

PROC SUMMIT

2015 Peer Review Oversight Committee Summit Nashville, TN

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NASBA

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List of Attendees

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Jim Brackens
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Robert Lee
Henry Krostich
G. Alan Long
Rick Reisig
Nadia Rogers
Frank Ryan

Presentations

Jim Brackens
Rick Reisig
G. Alan Long



Artisanal chocolates from local chocolatiers Olive & Sinclair.
Photo courtesy of James Quach, Sun Tzu Photo.

AGENDA

2015 Peer Review Oversight Committee Summit Nashville, TN

Agenda

All presentations take place in Legends Ballroom except where noted.

- | | |
|-------------------------|---|
| 7:30 a.m. - 8:30 a.m | REGISTRATION & RECEPTION BREAKFAST (Meeting Room 5) |
| 8:30 a.m. | WELCOME – Jim Gero, CPA, Hobe & Lucas CPAs Inc., CAC member |
| 8:45 a.m. - 9:15 p.m. | COMPLIANCE ASSURANCE COMMITTEE (CAC) REPORT – Janice Gray, CPA, Gray, Blodgett & Company, PLLC, CAC Chair
What is the CAC, what is the committee's mission, and a status report from the committee that represents the state boards of accountancy. |
| 9:15 a.m. - 10:15 a.m. | KEYNOTE ADDRESS: CHANGES IN PEER REVIEW – Jim Brackens, CPA, American Institute of Certified Public Accountants (AICPA)
Report on the changes to the Peer Review process – short term vs long term and how the changes may affect Peer Review Oversight Committees. Roll-out changes looking to the future. |
| 10:15 a.m. - 10:30 a.m. | BREAK |

AGENDA

10:30 a.m. - 11:30 a.m.

BREAKOUT SESSIONS:

FROM THE BEGINNING (Meeting Room 6) - Jim Gero, CPA, Hobe & Lucas CPAs Inc., CAC member

Intended for new and forming PROCs: First steps, implementation of PROCs, guidelines for choosing/recruiting quality PROC members, operating procedures, and the importance of attending RABs and issuing annual reports to BOA.

MAINTAINING A PROC (Meeting Room 4) - Mark Hobbs, CPA, The Hobbs Group, PA, CAC member

Intended for established PROCs: Recruiting quality PROC members/volunteers; operating procedures - importance of attending RABs, and documentation & reporting.

11:30 a.m. - 12:30 p.m.

LUNCH (Meeting Room 5)

12:30 p.m. - 1:15 p.m.

PEER REVIEW OVERSIGHT - THE FINAL LINE OF DEFENSE IN PROTECTING THE PUBLIC – Colonel Francis X. Ryan, CPA, CGMA, MBA, USMCR(ret), multi-year recipient of the AICPA Outstanding Discussion Leader Award.

1:15 p.m. - 2:15 p.m.

LESSONS LEARNED - Rick Reisig, CPA, Anderson Zurmuehlen & Company, PC
Information on common problems PROCs face, ways to avoid pitfalls and sharing of things that work well.

2:15 p.m. - 2:30 p.m.

BREAK

AGENDA

2:30 p.m. - 3:10 p.m.

RESPONSIBILITIES: PROC VS STATE BOARD COMMITTEE – Henry Krostich, CPA, Fuoco Group, LLP, CAC member

PROC Chairs from states of different sizes & complexity to comment on:

- Elements of state law that correlate oversight with enforcement (UAA)
- Best Practice Guidance for dealing with failed reports

3:10 p.m. - 3:50 p.m.

DEALING WITH PROBLEM REVIEWERS – Alan Long, CPA, Baldwin CPAs, PLLC, CAC member

An informational session on how the AE deals with problem reviewers; refresher/clarification of changes from exposure draft if approved by July.

3:50 p.m. - 4:20 p.m.

STUMP THE CHUMPS – Henry Krostich, CPA, Fuoco Group, LLP, CAC member

Attendees are encouraged to comment/submit questions throughout the day. At end of the day the presenters/speakers will answer/reply to the collection of questions.

4:20 p.m. - 4:30 p.m.

CLOSING & ADJOURNMENT

ATTENDEES

Attendees by State or Organization

Alabama

D. Boyd Busby	Board Executive Director
Leighanne Faught	Board Member

Arkansas

James Corley	Board Executive Director
Dale Edge	Board Staff
Mark Ohrenberger	Board Staff
Jeremy Watson	CAC Member/Board Member

Arizona

Timothy Coffey	PROC Chair
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California

Robert Lee	PROC Member
Linda McCrone	AICPA/State Society

Connecticut

Marcia Marien	Board Member
Constance Sakyi	Board Staff

Florida

Paul Brown	AICPA/State Society
Anita Ford	AICPA/State Society
Veloria Kelly	Board Executive Director
Henry Krostich	CAC Member

Georgia

Jennifer Poff	AICPA/State Society
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Hawaii

Gregg Taketa	Board Member
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HOME



Nashville's new convention complex, Music City Center, opened in 2013. It is committed to LEED Silver Certification and boasts a four acre green roof composed of 14 different kinds of vegetation. Photo courtesy of Rebecca Gebhardt

ATTENDEES

Indiana

Nichole Favors	AICPA/State Society
Sherrill Rude	AICPA/State Society

Kentucky

Samantha Culver	Other
G. Alan Long	CAC Member
Lori Warden	Board Member

Louisiana

George Lewis	PROC Member
Stacey Lockwood	AICPA/State Society
Darla Saux	Board Executive Director

Maryland

Arthur Flach	Board Member
Mary Halpern	AICPA/State Society
Frank Ryan	AICPA/State Society

