Totals	35,695	1,487	4%	31,032	1,246	4%	35,135	1,303	4%

Note: The above data reflects peer review results as of July 14, 2009. Approximately 4% of 2008 reviews are in process and their results are not included in the totals above.

Exhibit 8

Summary of Required Follow-Up Actions

The administering entities' peer review committees are authorized by the *Standards* to decide on the need for and nature of any additional follow-up actions required as a condition of acceptance of the firm's peer review. During the report acceptance process, the administering entity peer review committee evaluates the need for follow-up actions based on the nature, significance, pattern, and pervasiveness of engagement deficiencies. The peer review committee also considers the comments noted by the reviewer and the firm's response thereto. If the firm's response contains remedial actions which are comprehensive, genuine, and feasible, then the committee may not recommend further follow-up actions. Follow-up actions are remedial and educational in nature and are imposed in an attempt to strengthen the performance of the firm. A review can have multiple follow-up actions. For 2006–2008 reviews, committees required 6,112 follow-up actions on 4,315 reviews in the AICPA PRP. The following represents the type of follow-up actions required.

Type of Follow up Action	2006	2007	2008
Agree to take certain Continuing Prof. Education (CPE)	777	619	668
Agree to do comprehensive inspection	1	1	3
Agree to hire consultant for inspection	16	13	10
Agree to hire consultant for preissuance reviews	137	103	124
Agree to strengthen staff	-	2	-
Submit proof of CPE taken	106	195	196
Submit copy of inspection report	91	66	69
Submit inspection completion letter	1	2	6
Submit report on consultant	5	3	2
Submit quarterly progress reports	1	3	1
Submit to Team Captain (TC) revisit—general	96	92	77
Submit to TC review of sub engagements with workpapers	116	114	100
Submit to committee member visit	3	2	2
Agree to have accelerated review	65	73	65
Oversight of Inspection - - Review	2	-	-
Oversight of Inspection - Visitation	1	-	1
Submit Inspection Report to Team Captain	36	27	18
Team captain to review Quality Control Document	4	2	7
Review of formal CPE plan by outsider	2	3	-
Submit a CPE plan to the committee	6	6	9
Outside Party to Review Inspection	5	8	4
Outside Party to Visit During Inspection	2	4	3
Submit to team captain review of sub engagement without workpapers	202	74	74
Submit inspection report to outside party	17	13	11
Team captain review correction of substandard engagement	53	44	51
Outside party review substandard correction	6	10	11
Does not perform any auditing engagements	10	13	10
Submit additional information regarding repeat findings	18	10	20
Submit monitoring report to Committee	111	78	62
Submit monitoring report to Team Captain	75	65	55
Oversight of monitoring by Team Captain	7	8	4
Submit proof of purchase of manuals	15	12	5
Submit evidence of proper firm licensure	28	25	52
Agree to hire consultant - preissuance reviews	19	10	15
Submit to Team Captain review of sub engagement with workpapers	64	54	61
Receiving revised report	176	149	139
	<u>2,274</u>	<u>1,903</u>	<u>1,935</u>
Number of Reviews Assigned Follow Up			
Unmodified without comments	4	8	15
Unmodified with comments	866	697	728
Modified or Report Reviews with significant comments	606	530	527
Adverse	116	105	113
	<u>1,592</u>	<u>1,340</u>	<u>1,383</u>

Note: The above data reflects peer review results as of July 14, 2009. Approximately 4% of 2008 reviews are in process and their results are not included in the totals above.

Exhibit 9**Administering Entities That Have Entered Into a Peer Review Oversight Relationship With a State Board of Accountancy**

The following shows whether the respective administering entity has entered into a peer review oversight relationship with the 44 SBAs that currently have made participation in a type of practice monitoring program mandatory for licensure as indicated in Exhibit 1.

<u>Administering Entity</u>	<u>State Board of Accountancy</u>	<u>Oversight Relationship Between Administering Entity and State Board of Accountancy</u>
Alabama Society of CPAs	Alabama	No
California Society of CPAs	Alaska	No
California Society of CPAs	Arizona	No
Arkansas Society of CPAs	Arkansas	Yes
Connecticut Society of CPAs	Connecticut	No
Georgia Society of CPAs	Georgia	No
Oregon Society of CPAs	Guam	No
Idaho Society of CPAs	Idaho	No
Indiana CPA Society	Indiana	No
Iowa Society of CPAs	Iowa	No
Kansas Society of CPAs	Kansas	Yes
Kentucky Society of CPAs	Kentucky	Yes
Society of Louisiana CPAs	Louisiana	Yes
New England Peer Review, Inc.	Maine	No
Maryland Association of CPAs	Maryland	No
Massachusetts Society of CPAs	Massachusetts	Yes
Michigan Association of CPAs	Michigan	No
Minnesota Society of CPAs	Minnesota	Yes
Mississippi Society of CPAs	Mississippi	Yes
Missouri Society of CPAs	Missouri	Yes
Montana Society of CPAs	Montana	No
Nevada Society of CPAs	Nebraska	No
Nevada Society of CPAs	Nevada	Yes
New England Peer Review, Inc.	New Hampshire	No
New Jersey Society of CPAs	New Jersey	No
New Mexico Society of CPAs	New Mexico	No
North Carolina Association of CPAs	North Carolina	No
North Dakota Society of CPAs	North Dakota	No
The Ohio Society of CPAs	Ohio	Yes
Oklahoma Society of CPAs	Oklahoma	Yes
Oregon Society of CPAs	Oregon	No
Pennsylvania Institute of CPAs	Pennsylvania	No
New England Peer Review, Inc.	Rhode Island	No
South Carolina Association of CPAs	South Carolina	Yes
Oklahoma Society of CPAs	South Dakota	No
Tennessee Society of CPAs	Tennessee	Yes
Texas Society of CPAs	Texas	Yes
Nevada Society of CPAs	Utah	No
New England Peer Review, Inc.	Vermont	No
Virginia Society of CPAs	Virginia	No
Washington Society of CPAs	Washington	Yes
West Virginia Society of CPAs	West Virginia	No
Wisconsin Institute of CPAs	Wisconsin	No
Nevada Society of CPAs	Wyoming	No

