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 to administer peer reviews under the auspices of the AICPA Peer Review Program for firms that are licensed or registered in the State of Texas. During 2021, the Texas Society of CPAs (TXCPA) and the AICPA/National Peer Review Committee (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 (National Peer Review Committee) and has determined 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 CPAs**

In accordance with the provisions of the Texas Administrative Code, Rule 527.7(d)(1)A, members of the PROB attended all 2021 meetings of the TXCPA’s Peer Review Committee and its Report Acceptance Bodies (RABs). Although most meetings were conducted over Zoom or by telephone conference calls, PROB members also attended TXCPA’s in-person Peer Review Committee and RAB meeting in Dallas on December 7, 2021. Using the criteria listed below to generate peer review sample selections from throughout the year, PROB members performed detailed reviews of all RAB documents for a risk-based sample of peer reviews processed by the TXCPA during 2021:

1. Fail reports.
2. Pass with Deficiencies reports.
3. Reviews in which the current report shows a dramatic improvement from a Fail report or Pass with Deficiencies report in the prior peer review.
4. Reviews conducted by Team Captains and Review Captains whose past performance has been problematic in the performance of and reporting on the results of peer reviews in accordance with peer review standards.
5. Reviews conducted by Association Formed review teams.
6. Reviews conducted by Team captains who perform a large number of peer reviews.
7. Randomly selected peer reviews.
In addition to detailed reviews of all RAB documents for the sample of peer reviews described above, PROB members also reviewed summary documents and listened to the TXCPA RABs’ deliberations regarding substantially all other peer reviews processed by the TXCPA during 2021.

During 2021, the TXCPA’s RABs considered and acted upon 249 System Reviews and 231 Engagement Reviews, for a total of 480 peer reviews. PROB members reviewed in detail 47 System Reviews (19%) and 31 engagement Reviews (13%), for a total of 78 reviews (aggregating 16% of all peer reviews). In addition, TXCPA’s RABs considered and acted upon 130 acceptances or amendments to corrective actions that had been assigned to reviewed firms and non-cooperation hearings, of which PROB members reviewed in detail 7 such RAB actions (5%). Therefore, PROB members oversaw 14% of all TXCPA RAB decisions. PROB members commented on peer reviews that were selected for detailed review and, in addition, participated in or observed the deliberation of substantially all of the other peer reviews. PROB members, however, had no vote in any RAB decisions. Assignment of PROB members to RABs was made in such a way as to avoid independence or familiarity conflicts with the peer reviews being discussed.

To perform their oversight procedures, PROB members utilized standardized checklists that have been designed to ensure appropriate considerations in assessing whether the TXCPA peer review program is being administered in accordance with the AICPA Peer Review Standards.

We did not disagree with any RAB conclusions that we observed, and we believe that the peer review ratings were appropriate. We noted that the TXCPA’s technical staff and the RAB members were knowledgeable about both their responsibilities and the technical aspects of the peer reviews that were presented, and that they devoted a suitable amount of time to fully discuss each peer review.

In addition to the TXCPA RAB and Peer Review Committee meetings, PROB members also attended a TXCPA Reviewer Evaluation Committee meeting and from time to time certain standards discussions by the AICPA Peer Review Board and AICPA’s Auditing Standards Board (pertaining to proposed Quality Management standards that will have a significant effect upon future peer reviews).

We also reviewed and relied upon various oversight reports including Administering Entity Benchmark Summaries issued by AICPA’s Peer Review Board, RAB observation reports issued by AICPA’s Peer Review Board, and independent evaluations of TXCPA’s safeguards over improper bias due to familiarity threats issued by the Florida Institute of CPAs and the Pennsylvania Institute of Certified Public Accountants. Appropriate compliance was noted in all oversight reports.
Based upon the results of the procedures performed by PROB members, in our opinion the TXCPA is administering its peer review program in accordance with the standards promulgated by the AICPA Peer Review Board and the rules of the TSBPA, and we recommend that the TSBPA should continue to rely on TXCPA as a sponsoring organization.

**Additional Comments**

Fewer peer reviews were processed by TXCPA in 2021 than in recent years, principally related to delays in receiving completed reviews during COVID. In some cases, firms have run behind in completing reviewable engagements due to challenges of operating during COVID including, at times, slowdowns some firms have reportedly experienced in being able to access their clients’ underlying records because the clients themselves have been running behind. Also, nationally as well as in Texas, there has been a decline in the number of CPA firms issuing reviewable engagements. We understand that TXCPA expects an increase in peer reviews to begin some time in 2022.

There is a national shortage of reliable peer reviewers. Texas lost seven active reviewers during 2021 due to retirement or death. As of December 2021, there were only forty-nine active peer reviewers remaining in Texas.

In past annual reports, PROB has expressed concerns about the “PRIMA” software developed by the AICPA to administer the scheduling and processing of peer reviews. Although AICPA has made some functional improvements to PRIMA, it remains difficult and time-consuming for reviewed firms and peer reviewers alike to navigate through the process. We continue to observe that the mechanics of dealing with PRIMA diverts the focus of peer reviewers and reviewed firms away from the underlying purpose of peer reviews.

**TSBPA PEER REVIEW OVERSIGHT BOARD**

Robert D. Goldstein, CPA, Chair  
J. Michael Waters, CPA  
Thomas A. Akin, CPA  

Houston, Texas  
January 7, 2022