Minnesota

Beverly Carey	Board Staff
Sara Datko	Board Staff
Faye Hayhurst	AICPA/State Society
Sharon Jensen	Board Member

Missouri

Kathleen Meyer	AICPA/State Society
Tiffany Tocco	AICPA/State Society

Mississippi

Jimmy Burkes	CAC Member
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Montana

Linda Harris	Board Member
Richard Reisig	Board Member

North Carolina

Jim Brackens	AICPA/State Society
Susan Lieberum	AICPA/State Society
Karl Ruben	AICPA/State Society
Beth Thoresen	AICPA/State Society

Nebraska

Michael McClure	CAC Member/Board Member
Dan Sweetwood	Board Executive Director

New Hampshire

Frederick Briggs	CAC Member/Board Member
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New Jersey

Sara DeSmith	PROC Chair
Larry Gray	PROC Member

Nevada

Harry Parsons	Legal Counsel Investigator
Viki Windfeldt	Board Executive Director

New York

Mark Rachleff	AICPA/State Society
Frank Venezia	PROC Chair

Ohio

Lisa Brown	AICPA/State Society
James Gero	CAC Member/Board Member

ATTENDEES

A Tennessee Titan winds up to throw the ball to a teammate.



Oklahoma

Colin Autin
Janice Gray

Board Staff
CAC Member

Oregon

Phyllis Barker
Jessie Bridgham
Candace Fronk
Martin Pittioni
Ellen Adkins

AICPA/State Society
PROC Chair
Board Member
Board Executive Director
Board Member

South Carolina

Dwayne Eanes
Mark Hobbs

Legal Counsel Investigator
CAC Member

Tennessee

Wendy Garvin
Arthur Sparks

AICPA/State Society
CAC Member

Texas

Mason Andres
Jerrel Cross
Debra Seefeld
Mike Waters
Daniel Weaver

PROC Chair
AICPA/State Society
AICPA/State Society
PROC Member
Board Staff

Virginia

Darshae Dabney
Wade Jewell
Nadia Rogers
Steve Walls

AICPA/State Society
Board Executive Director
PROC Chair
PROC Member

Washington

Julie Phipps
Deidre M. Roberts
Richard Sweeney

AICPA/State Society
Other
Board Executive Director

ATTENDEES

Attendees by Name

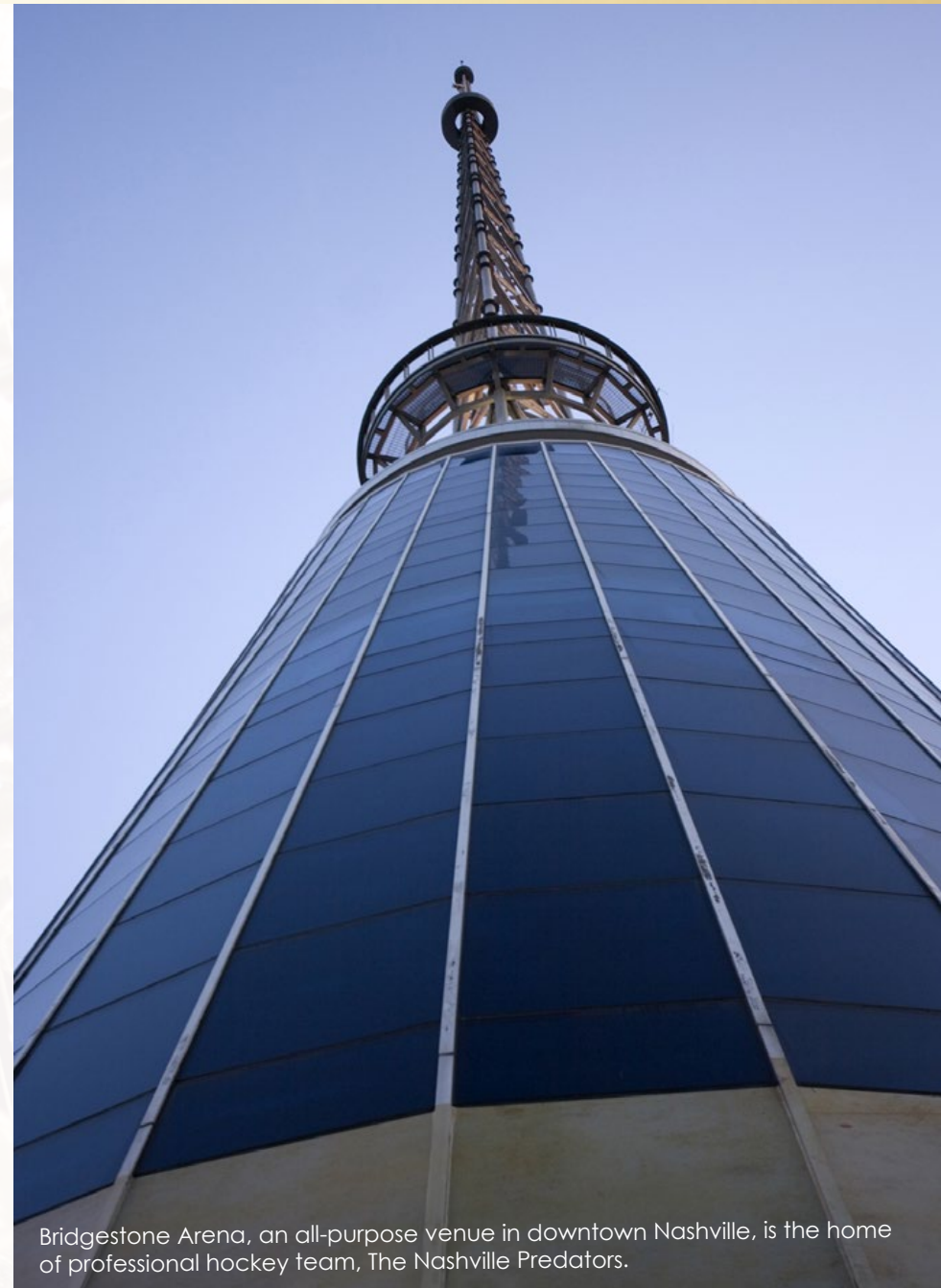
Adkins, Ellen	South Carolina	Fronk, Candace	Oregon	Pittioni, Martin	Oregon
Andres, Mason	Texas	Garvin, Wendy	Tennessee	Poff, Jennifer	Georgia
Autin, Colin	Oklahoma	Gero, James	Ohio	Rachleff, Mark	New York
Barker, Phyllis	Oregon	Gray, Janice	Oklahoma	Reisig, Richard	Montana
Brackens, Jim	North Carolina	Gray, Larry	New Jersey	Roberts, Deidre M.	Washington
Bridgham, Jessie	Oregon	Halpern, Mary	Maryland	Rogers, Nadia	Virginia
Briggs, Frederick	New Hampshire	Harris, Linda	Montana	Ruben, Karl	North Carolina
Brown, Paul	Florida	Hayhurst, Faye	Minnesota	Rude, Sherrill	Indiana
Brown, Lisa	Ohio	Hobbs, Mark	South Carolina	Ryan, Frank	Maryland
Burkes, Jimmy	Mississippi	Jensen, Sharon	Minnesota	Sakyi, Constance	Connecticut
Busby, D. Boyd	Alabama	Jewell, Wade	Virginia	Saux, Darla	Louisiana
Carey, Beverly	Minnesota	Kelly, Voloria	Florida	Seefeld, Debra	Texas
Coffey Timothy	Arizona	Krostich, Henry	Florida	Sparks, Arthur	Tennessee
Corley, James	Arkansas	Lee, Robert	California	Sweeney, Richard	Washington
Cross, Jerrel	Texas	Lewis, George	Louisiana	Sweetwood, Dan	Nebraska
Culver, Samantha	Kentucky	Lieberum, Susan	North Carolina	Taketa, Gregg	Hawaii
Dabney, Darshae	Virginia	Lockwood, Stacey	Louisiana	Thoresen, Beth	North Carolina
Datko, Sara	Minnesota	Long, G. Alan	Kentucky	Tocco, Tiffany	Missouri
DeSmith, Sara	New Jersey	Marien, Marcia	Connecticut	Venezia, Frank	New York
Eanes, Dwayne	South Carolina	McClure, Michael	Nebraska	Walls, Steve	Virginia
Edge, Dale	Arkansas	McCrone, Linda	California	Warden, Lori	Kentucky
Faught, Leighanne	Alabama	Meyer, Kathleen	Missouri	Waters, Mike	Texas
Favors, Nichole	Indiana	Ohrenberger, Mark	Arkansas	Watson, Jeremy	Arkansas
Flach, Arthur	Maryland	Parsons, Harry	Nevada	Weaver, Daniel	Texas
Ford, Anita	Florida	Phipps, Julie	Washington	Windfeldt, Viki	Nevada