Exhibit 10**On-Site Oversight of Administering Entities
Performed by AICPA Oversight Task Force**

During 2007–2008, a member of the OTF performed an on-site oversight visit to each of the 41 administering entities below. As part of the oversight procedures, each administering entity is visited by a member of the OTF whenever deemed necessary, ordinarily, at least once every other year.

<u>2007</u>	<u>2008</u>
Alabama	Alabama
Connecticut	Arkansas
Georgia	California
Hawaii	Colorado
Idaho	Florida
Illinois	Kansas
Indiana	Michigan
Iowa	Mississippi
Kentucky	Missouri
Louisiana	Montana
Maryland	Nevada
Massachusetts	New England
Minnesota	New Jersey
New York	New Mexico
North Carolina	New York
Oklahoma	North Dakota
South Carolina	Ohio
Texas	Oregon
Virginia	Pennsylvania
Washington	Puerto Rico
	Tennessee
	West Virginia
	Wisconsin

Exhibit 11

Observations From On-Site Oversight of Administering Entities Performed by AICPA Oversight Task Force

As discussed in more detail on pages 11-12, *Oversight Visits of the Administering Entities*, each administering entity is visited by an OTF member at least every other year who performs various oversight procedures. At the conclusion of the visit, the OTF member issues an AICPA Oversight Visit Letter as well as an AICPA Oversight Visit Letter of Procedures and Observations which details the oversight procedures performed, observations noted by the OTF member, and includes recommendations that may enhance the entity's administration of the AICPA PRP. The administering entity is then required to respond to the chair of the OTF, in writing, to any findings reported in the letter of procedures and observations, or at a minimum, when there are no findings reported, an acknowledgement of the visit. The two oversight letters and the administering entity's response are presented to the OTF PRB members at the next PRB meeting for acceptance. A copy of the acceptance letter, the two oversight visit letters and the response are posted to the AICPA PRP web site. The following represents a summary of common observations made by the AICPA OTF resulting from the on-site oversight visits performed during 2007–2008. The observations listed below are not indicative of every administering entity and may have been a single occurrence that has since been corrected upon notification.

Administrative Procedures

- The back-up plan in place to support the program administrator was not written or tested.
- The back-up plan should be formalized by obtaining a written agreement with the other state organization serving as their back-up.
- A copy of the approval or denial of the extension request was not maintained in the reviewed firm's file.
- The appropriate letters for poor reviewer performance, delinquent peer reviews, and follow-up reminders were not generated according to the time requirements in the administrative manual.
- Files still open due to delinquent follow-up actions were not periodically reviewed with the Peer Review Committee to determine what additional action should be taken.
- Reviewer feedback forms were not maintained in the appropriate reviewer file, but included in the reviewed firm's file. Also, the reviewer feedback forms were not mailed simultaneously with the committee decision letters.
- Scope and results of oversight procedures were not documented and communicated to the Peer Review Committee at least on an annual basis. The oversight plan did not include a formal evaluation of the technical reviewer(s). Also, the results of the AICPA working paper oversights were not presented to the peer review committee for their review and disposition.
- Confidential peer review information was provided the SBA in violation of the *Standards*.
- The Administrative Review Checklist was not used to verify the completeness of documents submitted by the reviewer.
- Working paper retention notification letters were not mailed to the reviewer with the copy of the acceptance letter.

Exhibit 11 (continued)**Observations From On-Site Oversight of Administering Entities
Performed by AICPA Oversight Task Force**

- Procedures were not being followed for issuing failure to cooperate letters in situations where the reviewed firm received consecutive modified or adverse reports.
- Acceptance letters should be dated with the date the firm or the reviewer furnishes, to the RAB's satisfaction, the requested revision or clarification.

Web site and Other Media Information

- The data maintained on the Web site as it relates to the peer review program was not reviewed and revised to reflect current information. A link to the AICPA Web site was not present.

Working Paper Retention

- Working papers were not retained and then destroyed 90 days after acceptance by the Peer Review Committee in accordance with the working paper retention policy of the administrative manual.
- Oversight documents maintained on an electronic paperless filing system should be cleansed of any peer review documentation that does not comply with the working paper retention policies.

