

NASBA Compliance Assurance Committee Report on the AICPA National Peer Review Committee

The American Institute of CPAs (AICPA) National Peer Review Committee (NPRC) administers peer reviews for (i) all firms who serve SEC issuer clients and, accordingly, are required to be registered with and inspected by the Public Company Accounting Oversight Board, and (ii) other firms who elect to have their peer review administered by the NPRC. The NPRC has firms that are located in every state. These are firms that provide audit services and assurance services. To provide transparency in the operations of the NPRC such that individual state boards of accountancy and their peer review oversight committees (PROCs) may rely on the effectiveness of the NPRC, NASBA and the AICPA developed a process by which the activities of the NPRC may be monitored and reports issued.

By agreement, two appointments on the NPRC are designated to be filled by NASBA representatives. These appointees must meet the requirements of all members appointed to serve on the NPRC and they cannot be currently serving on any State Accountancy Board. The members are selected by the AICPA from a list of qualified individuals recommended by NASBA. The individuals serve on the NPRC as fully-participating members with full voting rights and the same responsibilities as other NPRC members.

Those NPRC members representing NASBA report periodically to NASBA's Compliance Assurance Committee (CAC) as to whether:

- The NPRC is complying with the AICPA *Standards for Performing and Reporting on Peer Reviews* (Standards) and other Guidance issued by the AICPA Peer Review Board and the NPRC;
- The NPRC has an appropriate oversight process in place for the reviews it administers and its peer reviewers;
- Results of the oversight process are transparent;
- Reviews are being conducted and reported upon in accordance with the Standards;
- Results of reviews are being evaluated on a consistent basis;
- The AICPA Peer Review Program is achieving its objectives based on the administration by the NPRC; and
- Comments, suggestions and other input from these two members are given full consideration as other such matters would be from any NPRC members.

During the period November 1, 2011 – October 31, 2012 two former state board members sat as members on the NPRC. These members participated in 18 of the 25 report acceptance bodies (RABS) held during this time period which represented 72% of the total RABS.

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Following are the review statistics for period November 1, 2011 – October 31, 2012:

	<u>Total Reviews</u>	<u>NASBA Member Participation</u>	<u>Percent of Participation</u>
Pass	220	162	73.6%
Pass with Deficiencies	8	5	62.5%
Fail	3	1	33.3%

During the period November 1, 2012 – October 31, 2013 two former state board members sat as members on the NPRC. One new appointee came on as a new member of NPRC in October, 2012. These members participated in 15 of the 23 report acceptance bodies (RABS) held during this time period which represented 65% of the total RABS.

Following are the review statistics for period November 1, 2012 – October 31, 2013:

	<u>Total Reviews</u>	<u>NASBA Member Participation</u>	<u>Percent of Participation</u>
Pass	180	108	60.0%
Pass with Deficiencies	11	8	72.7%
Fail	3	2	66.7%

Based on the oral reports provided at each Compliance Assurance Committee meeting by the NASBA representatives serving as members on the NPRC, as well as reviewing the comprehensive oversight report prepared by the NPRC and the administrative oversight report issued by a third party October 26, 2012, we are satisfied and can report that the NPRC has operated appropriately for the period of November 1, 2011 – October 31, 2013.

Janice L. Gray, CPA, CVA, CFF
Chair, NASBA Compliance Assurance Committee
March 31, 2014