

February 6, 2012

Daniel G. Hayes, Peer Review Committee Chair
North Carolina Association of CPAs
PO Box 80188
Raleigh, NC 27623-0188

Dear Mr. Hayes:

On January 19, 2012, the AICPA Peer Review Board Oversight Task Force accepted the report and letter of procedures and observations on the most recent oversight visit for the North Carolina Association of CPAs, the administering entity for the AICPA Peer Review Program, and the administering entity's response thereto. A copy of this acknowledgement, the two oversight visit documents, and your response will be posted to the AICPA Peer Review Program Web site.

The next state oversight visit will be in 2013.

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

Sincerely,

Randy Watson

Randy Watson, Chair
Oversight Task Force
AICPA Peer Review Board

cc: James T. Ahler, Executive Director
Mary Kelly, Peer Review Coordinator
Lisa Joseph, AICPA Peer Review Program Technical Manager

December 16, 2011

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

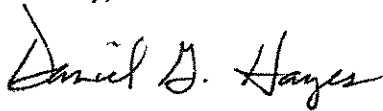
Re: Oversight Visit to North Carolina Association of CPAs

Dear Mr. Watson:

This letter represents our response to the report and letter of procedures and observations issued in connection with the review of North Carolina's administration of the AICPA Peer Review Program on October 19-20, 2011. The oversight visit documents have been disseminated to all NCACPA Peer Review Committee members, administrative staff, and technical reviewers. We are pleased to note there were no specific deficiencies or observations included in the oversight documents on which a written response was required. This letter represents our acknowledgement of the oversight visit.

We appreciate the review Phill Coley and AICPA Technical Manager Lisa Joseph performed of our administration of the AICPA Peer Review Program.

Sincerely,



Daniel G. Hayes, CPA
Chair
NCACPA Peer Review Committee

cc: James T. Ahler, CAE, NCACPA CEO
Mary C. Kelly, NCACPA Peer Review Coordinator
Lisa Joseph, CPA, AICPA Technical Manager

Oversight Visit Report

October 20, 2011

To the Peer Review Committee
North Carolina Association of
Certified Public Accountants

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

Based on the results of the procedures performed, we have concluded that the North Carolina Association of CPAs has complied with the administrative procedures and Standards in all material respects as established by the Board.

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



J. Phillip Coley, Member, Oversight Task Force
AICPA Peer Review Program

October 20, 2011

To the Peer Review Committee
North Carolina Association of
Certified Public Accountants

We have reviewed the North Carolina Association of CPAs' administration of the AICPA Peer Review Program (the "Program") as part of our oversight program and have issued our report thereon dated October 20, 2011. That report should be read in conjunction with the observations in this letter, which were considered in determining our conclusions. The observations described as follows were not considered to be of sufficient significance to affect the conclusions expressed in that report.

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

In conjunction with the oversight visit of the North Carolina Association of CPAs, an administering entity for the Program, conducted on October 19 and 20, 2011, the following observations are being communicated:

Administrative Procedures

On the morning of October 19, 2011, Lisa Joseph, AICPA Technical Manager, and I met with the Peer Review Coordinator to review the Program's administration. We believe the administrative processes were being handled in a manner consistent with peer review standards.

We reviewed the files which were still open due to follow-up actions and which had not yet been completed. We found that the follow-up actions were being effectively monitored for completion by the administrative staff and the North Carolina Association of CPAs' Peer Review Committee ("Committee").

We also reviewed the policies and procedures for the granting of extensions. We found that the Peer Review Coordinator handles short-term extension requests with discussion from the Committee when the circumstances warrant.

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

The North Carolina Association of CPAs has developed a back-up plan to support the Peer Review Coordinator if she becomes unable to serve in her designated capacity. Because the North Carolina Association of CPAs has numerous technical reviewers, there is adequate back-up in the event one or more technical reviewers become unable to fulfill their responsibilities.

Web Site and Other Media Information

Ms. Joseph and I met with the Peer Review Coordinator to review the administering entity's procedures to determine if the information disseminated regarding the Program by the administering entity on their web site and via other media is accurate and timely.

After the AICPA staff's review of the web site material and our review of other media information, we noted that the administering entity maintains and disseminates current information as it relates to the Program. In addition, the administering entity has an individual who is responsible for maintaining the web site and monitors the web site to ensure peer review information is accurate and timely.

Working Paper Retention

We reviewed the completed working papers for several reviews and found compliance with the working paper retention policies. We also reviewed the retention policies and procedures regarding reviewer feedback forms and noted that these forms are being retained for the appropriate period of time.

Technical Review Procedures and Review Presentation

On the afternoon of October 19, 2011, Ms. Joseph and I met with two of the North Carolina Association of CPAs' technical reviewers to discuss procedures. They are experienced reviewers and, along with nineteen (19) other technical reviewers, perform all technical reviews.

Ms. Joseph and I reviewed the reports, working papers, and, if applicable, letters of response for eighteen (18), or approximately 40%, of the reviews scheduled for consideration on October 20, 2011. As noted in the prior oversight, there appeared to be some review issues that could have been addressed and cleared by the technical reviewer prior to presentation to and consideration by the Report Acceptance Body ("RAB"). However, and also as noted in the prior oversight, the Committee has made a conscientious decision not to have the technical reviewer resolve these issues in order to obtain a better level of consistency on RAB decisions. This appears appropriate considering the number of technical reviewers that the North Carolina Association of CPAs currently utilizes. We did not note any significant delays in the acceptance and/or completion of reviews as a result of this process. It should further be noted that the Committee is moving in the direction of having its technical reviewers resolve more minor issues prior to RAB presentation.

Reviews are presented to the RABs by a Committee member who is not the technical reviewer. Feedback is issued to the technical reviewers when deemed appropriate by the RABs.

Committee and RAB Procedures

On October 19, 2011, Ms. Joseph and I met with the Committee chair and, along with other subjects, discussed their procedures for disseminating the comments resulting from the AICPA working paper oversights to the appropriate individuals. It was determined that the Committee issued reviewer feedback related to these comments when appropriate.

Ms. Joseph and I attended the full Committee meeting on October 20, 2011. Prior to its full meeting, the Committee divided into three (3) separate RABs to consider those reviews scheduled for consideration. We observed each RAB's acceptance process and offered our comments at the close of discussions.

The RAB meetings were very orderly and it was apparent that the RAB members had reviewed the reports and working papers thoroughly prior to the meeting and had a good understanding of the Program to reach an appropriate decision for each review.

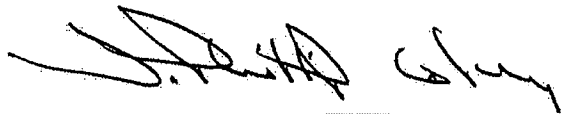
Appropriate decisions were made in the acceptance process, appropriate follow-up actions were assigned, and reviewers were being appropriately monitored including the issuance of reviewer feedback when warranted. Reviews were being presented to the RABs on a timely basis.

Oversight Program

The Committee has adopted a formal oversight program that is well documented. We reviewed the document and procedures performed and found it to be comprehensive.

Summary

There are no further observations to be communicated to the North Carolina Association of CPAs.



J. Phillip Coley, Member, Oversight Task Force
AICPA Peer Review Program