Technical Review Procedures

- Guidance was not provided to peer reviewers concerning reporting on monitoring, independence issues, documentation deficiencies, risk assessments, and engagement selection.
- The administering entity should confirm the Technical Reviewer's compliance with participating in a peer review.
- Acceptance letters issued for report reviews accepted by the technical reviewer should refer to the actual date the review was accepted by the technical reviewer.
- The committee should appoint a member to perform at least one technical review of a system, engagement and report review annually to provide back-up for the technical reviewer.

Review Presentation

- The technical reviewer did not clear all open technical issues prior to the Report Acceptance Body (RAB) meeting in an attempt to resolve the issues. Procedures performed and basis for conclusions were not documented in the working papers and provided to the RAB for consideration in their acceptance process. The technical reviewer did not assist in identifying reviewer feedback.
- The technical reviewer(s) and the Peer Review Committee did not consult the AICPA materials (for example, the *Standards*, Interpretations, RAB Handbook, and Peer Reviewer's Alerts) throughout the review process to ensure that the *Standards* were adhered to and that proper and consistent decisions were reached on each review presented, particularly in regard

Exhibit 11 (continued)**Observations From On-Site Oversight of Administering Entities
Performed by AICPA Oversight Task Force**

to team captain feedback, report modifications, comments, significant deficiencies, and follow-up actions.

- The Peer Review Committee did not receive all of the peer review documents that are to be provided prior to the meeting in accordance with the administrative guidelines.
- Committee members who function as the technical reviewer on a given review should abstain from voting on that review.
- In light of recent audit standards, all RAB members should be reminded to carefully consider documentation deficiencies noted by all peer reviewers prior to report acceptance.
- RABs should be scheduled throughout the year so that RABs meet and accept reviews in the time frame required by the Standards.

Committee Procedures

- Scheduling status reports were not reviewed periodically to ensure firms and reviewers are responding to requests.
- Reviewer feedback was not issued when necessary. Also, the reviewer feedback was not signed by a peer review committee member.
- The required oversight of reviews and peer reviewers were not completed timely.
- The committee should provide more effective feedback to the appropriate individuals of comments resulting from the AICPA working paper oversight.
- The required reviewer resume verifications were not completed timely or following the recommended guidelines as outlined in the Oversight Handbook.
- A summary of report reviews accepted by the technical reviewer was not presented to the peer review committee for acknowledgement on a regular and timely basis. Also, report reviews with significant comments were accepted by the technical reviewer and should have been considered and accepted by the RABs.
- A rotation policy was not in place for the RABs.

Exhibit 12

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

The following shows the number and type of working paper oversights performed by AICPA PRP staff for the year 2008.

Administering Entity	Type of Review			Total Selections
	System	Engagement	Report	
Alabama	3	1	2	6
Arkansas	2	1	1	4
California	14	10	6	30
Colorado	5	3	1	9
Connecticut	2	1	2	5
Florida	6	4	2	12
Georgia	3	3	1	7
Hawaii	3	2	1	6
Idaho	2	2	1	5
Illinois	3	2	1	6
Indiana	3	1	1	5
Iowa	2	1	1	4
Kansas	3	2	1	6
Kentucky	2	1	1	4
Louisiana	4	3	1	8
Maryland	3	1	1	5
Massachusetts	3	2	1	6
Michigan	4	2	1	7
Minnesota	6	2	1	9
Mississippi	2	1	1	4
Missouri	4	1	1	6
Montana	2	1	2	5
Nevada	3	3	2	8
New England	4	1	1	6
New Jersey	8	4	3	15
New Mexico	3	1	1	5
New York	8	5	2	15
North Carolina	7	4	1	12
North Dakota	1	1	1	3
Ohio	6	3	1	10
Oklahoma	2	1	2	5
Oregon	3	1	1	5
Pennsylvania	5	3	2	10
Puerto Rico *	5	-	-	5
South Carolina	3	1	1	5
Tennessee	3	2	1	6
Texas	10	7	3	20
Virginia	4	2	2	8
Washington *	2	3	-	5
West Virginia	2	1	1	4
Wisconsin	3	1	1	5
Totals	163	91	57	311

*Administering Entity administers no report reviews

Exhibit 13

Comments From Working Paper Oversight Performed by AICPA PRP Staff

Throughout each year, a sample of reviews is selected (by AICPA PRP staff and approved by the OTF) from the administering entities for submission to the AICPA PRP staff for a full working paper review. Documents from all parts of the peer review process (administrative, AS/400 computer system, peer review checklists, technical reviewer checklist, and peer review committee actions) are reviewed to determine whether the reviews are being performed and reported on in accordance with the *Standards*. The following is a summary of the most prevalent comments that were generated as a result of the working paper oversights performed by AICPA PRP staff for year 2008. The comments are intended to provide the administering entities, their committees, RABs, peer reviewers, and technical reviewers with information and constructive recommendations that will help to ensure consistency and improve the peer review process in the future. The comments vary in degree of significance and are not applicable to all of the respective parties. Ordinarily, administering entities do not receive all of the peer review checklists which are obtained as part of the working paper reviews and therefore, would not be able to identify some of these comments.