Rev. 07/09/2015

ATTENDEES

Nasba Staff

Ken Bishop	NASBA Staff
Erin Buchanan	NASBA Staff
Maria Caldwell	NASBA Staff
Dan Dustin	NASBA Staff
Rebecca Gebhardt	NASBA Staff
Steve Hill	NASBA Staff
John Johnson	NASBA Staff
Leona Johnson	NASBA Staff
Thomas Kenny	NASBA Staff
Angela Layton	NASBA Staff
Caleb Raymer	NASBA Staff
Elizabeth Stanton	NASBA Staff
Jill Thompson	NASBA Staff
Amy Tongate	NASBA Staff



Bridgestone Arena, an all-purpose venue in downtown Nashville, is the home of professional hockey team, The Nashville Predators.

SPEAKER BIOS

James W. Brackens, Jr., CPA

James W. Brackens, Jr. is the Vice President of Ethics and Practice Quality at the American Institute of Certified Public Accountants (AICPA). Prior to joining the AICPA in 2006, Brackens was associated with both international and local public accounting firms, including managing his own practice for seventeen years in which he served primarily closely held businesses and not-for-profit organizations. Brackens also served as a peer reviewer and performed more than 300 peer reviews of local accounting firms.

Brackens is a member of the AICPA, the North Carolina Association of CPAs and the Virginia Society of CPAs (VSCPA). He is licensed in North Carolina and Virginia. Brackens has served in various volunteer leadership positions for both the AICPA and VSCPA, including chairing the VSCPA's Peer Review Committee, serving as Vice-Chair and member of the VSCPA's Board of Directors and as a member of the AICPA's Professional Ethics Executive Committee.



Timothy R. Coffey, CPA

Tim graduated from Siena College in Loudonville, New York in 1977 and earned a Bachelor of Business Administration, Majoring in Accounting. Following his graduation, Tim worked for his father in a regional C.P.A. firm in Plattsburgh, New York. Upon relocating to Phoenix, Tim joined a local C.P.A. firm where he advanced to Senior Auditor. He became certified in 1981 and he joined Leon in 1982 to form Grass & Coffey, CPA's, P.C. Tim is a member of the American Institute of Certified Public Accountants and the Arizona Society of Certified Public Accountants, where he has served as Chairman of the Financial Accounting Standards and the Auditing Standards Committee.

Tim is a qualified peer reviewer for reviews of CPA firms conducted under the provisions of the American Institute of Certified Public Accountants Peer Review Program. He has spoken at a number of seminars involving audits of HUD Projects and compliance with provisions of Regulatory Agreements. In addition, he has authored several articles that have been printed in various accounting publications. Tim is an active member and past president of the Phoenix Skyline Kiwanis Club and Cactus Little League.



