

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY  
PEER REVIEW OVERSIGHT BOARD

Annual Report for 2018 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 2018, 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 2018, the TSCPA Peer Review Committee Review Acceptance Bodies considered and acted on 446 Engagement reviews and 442 Systems reviews for a total of 888 total peer reviews. PROB reviewed in detail 50 Engagement Reviews (11.21%), 75 Systems Reviews (16.79%), for a total of 125 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 SOCIETY OF CPA'S (Contd.)

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.

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TEAM AND REVIEW CAPTAIN

Team and review captains have always been and continue to be a key factor in the performance of peer reviews that conform to the peer review standards. Team and review captains that are identified in the RAB deliberations as problematical are referred to the TSCPA's Team and Review Captain Evaluation Task Force (the Task Force) for their recommendations on improving their level of performance. Members of PROB have attended the meetings of the Task Force and have concluded that their imposition of continued monitoring and oversight of these individuals has generally proved effective in elevating the level of performance. We have noted that a few of the review and team captains that have been repeatedly identified as underperforming and who have been subjected to monitoring and oversight, are continuing to demonstrate that these additional efforts have not resulted in significant improvements in discharging their responsibilities as review and team captains. PROB will continue to monitor the remediation efforts of the TSCPA Peer Review Committee for those review and team captains that continue to underperform.

PRIMA

The AICPA, the only approved sponsor to administer peer reviews within the State of Texas, has just recently implemented new software to assist them in the administration of peer reviews. Because of the real and perceived effect of the new software on the processing of peer reviews in Texas, the members of PROB felt the need to make the members of the Peer Review Committee of the Texas State Board of Public Accountancy aware of the early reactions of peer reviewers to the utility of this software in a memorandum dated August 1, 2017 in which we advised you the software that is used by the AICPA to process peer reviews had recently undergone a major revision which is a key step in Phase 2 of altering the objective of practice monitoring discussed in the Future of Practice Monitoring Concept paper dated December 31, 2014. The new software (Prima) became totally functional in May 2016 and replaced the prior software (Prism) for all peer reviews performed after May 2016.

PRIMA (Contd.)

The members of PROB are deeply concerned that the profession's past efforts to demonstrate our ability to monitor our profession without the assistance of outside regulation will be adversely affected by the impact that this software has had on the administration of peer reviews. PROB members feel that this new system which should have been exhaustively tested before its implementation has removed the focus of peer reviewers from determining whether reviews are conducted in accordance with Quality Control standards and has shifted that focus to attending to the nuances associated with the software.

Although the new software only became operational in May of 2016, early reports from peer reviewers suggests that the navigation of the new software is most difficult and that attempts to smooth the transition have resulted in the AICPA publishing more than 70 usability enhancements to improve the PRIMA experience. This action by the AICPA is highly suggestive of the difficulties that have been encountered by peer reviewers.

PROB's expectation for the new software was that it would provide a means of achieving efficiencies in the administration of peer reviews and provide more time for reviewers and administering entities to focus on whether the peer review materials were appropriate to the changing business environment and the proliferation of professional standards associated with the dynamics of an evolving international business climate. That expectation was not met and quite to the contrary has added to the costs associated with performing and administering peer reviews.

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Mason Andres, CPA, Chair  
Mike Waters, CPA  
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March 5, 2019

MA/gm