- Reviewer Feedback

- Feedback was not issued to the peer reviewer when it would have been appropriate. Some examples include scope matters, incomplete Matters for Further Consideration (MFC) forms (for example, not referencing professional standards), and late submission of the report to the reviewed firm.
- Reviewer feedback forms were not used appropriately or were signed by the technical reviewer instead of a member of the peer review committee.

- Follow-up Actions

Reviewed firms should have been considered for corrective or monitoring actions but were not. Example situations included an unmodified report with a repeat finding(s), a substandard engagement, and a modified report or on a report review a significant comment. In these situations, it would have been appropriate for the technical reviewer to recommend follow-up actions to be considered by the committee. Ultimately, it is the responsibility of the peer review committee to require follow-up actions and it should have been discussed and considered in the above situations.

- Consideration of Report Type for System Reviews

The appropriate report was not issued on system reviews. For example, when a firm has a system or compliance deficiency that results in the pervasive issuance of engagements that are not in conformity with professional standards in all material respects, this would

Exhibit 13 (continued)**Comments From Working Paper Oversight
Performed by AICPA PRP Staff**

generally result in a modified or adverse report. Conversely, if a firm has a system in place, and there is an isolated example of a significant compliance deficiency, based on what the expansion of scope may determine, an unmodified report may still be appropriate with a letter of comments.

- Exit Conference
 - MFCs were prepared by a team member on an engagement in a high risk industry (i.e. engagements performed under GAGAS, audits of employee benefit plans under ERISA or audits of an insured depository institution subject to the FDIC Improvement Act of 1991) in which the team captain was not qualified. The team member did not participate in the exit conference (in person or via telephone).
- Engagement Checklists
 - Peer reviewers did not use the correct or most current checklists when performing peer reviews.
 - There were multiple “no” responses on the engagement checklists which did not have a documented resolution. They were not mentioned in the exit conference summary contained in the Summary Review Memorandum and there was no MFC prepared.
 - The peer reviewer did not refer to the applicable supplemental checklist. For example, the review engagement selected for peer review was in the construction industry and the the peer reviewer could have referred the *Supplemental Checklist for Review of Construction Contractor Engagements*.
 - There were sections on the engagement checklists which were not completed in their entirety. Some examples included the general data, audit engagement risk assessment and the identification of significant audit areas.
 - There were inconsistencies noted with respect to responses made by the reviewed firm on the engagement profile or questionnaire versus those made by the peer reviewer on the engagement checklists. Some examples include the firm indicated on the engagement questionnaire that they did provide nonattest services but the reviewer indicated nonattest services were not applicable on the checklist or the firm indicated on the engagement questionnaire that the financial statement did include a footnote related to income tax expense but the reviewer indicated on the Financial Reporting and Disclosure Checklist that income taxes were not applicable.
- Engagement Selection
 - A selection was not made from all levels of service provided by the firm, and the reviewer did not provide an explanation as to why this was appropriate.

Exhibit 13 (continued)**Comments From Working Paper Oversight
Performed by AICPA PRP Staff**

- There were engagements reviewed which were outside of the scope of the peer review year, and no explanation was provided as to why this was appropriate in these cases.
 - The list of accounting and auditing engagements included multiple engagements which were noted as incomplete. The risk assessment did not discuss the incomplete engagements and how an appropriate scope was obtained.
- Engagement Listings
 - The Engagement Summary Form, which lists the type of industry and engagements, did not indicate the twelve-month period ended to which the engagement listing applied or indicated a different period other than the peer review year. Also, it was not signed or dated by the firm partner.
 - The firm's listing of engagements included engagements outside the firm's peer review period or did not identify engagements by financial statement date, level of service, or industry code.
 - The engagement summary provided by the firm was signed off prior to the peer review year end.
 - The Engagement Summary Form was prepared by the peer reviewer and not signed or dated by the firm owner.
 - The engagement summary form was not obtained from the reviewed firm. The data was obtained from the firm's background information. The background information did not include the 12-month period under review, was completed before the review period end or was not signed and dated by the firm, or both.
- Independence
 - The information provided by the firm was incomplete in regards to the prior year's fees and also in regards to providing nonattest services, which are needed to appropriately determine the firm's independence on the engagement.
 - The peer review report on a report review included a comment that the firm did not meet the documentation requirements of Interpretation 101-3. The failure to meet the documentation requirements of 101-3 should not be included in the report since report reviews do not specifically cover the firm's engagement documentation but should be communicated to the reviewed firm in a manner deemed appropriate by the reviewer.
- Risk Assessment

The risk assessment included in the Summary Review Memorandum (SRM) described only the number of partners, types and number of engagements, and general engagement selection. This is not a complete risk assessment, as it does not address the system of quality control, inherent, control, or detection risk.

Exhibit 13 (continued)**Comments From Working Paper Oversight
Performed by AICPA PRP Staff**

- Firm Representation Letter
 - On system reviews, the firm's peer review representation letter was incorrectly dated. For system reviews the representations should be dated the same date as the peer review report.
 - On engagement and report peer reviews, the firm's peer review representation letter was dated the same date as the peer review report. For engagement and report reviews, the representations should be the date the firm submits the list of engagements to the reviewer.
 - Representation letters were missing elements of the standard letter, contained typographical errors, were signed by an individual and not the reviewed firm and included a year end different than the peer review year.
 - Representation letters were addressed to a party or individual other than the team captain or reviewer.