SPEAKER BIOS



James P. Gero, CPA

James P. Gero, CPA, is a partner at Hobe & Lucas CPAs in Independence, Ohio, overseeing the human resources function as well as accounting and audit practices. He also works in the accounting, tax and audit practices, litigation services and mergers and acquisitions. Gero has over 30 years of experience in public accounting. Gero has served as member of Ohio's Peer Review Acceptance Committee and as an instructor for many continuing education classes. Gero holds a bachelor's degree from Case Western Reserve University and is licensed in Ohio, Massachusetts and Florida. Gero was appointed to the Ohio Accountancy Board in January 2012 and is a current member of NASBA's Compliance Assurance Committee.

Janice L. Gray, CPA, CVA

Janice L. Gray, CPA, CVA, is Managing Partner and the accounting and auditing Partner of Gray, Blodgett & Company, PLLC. Janice holds a CPA certificate from the state of Oklahoma and is a Certified Valuation Analyst. Janice specializes in accounting issues, financial statement audits, internal audits, loan review, and fraud prevention and investigation. She also provides assistance in the areas of valuing businesses primarily for gift and estate tax purposes. She provides consulting services to non-profit organizations, financial institutions and small businesses.



SPEAKER BIOS

Mark Hobbs, CPA

During his thirty plus years in public accounting Mark has acquired extensive experience with privately owned, closely held businesses, financial institutions, governmental entities, real estate management, non-profit organizations, and litigation support consultation. In addition, Mark is also the President of Hobbs Group Advisors, LLC, a registered investment advisory firm and Wealth Alliance, Inc., which provides insurance products to a varied client base in South Carolina.

Mark is an active member in his community as shown by his support of AC Flora High School athletics, Holy Trinity Greek Orthodox Church, Boy Scouts, Dixie Youth baseball, Church League basketball, and audit committee of United Way of the Midlands among other areas involvement.



Robert Lee, CPA

Mr. Lee is a passionate business enterprise strategist whose guidance and planning techniques have been the key differentiator for his clients looking to transform their organizations. His extensive experience consulting with business executives allows Mr. Lee to provide innovative business solutions and increase client growth. His skill set not only includes advising business leaders in a variety of industries and community organizations, but also real-time operational experience as the Managing Partner and CEO of a leading Silicon Valley public accounting firm.



With over thirty years of public accounting experience working closely with corporate presidents, financial officers, boards of directors and community leaders, Mr. Lee has a proven track record in a number of industries, including technology, venture capital, manufacturing, construction and non-profit. Mr. Lee is a seasoned advisor in all aspects of corporate operations and is an action-oriented asset to the organizations that he supports. Mr. Lee actively consults with closely held businesses, corporations, nonprofit organizations, client and community boards.

SPEAKER BIOS

Henry J. Krostich, CPA

Along with his brothers (and co-directors) Henry J. Krostich is the third generation of his family to be a member of the accounting profession. One of Henry's desires is to give back to the profession that has been so kind to the Krostich family, motivating him to the active role he has taken on local, state and national levels.

Henry brings a combination of entrepreneurial, and small, regional and national accounting firm experience to the table. Starting out in the profession with the small business department of Haskins & Sells, (now Deloitte & Touche), he moved on to supervisory and managerial positions in private industry and two public accounting firms. His experiences in the business world and his service to the profession on two standard-setting, senior technical committees of the AICPA allow Henry to provide quality control support services to the firm.



G. Alan Long, CPA, CITP, CGMA

G. Alan Long, CPA, CITP, CGMA is the managing member at the Richmond, KY., firm Baldwin CPAs, PLLC. For more than 30 years, Alan has actively served the KYCPA and the profession in numerous roles and committee involvement including his work with the Peer Review Committee of the KYCPA, for which he earned the Outstanding Committee Chair Award in 2003. He is a past-president of KYCPA.

Alan also is actively involved with the American Institute of CPAs (AICPA) Peer Review program, having completed in 2006 stints on the Oversight Task Force, which he had chaired in 2004 and 2005, and membership on the Peer Review Joint Task Force. Alan also served as a Peer Review Board member from 2003 to 2005. He was re-appointed to the Peer Review Board in October, 2013 as the regulatory member and is a member of the Standard Task Force of the Peer Review Board. Alan is currently on the Practice Monitoring of the Future Task Force of the AICPA.

Alan was appointed to the Kentucky State Board of Accountancy in July, 2010 for a four year term that ended in June, 2014. He is currently a member of the National Association of State Boards of Accountancy (NASBA) Compliance Assurance Committee.



SPEAKER BIOS

Rick Reisig, CPA

Rick Reisig is a NASBA Director-at-Large and a former Mountain Regional Director. He is chair of NASBA's CBT Administration Committee and a past member of NASBA's Relations with Member Boards Committee, Compliance Assurance Committee and CPA Licensing and Examinations Committee.

Mr. Reisig was a member of the Montana Board of Public Accountants for over 9 years and served two terms as Board Chair. He is a Past President of the Montana Society of CPAs, and a former member of the AICPA's Governing Council. He was the 2014 recipient of the MSCPA's George Anderson Distinguished Service Award, its highest honor. Mr. Reisig presently serves on the AICPA's Auditing Standards Board, the AICPA's Practice Analysis Sponsor Advisory Group, and has served on the AICPA's Board of Examiners.



He has 33 years of public accounting experience and serves his firm, Anderson ZurMuehlen & Company, as shareholder and Business Unit Advisor for Attest Services, working out of the Great Falls, Montana office.

