**PEER REVIEW OVERSIGHT COMMITTEE**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ BOARD OF ACCOUNTANCY**

(date)

[Board Chair]

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ State Board of Accountancy

RE: Annual Report on Oversight of AICPA Peer Review Program

Administered by the [ADMINISTERING ENTITY NAME – state CPA society or other entity]

For the period from \_\_\_\_\_\_\_\_\_\_\_ through \_\_\_\_\_\_\_\_\_\_\_\_\_\_

Dear [Board Chair]:

We have completed our monitoring and evaluation of the AICPA Peer Review Program administered by the [ADMINISTERING ENTITY NAME] for the period from \_\_\_\_\_\_\_\_\_\_\_\_through \_\_\_\_\_\_\_\_\_\_\_\_. Our oversight work was performed in accordance with the *Operating Agreement Between the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Board of Accountancy (Board) and the [administering entity name] for State Oversight of the AICPA Peer Review Program*.

The purpose of the Peer Review Oversight Committee (PROC) is to provide reasonable assurance that:

* + The participating entities are complying with the administrative procedures acceptable to the Board.
  + Reviews are being conducted in accordance with [state law or rule number] (1) Purpose*, to monitor licensees’ compliance with attest standards* and (2) Structure and implementation, *such other functions as the board may assign to the committee*. [example wording; actual enabling law or rule to be used]
  + Results of peer reviews are evaluated in a consistent manner.
  + Compliance assurance information is provided to reviewed firms and reviewers by administering entities in an accurate and timely manner.
  + The Board is advised on any other matters related to the compliance assurance program.

The [ADMINISTERING ENTITY NAME] administration of the peer review program is performed by a Peer Review Committee and [number] Report Acceptance Bodies (RABs). They are assisted by [number] technical reviewers engaged by the [ADMINISTERING ENTITY NAME] who receive peer review reports from firms upon completion of their reviews. These reports and certain review documents provided by the peer reviewer are reviewed by the technical reviewers who summarize the information and obtain explanations from peer reviewers and require revisions as considered necessary. The RABs receive this information for review, acceptance, modification, and determination of any follow up and/or monitoring actions to be performed relative to the peer review.

We observed (number) percent of the meetings of the Peer Review Committee (number) and (number) % of the RAB meetings (number) that occurred during the period above**. Note: *If the RAB in your state segregates between system and engagements RAB’s, include this data:* *The System RAB, which reviews firms that perform audits and other attest engagements, met (number) times and the Engagement RAB, which reviews firms that do not perform audit or attestation engagements, also met (number) times.*** Some of these meetings were tele-conferences. We received the information that the RABs had available to make their conclusions prior to the meetings and observed, without comment, the proceedings. One PROC member observed each meeting. After each of the meetings, the PROC member completed a standardized checklist and summarized any observations.

*Note: If the RAB in your state* ***does NOT*** *segregate between system and engagements RAB’s, present the review results as follows:*

During the period covered by this report, the RAB reviewed (number) reports and accepted (number) (\_\_%) without follow-up or monitoring actions required. The remaining (number) (\_\_%) firms were subjected to further monitoring by the RAB. (number) other firms’ reviews were deferred to obtain additional information. Of the (number) reports, (number) (\_\_%) were rated “pass” by the peer reviewer, (number) (\_\_%) were rated as “pass with deficiency(ies)”and (number) (\_\_%) were rated “fail”.

*Note: If the RAB in your state* ***DOES*** *segregate between system and engagements RAB’s, present the review results separately as follows:*

*During the period covered by this report, the System RAB reviewed (number) reports and accepted (number) (\_\_%) without follow-up or monitoring actions required. The remaining (number) (\_\_%) firms were subjected to further monitoring by the RAB. (number) other firms’ reviews were deferred to obtain additional information. Of the (number) reports, (number) (\_\_%) were rated “pass” by the peer reviewer, (number) (\_\_%) were rated as “pass with deficiency(ies)”and (number) (\_\_%) were rated “fail”.*

*The Engagement RAB reviewed (number) reports and accepted (number) (\_\_%) without follow-up or monitoring actions. The remaining (number) (\_\_%) firms were subjected to further monitoring by the RAB. Of the (number) reports, (number) (\_\_%) received a rating of “pass”, (number) (26%) received a rating of “pass with deficiency(ies) and (number) (\_\_%) received a rating of “fail”.*

We also observed administrative oversight of the program performed by [AICPA or description of the administering entity’s internal oversight function]. In addition to reviewing files relative to reviewer qualifications, the review included inspection of (number) administrative files for peer reviews completed during the period.

Schedule I is a summary of matters we observed during the meetings.

Based upon the results of the procedures we performed, it is our conclusion that peer reviews administered by [ADMINISTERING ENTITY NAME] for the period from \_\_\_\_\_\_\_\_\_\_ through \_\_\_\_\_\_\_\_\_\_\_ were conducted and reported on in accordance with the standards of the AICPA Peer Review Program and that the AICPA program can be relied upon as a basis for excluding licensee firms from undergoing Board initiated reviews.

Sincerely,

PEER REVIEW OVERSIGHT COMMITTEE

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[NAME], Chairman

SCHEDULE I

SUMMARY OF OBSERVATIONS OF PEER REVIEW OVERSIGHT COMMITTEE

For the period from \_\_\_\_\_\_\_\_\_ through \_\_\_\_\_\_\_\_\_\_

During our observations of the [ADMINISTERING ENTITY NAME] Peer Review Committee (PRC) and its two Report Acceptance Bodies (RABs) and the administrative oversight, the PROC members observed the following.

[SAMPLE WORDING]

1. The PRC and RABs had good discussions relative to the more difficult reports (which contained matters for further consideration (MFCs) and findings for further consideration (FFCs)).
2. The members of the RABs had good discussions about the ratings being given on the reviews and did not always agree with the reviewer between the “pass”, “pass with deficiencies” and “fail” conclusions reached. Their recommended follow-up actions, however, generally tried to identify what would improve the quality of the firm’s attest work the most.
3. The [ADMINISTERING ENTITY NAME] is making efforts to get additional RAB members and is trying hard to obtain more peer reviewers to help with the increased work load due to the transfer of the Board’s compliance review program to the AICPA program.
4. The AICPA oversight during this period generated some discussions that helped committee members develop criteria for consistency in report ratings.