- Repeat Findings

Comments were not appropriately shown as being repeat findings. On system reviews, if the deficiency noted during the current review was caused by the same system of quality control weakness noted in the prior review's letter of comments, it should be considered a repeat finding. On an engagement review, if a reviewer notes an engagement that had a financial statement presentation deficiency, a disclosure deficiency, or a reporting deficiency in a prior review, any deficiency noted in these same categories in the current review would qualify as a repeat finding.

- Matters for Further Consideration (MFCs)

- MFCs should have been prepared, but were not. For example, if the engagement checklists address several "no" answers relating to disclosure and documentation, they should be carried forward to an MFC.
- MFCs did not reflect the respective professional standards in order to lend support for the matter being addressed as a deficiency and did not include the engagement, checklist page, or question where the comment was derived.
- MFCs were not signed and dated by the reviewed firm's engagement partner (or designated as being discussed by telephone) prior to or on the date of the report.
- MFCs were not considered for inclusion in the letter of comments when circumstances warranted such inclusion.
- MFCs individually were considered isolated or insignificant, but collectively represented systemic deficiencies that should be included in the letter of comments.
- MFCs or letter of comments, or both, contained significant deficiencies that were not properly identified, and engagements were not deemed substandard.

Exhibit 13 (continued)**Comments From Working Paper Oversight
Performed by AICPA PRP Staff**

- Change in Peer Review Year
 - The year end for the current peer review differed from the year end for the prior peer review, and there was no indication as to whether an extension of the peer review year was authorized.
 - A change in the peer review year was automatically granted with an extension request without evidence of approval.

- Peer Review Reports on Engagement Reviews

Reviewers did not include the correct reporting language in the last paragraph of the report on an engagement review when the engagements were submitted with or without documentation requirements.

- Peer Review Reports on Report Reviews
 - The peer review report did not contain the standard wording, “As a result of our report review, we have the following comments.”
 - The individual performing the CART reviews did not sign the report using the description “*Reviewer*” as opposed to their firm name.

- Letter of Comments
 - The letter of comments referred to the review of “the accounting and auditing practice” instead of “the system of quality control for the accounting and auditing practice.”
 - The comments, as written, did not state they were identified on an engagement that was required to be selected by the Board in the Interpretations, i.e. engagements performed under GAGAS, audits of employee benefit plans under ERISA or audits of an insured depository institution subject to the FDIC Improvement Act of 1991.
 - The comments, as written, did not state what the firm’s system of quality control does or does not require.

- Letter of Response
 - The letter of response was not addressed to the peer review committee of the administering entity.
 - The letter of response referred to the review of the firm’s “accounting and auditing practice” instead of “the system of quality control for the accounting and auditing practice.”

Exhibit 13 (continued)**Comments From Working Paper Oversight
Performed by AICPA PRP Staff**

- Summary Review Memorandum (SRMs)
 - The SRMs were not completed accurately or consistently. This led to instances where necessary comments were not included in the letter of comments; repeat findings and substandard engagements were not identified or properly addressed; and reports other than unmodified were not considered.
 - The SRM did not show the scope of work performed or reviewed by office.
 - The reviewer did not document in the SRM their consideration of issuing another type of report.

- Surprise Engagement

The surprise selection was not the firm's highest level of service and the team captain's conclusion for the selection was not documented in the SRM.

- Isolated Deficiency

- There was no documentation as to the number of other engagements the team captain reviewed to determine if the deficiency was isolated and not pervasive.
- The team captain did not expand scope to determine the pervasiveness of the deficiency in the other engagements.

- Reviewer's Checklist

All steps on the Reviewer's Checklist were signed off on the date the review was completed. Several steps should take place before and after the review is completed. For example, the reviewer is to review the information furnished by the firm and compare it to the information provided to the administering entity by the firm notify the administering entity of any differences, such as type of engagements performed which could impact the type of peer review being performed. In many instances, this step is signed off prior to the reviewer receiving the engagement listing from the firm.

- Staff Interview Questionnaires

No staff interview questionnaires were completed as part of the peer review process.

- Submission of Report to Firm

The reports were not submitted to the reviewed firm within 30 days of the completion of the review.

- Comparison of Background Information to List of Engagements Provided by Firm

Exhibit 13 (continued)**Comments From Working Paper Oversight
Performed by AICPA PRP Staff**

The information in AS/400 computer system did not agree with the information in the documents submitted for oversight related to the types of engagements performed.

- **Technical Reviewer's Checklist**

The technical reviewer's checklist and the attachments were outdated, incomplete, completed inaccurately, or tailored and did not include all of the steps in the standard checklists.

- **Engagement Statistics in the AS/400 Computer System**

- Engagement statistics were not recorded in the computer or recorded incorrectly (that is, types of engagements reviewed and if an engagement was substandard).
- Extensions granted to the reviewed firms or changes in the peer review year end were not properly reflected in the computer system.
- The AS/400 computer system did not always reflect that a team member was approved on reviews, although the team member was listed on the SRM.