Nadia A. Rogers, CPA

Nadia A. Rogers, CPA, is the Chair of the Virginia Board of Accountancy's Peer Review Oversight Committee. She is also a Partner at Creedle, Jones & Alga, P.C. wherein her primary responsibilities are to direct the firm's Richmond Office and to coordinate assurance compliance of the firm as a whole.



Before her employment with the firm, Mrs. Rogers was a Senior Manager in KPMG LLP's Audit Practice in Richmond, VA. Mrs. Rogers is a member of the American Institute of Certified Public Accountants and the Virginia Society of Certified Public Accountants. She is also a graduate of Virginia Polytechnic Institute and State University, wherein she earned a B.S. with a concentration in Accounting and Information Systems as well as a Masters of Accountancy. Further, she has authored an accounting article on biometrics in the Information Systems Control Journal, a worldwide publication on IT governance and assurance.

SPEAKER BIOS

Francis X. Ryan, Colonel, USMCR (ret)

In civilian life, Frank Ryan is a CPA, author, commentator and expert in corporate restructurings and management. Frank serves and has



served on numerous boards of directors of public and non-profit charitable organizations. Frank is Chairman of the Audit Committee of the Institute of World Politics and is also a trustee of IWP. He serves as the Audit Committee Chair for the Archdiocese of Baltimore.

Additionally, Frank walked 2806 miles across America in 2014 to raise awareness of the needs of children with emotional and behavior issues and for developmentally disabled children.

As a retired and highly decorated Marine Reserve Colonel, Ryan was recalled to active duty, in December 2004 and served with Multi-National Force-Iraq until June 2005. Prior to his initial retirement in 2002, Frank served as the Central Command Special Operations Officer during Operation Enduring Freedom.

NASBA's headquarters, located in the glistening Region's Bank building, is just a few blocks from the bustling shops and music venues on Nashville's famous lower Broadway.



The Omni Nashville Hotel contains an extensive collection of art drawn from Tennessee-based artists. The work, inspired by the musical history and culture of Nashville, creates a unique and inviting atmosphere for your stay during the 2015 PROC Summit.



Jim Brackens

Changes in Peer Review



Changes in Peer Review

James W. Brackens, Jr., CPA, CGMA
AICPA – VP, Ethics and Practice Quality



Audit quality

Our journey

EAQ

DOL

OMB

6-Point Plan to Improve Audits



- Released May 14
- Roadmap for continued audit excellence
- Special focus on greater risk industries/areas
- Covers stages of becoming and being an auditor

Pre-licensure

Next version CPAExam; AP course; changes to accounting education; additional doctoral-level audit professors with practical experience

Enforcement

Aggressive investigation of all referrals of deficiencies; enhanced coordination with state boards; reinforced rules on due care

Standards and Ethics

Quality control standards implementation; evaluation of clarified standards implementation; auditor's report revisions; ethics codification



Practice Monitoring of the Future

Near real-time, ongoing monitoring of firm quality checks using robust technological platform

CPA Learning and Support

Competency models for audits, competency assessment tools, targeted resources; certificate programs

Peer Review

Focus on greater risk industries or areas; more significant remediation; root cause analysis; termination from peer review after repeat quality issues

Audit Quality Center resources, tools and training; CPEA; audit guides, risk alerts and practice aids

Actions to Strengthen Firm Quality

■ **Licensure Verification**

- Firm's license
- Individual licenses

Actions to Strengthen Firm Quality

■ Engagement Listing Completeness

- Enhanced warning to firms
- Revised representation letter to peer reviewer
- When future misrepresentations occur -
 - Report recalled (with state board notification)
 - Hearing panels determines termination or replacement review
 - Re-enrollment subject to approval of second hearing panel
 - Annual “no A&A letter” misrepresentations
- Use of publicly available databases to match firms

Actions to Strengthen Firm Quality

■ SSARS 21 (effective May 1, 2015)

- If firm only performs preparation engagements, not required to enroll in peer review
- If enrolled, engagements are in scope
- Allows enrollment when state board regulations require peer reviews of firms performing preparation engagements

Actions to Strengthen Firm Quality

■ Consecutive Pass With Deficiency or Fail Reports (effective Jan. 1, 2015)

- Mandatory assessment of referral to hearing panel for two consecutive non-pass reports
- Presumptively mandatory referral to hearing panel for two consecutive fail reports OR pass with deficiency to fail reports
- Mandatory referral to hearing panel for three consecutive non-pass reports

Actions to Enhance Reviewer Quality

■ 2014/2015 Pilot

- Subject matter experts engaged
- 90 reviews selected, all “surprise”
- Engagements reviewed at subject matter experts’ offices
- Experts reviewed engagements prior to acceptance by the Report Acceptance Body
- Results
- Poor performing reviewers subject to corrective action or removal

Actions to Enhance Reviewer Quality

■ 2015/2016 Expansion

- Larger sample
- Focus expanded to root cause analysis in addition to reviewer performance
- Some oversights will be performed at reviewed firm's location

Actions to Enhance Reviewer Quality

■ Reviewer Performance (effective Dec. 31, 2015)

- Practicing the last five years in public accounting
- Have experience at the level they review
- Meet additional qualifications for must-select engagements
- Maintain certain levels of performance

Actions to Enhance Reviewer Quality

■ Reviewer Qualifications (effective May 1, 2016)

- Complete on-demand training with competency assessment before becoming a team captain
- Complete annual on-demand training with competency assessment
- Must-select reviewers must also complete on-demand training with competency assessment in the must-select areas they review

Actions to Enhance Reviewer Quality

■ Reviewer Performance (effective December 31, 2015)

