TEXAS STATE BOARD OF
PUBLIC ACCOUNTANCY

PEER REVIEW OVERSIGHT BOARD

Peer Review Committee
Texas State Board of Public Accountancy
333 Guadalupe, Tower III, Suite 900
Austin, TX 78701-3900

The Peer Review Oversight Board is continuing its oversight of the Texas Society of Certified Public Accountants (TSCPA), the only approved sponsoring organization to conduct and administer peer reviews in the State of Texas. Our methodology for performing our oversight includes selecting reviews for in-depth scrutiny using the same bases for our sample selection that have been used since the inception of PROB which are listed on the attachment and which have proved to be reliable characteristics to test in our determination of whether the peer reviews administered by the TSCPA comply with Peer Review Standards. The PROB has developed checklists which are designed to assist in the performance of those tests and have proved to be a valuable resource in assisting PROB in accomplishing its goals. Refinements to those checklists have been made on a continuing basis based upon changes prompted by usage over a period of time and by the changes required by the issuance of new Statements of Quality Control Standards. We are pleased that several states have asked for our guidance material for use in the development of their own oversight activities. The state of California in particular has used our material and has shared with the PROB their interim product. We have reviewed those documents and find them to be a valuable addition to our resources and feel that the comprehensiveness of our program will be enhanced by this type of cooperative effort.

As we have reported in the past, the performance of team and review captains has always been and continues to be a key factor in the conduct of peer reviews. Individual performance of team and review captains is a product of many factors including professional experience, technical knowledge of professional standards and personal characteristics including among other things, an objective attitude and subjective reasoning in synthesizing the peer review findings which provide the basis for properly concluding on the results of the peer review. The promotion of both on-site and off-site oversights of team and review captains by the TSCPA appears to be an effective tool in determining the level of performance of team and review captains and in providing guidance to achieve higher levels of future performance. Our monitoring of the TSCPA's Team and Review Captain Evaluation Task Force which is charged with the responsibility of performing or reviewing the results of these oversights has revealed that its activities have been successful in raising the level of performance of team and review captains.

The National Peer Review Board has made changes to the methodology of communicating peer review matters to the reviewed firm and the National Peer Review Committee (NPRC) which become effective in July, 2013. This methodology has been tested by a selected group of reviewers and the results of those tests have been communicated to the NPRC. The effect on the performance of peer reviews and the processing of those reviews by sponsoring organizations has yet to be determined. The members of the PROB will study these changes closely and will adapt our oversight procedures to provide assurance that the Texas Society of CPA's is properly implementing these new procedures in processing and accepting peer reviews.

It is our opinion that TSCPA is administering its peer review program in accordance with the standards established by the AICPA's Peer Review Board and the rules of the Texas State Board of Public Accountancy and should be continued as a sponsoring organization.

Peer Review Oversight Board

Mason Andres, Chair
Gary Hoffman
Rebecca Teague

January 21, 2013

MA/gm