- **Working Paper Requests**

- All working papers were not submitted to the AICPA for oversight. Some examples of missing working papers included the engagement questionnaires completed by the reviewed firm or the engagement checklists for engagement and report reviews; the administrative reviewer's checklist; the reviewed firm's list of accounting and auditing clients by industry; the firm's representation letter and the prior peer review acceptance letter, report, and the letter of comments and letter of response, if applicable.
- The financial statements were included with the documents submitted for oversight. The financial statements should be returned to the reviewed firm or shredded after the report has been accepted.

- **Extensions**

Extensions were granted without proper written requests from the reviewed firms. The requests did not include a valid reason or were not submitted within sixty days prior to the due date.

- **Administrative Checklists**

The administrative review checklists were outdated, incomplete, completed inaccurately, or tailored and did not include all of the steps in the standard checklists.

Exhibit 13 (continued)**Comments From Working Paper Oversight
Performed by AICPA PRP Staff**

- Review Acceptance
 - The review was not presented to the peer review committee within 120 days of receipt of the report, letter of comments and letter of response, if applicable from the reviewed firm.
 - The report review was not accepted by the technical reviewer within 45 days of receipt of the report from the reviewed firm.

- Overdue Reviews

The peer review was completed and submitted to the administering entity late and there was no extension granted or no overdue letters generated.

Exhibit 14**Administrative Oversight Performed
By Peer Review Committee of Administering Entity**

The administering entity's peer review committee is required to establish administrative oversight procedures to provide reasonable assurance that the AICPA PRP is being administered in accordance with guidance as issued by the PRB. An administrative oversight should be performed in those years when there is no AICPA oversight. Procedures to be performed should cover the administrative requirements of administering the AICPA PRP. Each administering entity was requested to submit documentation indicating that an administrative oversight was performed with their 2009 Plan of Administration. Comments or suggestions contained in the reports are summarized below and are not indicative of every administering entity and vary in degree of significance. In addition, the OTF member reviewed the results of the administrative oversight during the oversight visit (described on pages 11–12, *Oversight Visits of the Administering Entities*) and compared the results of the administrative oversight to those noted during the OTF oversight visit to evaluate whether any matters still need improvement.

- Files contained documents that should have been destroyed.
- No trained administrative back-up.
- Notifications not sent to team captains advising them of the working paper retention policy after the report acceptance.
- Delinquent letters on reviews were not being sent in a timely manner.
- Reviewer feedback and performance deficiency letters were not being issued when necessary.
- Policies and procedures for granting extensions should be developed.
- Reviews were not always presented to the peer review committee in accordance with the timelines specified by the *Standards*.
- The status of open reviews should be monitored by the peer review committee at each meeting.
- Policies and procedures should be developed to establish due process procedures for non-AICPA firms.
- No formal evaluation of the technical reviewer.
- Reviewer resume verification procedures were not performed.
- Confidentiality confirmations were not completed by the peer review committee members on an annual basis.
- The technical reviewer did not always resolve inconsistencies and disagreements before submitting reviews to the RABs.
- The RABs are not always consistent with regard to follow-up actions.
- Reviewer feedback forms are not maintained in an orderly fashion.
- The technical reviewer had not obtained the required CPE.
- The technical reviewer had not participated in a peer review during the year.
- The AICPA working paper oversight comments were not presented and discussed with the peer review committee.
- Review acceptance letters were not mailed timely to the firm.

Exhibit 15

Summary of Oversights Performed by Administering Entities

Administering entities are required to conduct oversight on a minimum of 2% of all reviews performed in a twelve-month period of time, and within the 2 % selected, there must be at least two of each type of peer review evaluated. Also, at least two engagement oversights must be performed to include either audits of employee benefit plans under ERISA, engagements performed under GAGAS, or audits of insured depository institutions subject to FDICIA. The following shows the number of oversights performed for the 2008 oversight year.

Administering Entity	Type of Review Oversights				Type of Engagement Oversights				Total Oversights Performed At Firm
	System	Engagement	Report	Total	ERISA	GAGAS	FDICIA	Total	
Alabama	2	2	2	6	2	1	-	3	2
Arkansas	3	1	1	5	2	1	-	3	2
California	14	11	6	31	5	12	-	17	4
Colorado	2	3	2	7	2	1	-	3	2
Connecticut	2	2	2	6	1	1	-	2	1
Florida	3	4	4	11	1	1	-	2	3
Georgia	4	3	1	8	3	1	-	4	2
Hawaii *	1	1	1	3	1	1	-	2	1
Idaho *	2	1	1	4	1	1	-	2	1
Illinois	9	5	3	17	2	2	-	4	4
Indiana	2	2	2	6	1	1	-	2	2
Iowa	2	2	2	6	1	1	-	2	2
Kansas	3	2	2	7	1	1	-	2	2
Kentucky	2	2	2	6	1	1	-	2	2
Louisiana	2	3	2	7	1	2	-	3	2
Maryland	2	2	2	6	1	1	-	2	2
Massachusetts	8	2	2	12	1	1	-	2	5
Michigan	3	2	3	8	1	1	-	2	3
Minnesota	2	2	2	6	1	1	-	2	2
Mississippi	2	2	2	6	1	1	-	2	2
Missouri	1	2	2	5	1	2	-	3	2
Montana	3	1	1	5	1	1	-	2	1
Nevada	2	4	2	8	1	2	-	3	2
New England	3	2	2	7	2	3	-	5	3
New Jersey	5	2	2	9	2	2	-	4	-
New Mexico	2	2	2	6	1	1	-	2	2
New York	6	2	2	10	3	2	-	5	3
North Carolina	5	3	3	11	1	1	1	3	3
North Dakota *	1	1	1	3	-	-	-	-	1
Ohio	5	4	2	11	5	2	-	7	2
Oklahoma	2	2	2	6	1	1	-	2	2
Oregon	3	2	2	7	1	1	-	2	2
Pennsylvania	6	2	2	10	3	1	-	4	3
Puerto Rico */**	3	1	1	5	1	2	-	3	3
South Carolina	2	2	2	6	1	1	-	2	-
Tennessee	3	2	2	7	1	1	-	2	2
Texas	8	6	16	30	5	2	1	8	2
Virginia	2	3	2	7	1	1	-	2	2
Washington **	5	3	-	8	2	1	-	3	2
West Virginia	2	2	2	6	1	1	-	2	2
Wisconsin	2	2	2	6	1	2	-	3	2
	141	104	96	341	65	63	2	130	87

