

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
PEER REVIEW OVERSIGHT BOARD

Annual Report for 2019 on the Continuing Oversight of Sponsoring
Organizations Approved by the TSBPA to Administer Peer Reviews

The Peer Review Oversight Board (PROB) was established under the provisions of The Texas Administrative Code, Title 22, Rule 527.7 (c) and is retained by the Texas State Board of Public Accountancy (TSBPA) to monitor sponsoring organizations that have been approved by the TSBPA for the administration of peer reviews under the auspices of the AICPA peer review program for those firms that are licensed or registered in the state of Texas. During 2019, the Texas Society of CPA's (TSCPA) and the AICPA/NPRC were the only sponsoring organizations approved by the TSBPA.

AICPA/NPRC

In accordance with the provisions of the Texas Administrative Code, Rule 527.7 (d) (1), the PROB has reviewed the most recent published reports related to the AICPA/NPRC and has concluded that the conclusions in those reports allow us to recommend the continuance of the AICPA/NPRC as a sponsoring organization within the requirements stipulated in the Texas Administrative Code, Rule 527.9.

TEXAS SOCIETY OF CPA'S

In accordance with the requirements of the Texas Administrative Code, Rule 527.7 (d) A), members of the PROB attended all meetings of the TSCPA's Peer Review Committee and their Review Acceptance Bodies (RAB's) either by telephone conference call or in person. Detailed reviews of all peer review documents for a sample of peer reviews processed by the TSCPA was made by members of PROB using the criteria listed below in selecting the sample:

1. Reviews in which the current report shows a dramatic improvement from a failed or pass with deficiencies in the prior peer review.
2. Pass with Deficiencies reports.
3. Team and Review Captains whose performance has been problematic in the performance of conducting and reporting the results of peer reviews in accordance with professional standards
4. Reviews conducted by Association formed review teams.
5. Team Captains who perform a large number of reviews.
6. Randomly selected reviews.
7. Failed reports.

In the year ended 2019, the TSCPA Peer Review Committee Review Acceptance Bodies considered and acted on 361 Engagement reviews and 381 Systems reviews for a total of 742 total peer reviews. PROB reviewed in detail 38 Engagement Reviews (10.53%), 62 Systems Reviews (16.27%), for a total of 100 detailed reviews for a total percentage of all reviews. In all of the meetings of the TSCPA Peer Review Committee and their acceptance bodies, members of the PROB not only commented on those reviews included in their detailed sample but also participated in the deliberations on all of the reviews presented.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (Cont'd.)

Standardized programs to perform these oversights have been designed to ensure that sufficiently appropriate procedures are being performed by the PROB to allow them to assess whether the TSCPA peer review program is being administered in accordance with the minimum peer review standards. These standardized programs contain updates that conform to the requirements of Statements on Quality Control Standards 10 and are critically reviewed by members of the PROB on a continuing basis to assure that they continue to provide effective guidance. We have previously reported that the PROB has been asked to share our programs with other states to assist them in their performance of oversights within their jurisdictions.

Based upon the results of procedures performed by PROB, it is our opinion that the TSCPA is administering its peer review program in accordance with the standards promulgated by the AICPA Peer Review Board and the rules of the Texas Board of Public Accountancy and should be continued as a sponsoring organization.

In our last annual report to the Peer Review Committee of the Texas State Board of Public Accountancy, we expressed concerns that the software developed by the AICPA to administer peer reviews (PRIMA) had not been sufficiently tested before being brought on line in the administration of peer review programs. Although there have been some improvements in the functionality of the system, it remains problematic for reviewers and reviewed firms and diverts the focus of the peer reviewer from the review itself to complying with issues associated with the software. There is no empirical evidence to conclude that problems in using PRIMA is the impetus for the exodus of reviewers from the reviewer pool but coupled with the regulatory mindset of administering entities who are micromanaging peer review, it would suggest that there is some correlation with both factors contributing to the decrease in available reviewers who are so vital to a successful peer review program.

There is a desperate need for the leadership in the profession to initiate a program that will coordinate an effort to streamline the peer review program with input from those practitioners who perform peer reviews and are familiar with today's practice environment. Otherwise there will be a continuing march into a bureaucratic morass.



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MA/gm