- Expedite remediation or removal of poor performing reviewers
 - Hearings and disagreements
 - Increased monitoring of performance trends
- Improve consistency in handling of reviewer performance matters
 - Feedback classifications
 - Required remediation and removal
 - National ratification

Invigorate Focus on Quality

■ [Free 2 hr. CPE Webcast \(July 30, 2015\)](#)

- Tune-up your understanding SQCS No. 8
- Avoid pot-holes in your next peer review – hear questions peer reviewers will ask
- Get ideas to supercharge engagement acceptance policies and proposal strategies for a more profitable audit practice

■ [Focus on Quality Toolkit \(July 2015\)](#)

- Maps a route to enhancing audit quality
- Tools to identify risks in your practice
- Tips to demonstrate and articulate audit quality as a competitive edge to clients

■ [In-person Workshops \(Late Summer\)](#)



Items Under Consideration

- Strengthening peer review approach to evaluating the design of a firm's system of quality control
- Enhancing requirements for corrective action when certain non-conforming engagements detected during peer review (regardless of report grade)
- Streamlining removal of firms that fail to properly complete required corrective actions

Future of Practice Monitoring

Near real-time

Firm benefits

Purposely provocative

Concept evolves based on input

Pilot program in 2016

aicpa.org/futurepracticemonitoring

The Principle

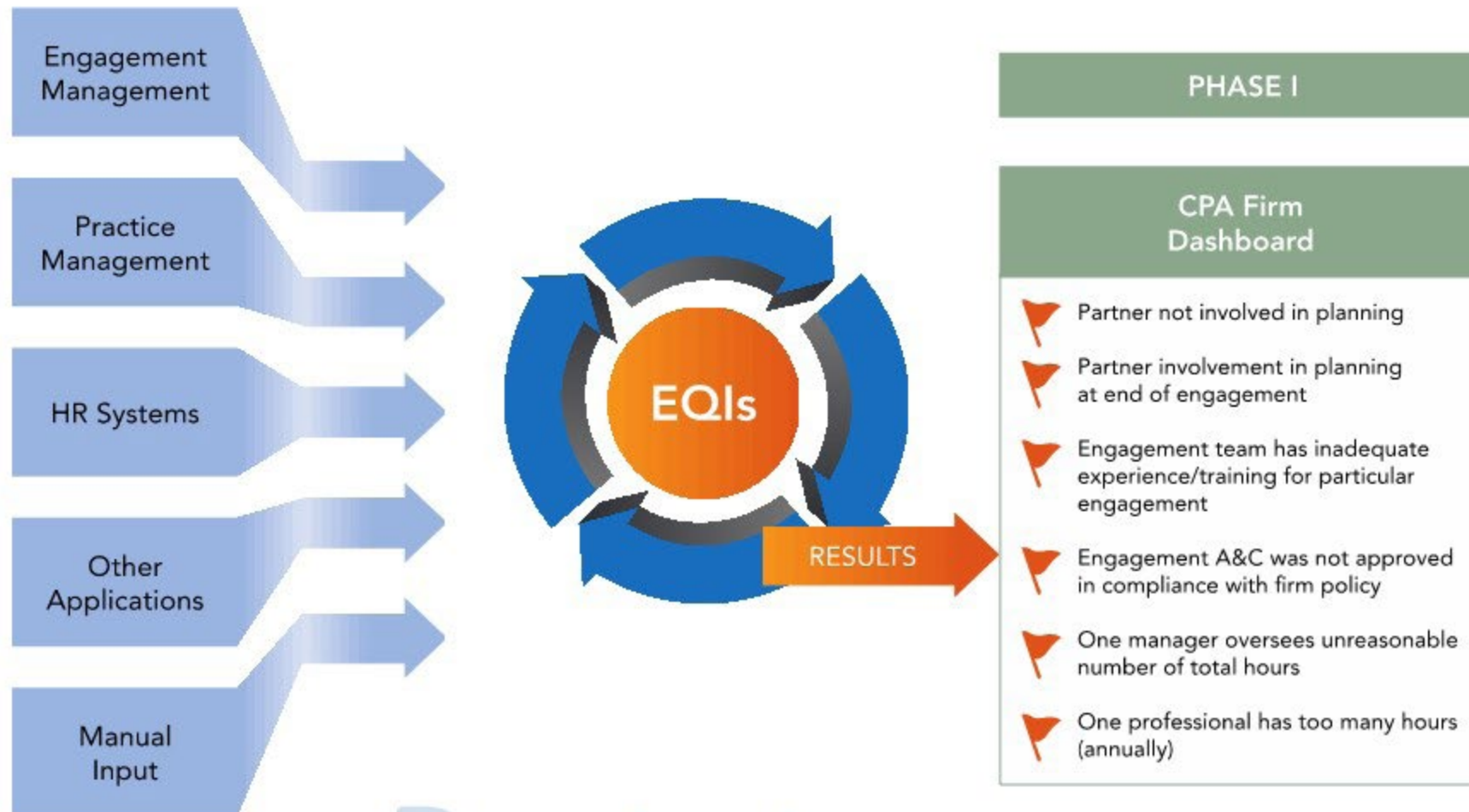
Increased public protection through enhanced audit effectiveness via:

- Highlighting potential quality risk indicators and detecting engagement issues earlier,
- Reviewing all firms that perform accounting, auditing and attestation engagements, and
- Monitoring all engagements subject to review.

Vision for Phase 1: Voluntary Practice Management Tool for Firm Use Only

- Engagement quality indicators form basis of practice quality assessment (firm and engagement level EQIs)
- Data pushed from various firm systems (electronic and manual) to the extent they exist today
- Software analyzes key data and highlights areas which may threaten engagement quality
- Dashboard tool *for firm use only*
- Pilot testing with select group of small, medium and large sized firms - intentionally sharing access and data with AICPA to improve processes/EQIs
- Self-monitoring tool available to all firms on a voluntary basis
- Current peer review program still in place for all
- Timing?