* Waiver approved in 2007 from minimum oversight requirement of 2% of all reviews performed in a twelve month period of time.

**Administering entities administer no report reviews.

Exhibit 16**Summary of Reviewer Resumes Verified by Administering Entities**

Administering entities are required to verify all reviewer resumes over a three-year period as long as at a minimum, one third are verified in year 1, a total of two thirds has been verified by year 2, and 100% have been verified by year 3. The following shows the number of reviewer resumes verified by administering entities for the year 2008 only and does not reflect those verified in prior years as part of the three-year cycle.

Administering Entity	Number of Resumes Verified
Alabama	13
Arkansas	8
California	38
Colorado	9
Connecticut	7
Florida	46
Georgia	-
Hawaii	8
Idaho	6
Illinois	22
Indiana	11
Iowa	8
Kansas	17
Kentucky	18
Louisiana	43
Maryland	9
Massachusetts	2
Michigan	40
Minnesota	7
Mississippi	10
Missouri	20
Montana	3
Nevada	-
New England	9
New Jersey	26
New Mexico	20
New York	24
North Carolina	8
North Dakota	1
Ohio	-
Oklahoma	11
Oregon	13
Pennsylvania	40
Puerto Rico	13
South Carolina	12
Tennessee	20
Texas	37
Virginia	12
Washington	9
West Virginia	11
Wisconsin	6
Totals	617

Glossary

<u>Term</u>	<u>Definition</u>
AICPA Peer Review Board	Functions as the “senior technical committee” governing the AICPA PRP and is responsible for overseeing the entire peer review process.
AICPA Peer Review Program Manual	The publication that includes the <i>Standards</i> , Interpretations to the <i>Standards</i> , and other guidance that is used in administering, performing and reporting on peer reviews.
AICPA Peer Review Program Oversight Handbook	The handbook that includes the objectives and requirements of the AICPA PRB and the administering entity oversight process for the AICPA PRP.
AICPA Peer Review Program Report Acceptance Body Handbook	The handbook that includes guidelines for the formation, qualifications, and responsibilities of administering entity peer review committees, report acceptance bodies, and technical reviewers. The handbook also provides guidance in carrying out those responsibilities.
AICPA Peer Review Program Reviewer’s Alert	A document issued on a periodic basis by the AICPA PRB to communicate current information and guidance to peer reviewers.
Administering Entity	A state CPA society, group of state CPA societies, or other entity annually approved by the PRB to administer the AICPA PRP in compliance with the <i>Standards</i> and related guidance materials issued by the PRB.
Agreed Upon Procedures	Specific procedures agreed to by a CPA, a client, and (usually) a specified third party. The report states what was done and what was found. Additionally, the use of the report is restricted to only those parties who agreed to the procedures.
AS/400 Computer System	An online system that is accessed to carry out the AICPA PRP and the CPCAF PRP administrative functions.
Attest Engagement	An engagement that requires independence as defined in the AICPA professional standards.
Audit	An examination and verification of a company's financial and accounting records and supporting documents by a professional, such as a CPA.
Compilation	Presenting in the form of financial statements information that is the representation of management (owners) without undertaking to express any assurance on the statements performed under SSARS.

Glossary (continued)

<u>Term</u>	<u>Definition</u>
ERISA	The Employee Retirement Income Security Act of 1974 (ERISA) is a federal law that sets minimum standards for pension plans in private industry.
FDICIA	Federal law enacted in 1991 to address the thrift industry crisis. The Federal Deposit Insurance Corporation Improvement Act (FDICIA) recapitalized the Bank Insurance Fund of the Federal Deposit Insurance Corporation (FDIC), expanded the authority of banking regulators to seize undercapitalized banks, and expanded consumer protections available to banking customers.
Engagement Review	A type of peer review for firms that do not perform audits and are not eligible to have a report review and focuses on work performed and reports and financial statements issued on particular engagements (reviews or compilations).
Financial Statements	A presentation of financial data, including accompanying notes, if any, intended to communicate an entity's economic resources or obligations, or both, at a point in time or the changes therein for a period of time, in accordance with generally accepted accounting principles or a comprehensive basis of accounting other than generally accepted accounting principles.
Firm	A form of organization permitted by law or regulation whose characteristics conforms to resolutions of the Council of the AICPA that is engaged in the practice of public accounting.
Follow-up Action	A corrective type action, remedial and educational in nature, which may be imposed on a reviewed firm by the administering entity peer review committee upon the acceptance of the firm's peer review in an attempt to strengthen the performance of the firm.
Hearing	When a reviewed firm refuses to cooperate, fails to correct material deficiencies, or is found to be so seriously deficient in its performance that education and remedial corrective actions are not adequate, the PRB may decide, pursuant to due process procedures that it has established, to appoint a hearing panel to consider whether the firm's enrollment in the AICPA PRP should be terminated or whether some other action should be taken.

Glossary (continued)

<u>Term</u>	<u>Definition</u>
Letter of Comments	A letter which may be issued in addition to the peer review report, which on system reviews, includes matters not of such significance to affect the opinion, but areas where the firm has more than a remote possibility of not conforming with professional standards in all material respects. On engagement reviews, it includes departures from professional standards that are not deemed to be significant departures, but that should be considered by the reviewed firm in evaluating the quality control policies and procedures over its accounting practice.
Licensing Jurisdiction	For purposes of this Report, licensing jurisdiction means any state or commonwealth of the United States, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico, or the Virgin Islands.
Matter for Further Consideration Form	A form used to document all significant matters identified by the peer reviewer that require additional information or explanation of the facts from the reviewed firm.
Other Comprehensive Basis of Reporting	Consistent accounting basis other than generally accepted accounting principles (GAAP) used for financial reporting.
Oversight Task Force	Appointed by the PRB to oversee the administration of the AICPA PRP and make recommendations regarding the PRB oversight procedures.
Peer Review Committee	An authoritative body established by an administering entity to oversee the peer reviews administered and performed in the states it has agreed to administer, to evaluate the results of the reviews and the need for corrective actions, and to determine the need for, and carry out, monitoring procedures with respect to the completion of those corrective actions.
Plan of Administration	A document that state CPA societies complete annually to elect the level of involvement they desire in the administration of the AICPA PRP.
Practice Monitoring Program	A program to monitor the quality of financial reporting of a firm or individual engaged in the practice of public accounting.
Professionals	Professionals are considered all personnel who perform professional services for which the firm is responsible, whether or not they are CPAs.

Glossary (continued)

<u>Term</u>	<u>Definition</u>
Program Administrator	Person responsible for administering the AICPA PRP for the administering entity.
Report Acceptance Body	A committee or committees appointed by an administering entity for the purpose of considering the results of peer reviews and ensuring that the requirements of the AICPA PRP are being complied with.
Report Review	A type of peer review for firms that only perform compilation engagements under SSARS where the firm has compiled financial statements that omit substantially all disclosures. The focus of the peer review is on the report issued by the firm and the related financial statements
Review	Performing inquiry and analytical procedures on financial statements that provide the accountant with a reasonable basis for expressing limited assurance that there are no material modifications that should be made to the statements for them to be in conformity with GAAP.
Reviewer Feedback Form	A form used to document a peer reviewer's performance on individual reviews and give constructive feedback.
Reviewer Resume	A written document required to be updated annually by all active peer reviewers which is used by administering entities to determine if individuals meet the qualifications for service as a reviewer as set forth in the <i>Standards</i> .
Scheduling Status Report	A report which provides key information on peer reviews such as firm name, due date, review number, type, status, and the date background information was received.
State Board of Accountancy	An independent state governmental agency that licenses and regulates CPAs.
State CPA Society	Professional organization for CPAs providing a wide range of member benefits.

Glossary (continued)

<u>Term</u>	<u>Definition</u>
State CPA Society AICPA Peer Review Program Administrative Manual	Publication that includes guidance used by AICPA PRB approved state CPA societies or other entities in the administration of the AICPA PRP.
Summary Review Memorandum	A document used by peer reviewers to document (1) the planning of the review, (2) the scope of the work performed, (3) the findings and conclusions supporting the report and letter of comments, if any, and (4) the comments communicated to senior management of the reviewed firm that were not deemed of sufficient significance to include in the letter of comments.
System of Quality Control	A process to provide the firm with reasonable assurance that its personnel comply with applicable professional standards and the firm's standards of quality.
System Review	A type of peer review for firms that have an audit and accounting practice. The peer reviewer's objective is to determine whether the system of quality control for performing and reporting on auditing and accounting engagements is designed to ensure conformity with professional standards and whether the firm is complying with its system appropriately.
Technical Reviewer	Individual(s) at the administering entity whose role is to provide technical assistance to the Report Acceptance Body (RAB) and the Peer Review Committee in carrying out their responsibilities.
Territory	A territory of the United States is a specific area under the jurisdiction of the United States and for purposes of this Report includes Guam, the Northern Mariana Islands, Puerto Rico, or the Virgin Islands.