Vision for Phase 1: A Visual

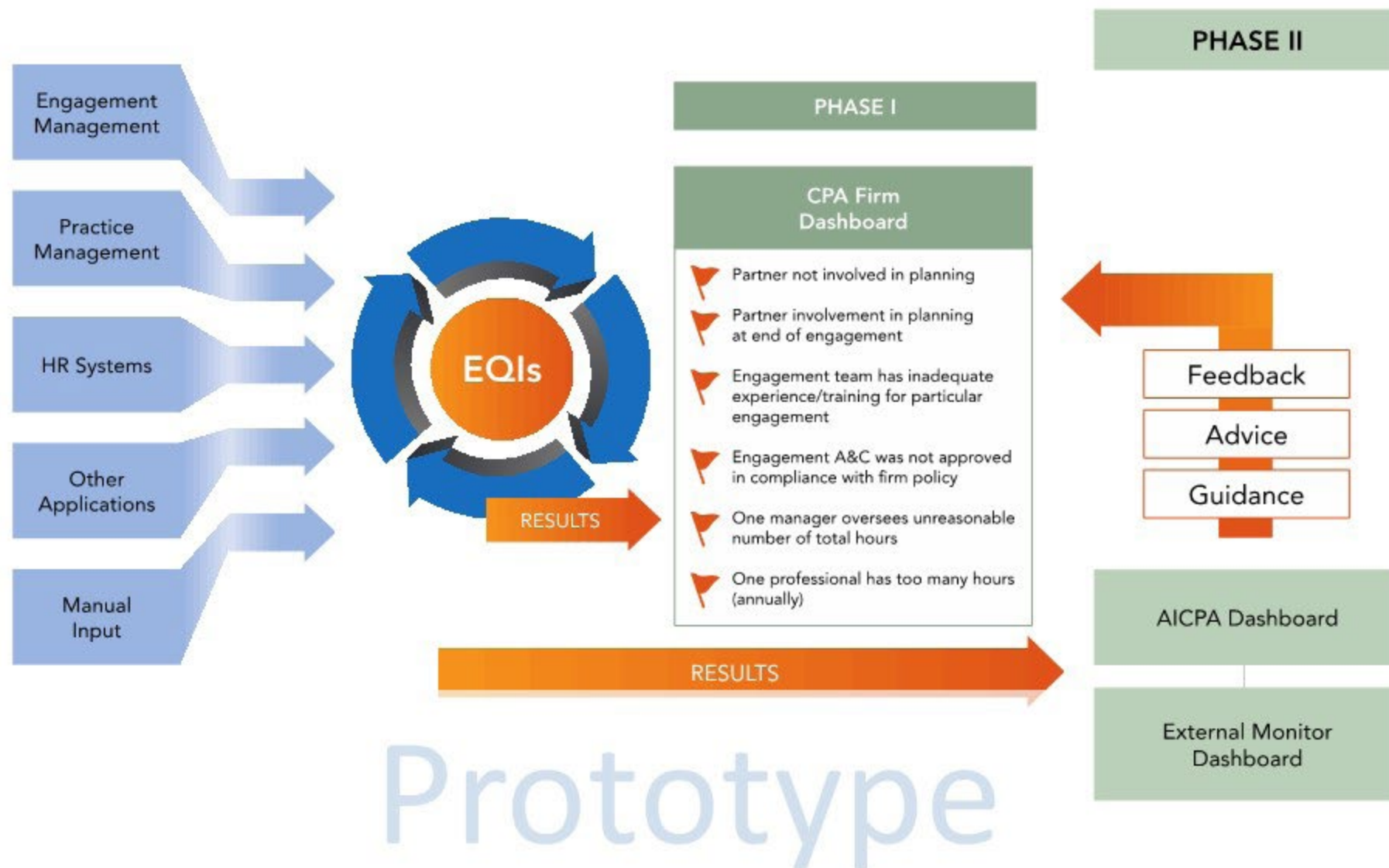


Prototype

Vision for Future Phases: Phase 1 + AICPA-engaged and External Monitor Access

- **Still voluntary**
- **AICPA-engaged and external monitor visibility into firm's dashboard**
- **Development of monitoring process and seal**
 - Determining what and how certain existing peer review components fit into the dashboard analytics and the EQIs to achieve enhanced quality monitoring
 - Determining how technology will work vis-à-vis the human aspects of the new monitoring process
 - Developing the appropriate protocols around a seal
- **Beta testing**
- **Current peer review program still in place**

Vision for Future Phases: A Visual



Facets of the Concept



NASBA's Overall Comments

- Parallel process to accommodate changes in state legislation
- Oversight must be factored in to any changes
- Engagement Quality Indicators (EQIs) should be incorporated into existing quality control standards
- System and tools should be scalable
- Cost should be considered
- Concern about impact to non-AICPA member firms or those who don't use electronic systems
- Must also enhance reviewer quality

Other Overall Comments

- **Support idea of enhancing quality**
- **Questions or concerns about**
 - Scalability
 - Cost
 - Data security
 - Liability
 - Integrate information from disparate systems
 - Impact on small firms causing potential unintended price increases to small/medium businesses
 - How to measure professional judgment
- **Enhance reviewer quality**
- **Tougher on firms**



Questions?

Changes in Peer Review



This delicate, music-themed chandelier graces the lobby of the Omni Nashville Hotel.

Rick Reisig

Lessons Learned

PEER REVIEW OVERSIGHT COMMITTEE SUMMIT

Nashville, Tennessee

July 10, 2015

Lessons Learned

What worked?

What didn't work?

How do we respond to the DOL Report?

Peer Review Oversight Committee (PROC)

- ▶ Formation
- ▶ Focus
- ▶ Monitoring Procedures
- ▶ Reporting

PROC Formation

- ▶ Formal vs. Informal
 - Provided for in State law/rule
 - Defined role
 - Mission statement
 - By-laws
- ▶ Compensation/expense reimbursement
- ▶ Confidentiality agreement
- ▶ Meeting frequency
 - As committee
 - With State Board

PROC Formation

- ▶ Composition
 - Number of members
 - Terms
 - Staggered terms
 - Multiple terms
 - Term limit
 - CPA members/Public members
 - Experience
 - Financial statement preparer/auditor
 - Peer reviewer
 - State Board

PROC Focus

- ▶ What are we overseeing?
 - Administering Entity (AE) oversight of peer reviews
 - AE peer review **process**
 - How does AE administer the program?
 - Peer review **participants**
 - Training
 - Experience

PROC Monitoring Procedures

► How do we oversee?

- Facilitated State Board Access (FSBA)
- Information received from AE
 - Copy of AICPA oversight visit report
 - Copy of AICPA oversight visit letter of procedures and observation
 - Copy of AE's acknowledgement and response to AICPA Peer Review Board oversight visit
 - Copy of Letter notifying the AE that the oversight visit documents and letter of responses were accepted by Oversight Task Force
 - Copy of checklist for working papers for AICPA oversight system review and engagement reviews
 - Copy of AICPA Peer Review Program staff system review oversight checklist and engagement review oversight checklist

PROC Monitoring Procedures

- ▶ How do we oversee (continued)?
 - Review of a sample of AE's oversight report of a peer review
 - Review of list of firms scheduled for peer reviews during the past period and comparison with reports received
 - State Board followup with firms receiving "pass with deficiency" or "failed" reports
 - Interviews of AE peer reviewers
 - Participation in AE peer review committee meetings
 - Participation in AE RAB meetings

PROC Monitoring Procedures

- ▶ How do we oversee (continued)?
 - Tools/documentation
 - Narrative summaries
 - Checklists
 - Summary of Peer Review Committee meeting
 - Summary of Report Acceptance Body meeting
 - Other?

PROC Monitoring Procedures

- ▶ Participation in peer review committee and/or RAB meetings
 - Level of participation
 - Observer vs. Active Participant
 - Which meetings
 - Number of PROC members participating
 - Which PROC members are participating
 - Training?
 - Benefits from participation
 - Resistance from AE

PROC Reporting

- ▶ Who do we report to?
 - State Board
 - Governor/State Legislature
 - Administering Entity
 - Other
- ▶ How often do we report?
- ▶ What information do we report?
 - CAC sample report
 - Purpose
 - Description of peer review program
 - PROC oversight procedures
 - PROC oversight conclusions

THANK YOU!

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G. Alan Long
*Dealing with
Problem Reviewers*



PROC Summit
Dealing with problem reviewers

G. Alan Long, CPA, CITP, CGMA

“When you grow up, you are told that the world is the way it is and to try to live inside that world. Once you discover that the life you are trying to live inside of, was made up by people no smarter than you are, that’s when you realize you can change the world. The minute you understand this, life will never again be the same.”

Steve Jobs
Founder of Apple

Changes effective for reviews commencing on or after December 31, 2015.

Reviewer Performance

- ▶ Revised procedures to more effectively and efficiently address reviewer performance weaknesses
- ▶ Identified new category of reviewer performance weaknesses as significant deficiencies
- ▶ Failure to identify nonconforming engagements
- ▶ Failure to properly conclude on a peer review report rating by 2 or more levels
- ▶ If 2 or more significant deficiencies (single peer review or cumulative) are identified, the administering entity's peer review committee is expected to require remedial action or recommend reviewer for removal from the list of qualified peer reviewers
- ▶ Eliminated issuance of reviewer performance monitoring letter

Disagreements and Reviewer Hearing Process

- ▶ Disagreements between firm, reviewer or administering entity will be settled by a disagreement panel of the administering entity's peer review committee
- ▶ Appeals of the peer review committee disagreement panel's decision may be appealed to a national ad hoc committee to determine if the disagreement will be heard by a national review panel
- ▶ Appeals of reviewer remedial actions required by the administering entity's peer review committee (suspensions, corrective actions or request for removal from list of qualified reviewers) may be appealed to a national ad hoc committee to determine if the appeal will be heard by a national review panel

Reviewer Qualifications

- ▶ Reviewers must have spent the last five years in public accounting in the accounting and auditing function
- ▶ Reviewers should carefully consider whether their day-to-day involvement in accounting and auditing work is sufficiently comprehensive to enable them to perform a peer review with professional expertise. For example, a reviewer that only currently supervises (or carries out a quality control function on) compilation or preparation engagements should not review audit, SSAE or review engagements.

Reviewer Qualifications (cont.)

- ▶ Additional requirements for reviewers of certain must-select engagements:
 - ▶ Reviewers must have resume experience code “A” for all must-select industries/practice areas, representing that the reviewer is currently involved in those types of engagements in their own firm
 - ▶ Reviewer must be associated with Audit Quality Center firm, if it exists (presently Employee Benefit Plan Audit Quality Center and Governmental Audit Quality Center)

AICPA enhanced oversight of peer reviewers

“Challenging the status quo when you have been successful is difficult. If you think you will be successful running your business in the next 10 years the way you did the last 10 years, you’re out of your mind. To succeed, we have to disturb the present.”

Roberto Goizueta
CEO of Coca-Cola 1980-1997

Questions?



Baldwin CPAs has offices in Richmond, Louisville, Flemingsburg,
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