



# California Board of Accountancy

## Peer Review Oversight Committee

### 2025 Annual Report



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## Message from the Chairperson

I am pleased to present the California Board of Accountancy (CBA) with the Peer Review Oversight Committee's (PROC) 2025 Annual Report. I would like to thank the CBA for its trust in my leadership of the PROC. I would also like to extend my sincerest appreciation to Nick Petersen, CPA, who served as Vice Chairperson of the PROC.

PROC members performed oversight activities by attending California Society of Certified Public Accountants (CalCPA) Report Acceptance Body and the American Institute of Certified Public Accountants (AICPA) Peer Review Board meetings, gathering and reviewing peer review and peer reviewer-related statistics from the AICPA, performing the Administrative Site Visit of CalCPA, and reviewing the following documents:

- Report on the American Institute of Certified Public Accountants Peer Review Program Annual Report on Oversight, Issued April 23, 2025.
- Report on the American Institute of Certified Public Accountants Peer Review Program, National Peer Review Committee, 2024 Annual Report on Peer Review Activities, Issued May 22, 2025.

Additionally, PROC members reviewed eight out-of-state oversight reports of administering entities as a means of ensuring they were held to the same regulatory standards as California.

It has been an honor to serve in this role, and I look forward to the continued success of the PROC.

Sincerely,

Fausto Hinojosa, CPA

## The California Peer Review Program

All California-licensed accounting firms, including sole proprietors, providing accounting and auditing services are required to undergo a peer review once every three years as a condition of license renewal.

The goal of peer review is to promote quality in the accounting and auditing services provided by accounting firms, and to ensure that licensees are adhering to professional standards. Consumer protection is increased in two crucial areas through peer review:

- The peer review requirement helps to monitor and educate accounting firms to promote quality in the accounting and auditing services they provide. This goal serves the public interest and protects consumers through an increase in the quality of the product provided to clients.
- The CBA requires accounting firms receiving failed peer review ratings to notify the CBA. The CBA reviews the information to assess whether to pursue enforcement actions against accounting firms receiving failed ratings. This consumer protection mechanism provides an assurance that only qualified licensees are practicing public accounting and providing services to consumers in California.

## Peer Review Oversight Committee Responsibilities

The purpose of the PROC is to provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review. The PROC derives its authority from Business and Professions Code section 5076.1.

The roles and responsibilities of the PROC, as defined by the CBA:

- Hold meetings as necessary to conduct business and report to the CBA regarding the effectiveness of mandatory peer review.
- Ensure that the CBA-Recognized peer review program provider (Provider) administers peer reviews in accordance with the standards set forth in California Code of Regulations, title 16, section 48 by:
  - Conducting an annual administrative site visit.
  - Attending peer review board meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
  - Attending peer review committee meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
  - Attending meetings conducted for the purpose of accepting peer review reports, as necessary but sufficient to evaluate and assess the effectiveness of the program.
  - Conducting reviews of peer review reports on a sample basis. Peer review report samples should include, but are not limited to, firms with corrective actions, and firms that have been dropped or terminated.
  - Attending, on a regular basis, peer review training courses.

- Conducting sample reviews of documents (e.g., emails and letters) and information (e.g., web pages) demonstrating that communication to firms is clear.
- Evaluate any *Application to Become a Board-Recognized Peer Review Provider* and recommend approval or denial to the CBA.
- Refer to the CBA any Provider that fails to respond to any request.
- Collect and analyze statistical monitoring and reporting data from the Provider on an annual basis, including but not limited to:
  - California peer reviews accepted.
  - California peer reviews performed by type of peer review and rating.
  - Follow-up actions required as a condition of acceptance of the firm's peer review.
  - California firms terminated from the peer review program.
  - California firms that had system peer reviews accepted in a must-select category.
  - Total number of peer reviews performed nationally.
  - Peer reviewer population data.
  - Number and nature of inquiries to the administering entity.
- Prepare an Annual Report to the CBA regarding the results of its oversight.
- Evaluate the size and experience of the peer reviewer population.

### 2025 Peer Review Oversight Committee Meeting Dates

The PROC holds meetings as necessary to conduct business and report to the CBA regarding the effectiveness of mandatory peer review.

The PROC met three times in 2025:

- February 14, 2025
- August 8, 2025
- December 12, 2025

## Peer Review Oversight Committee Members

The PROC currently does not have any vacancies. Members may serve up to four two-year terms.

Name	PROC Appointment	Current Term Expiration
Jeffrey De Lyser, CPA	August 17, 2021	September 30, 2027
Jennifer Benjamin, CPA	July 17, 2025	July 31, 2027
Laura L. Ross, CPA	July 23, 2021	July 31, 2027
Alan Gittelsohn, CPA	July 17, 2025	July 31, 2027
Fausto Hinojosa, CPA	September 23, 2021	September 30, 2027
Nick Petersen, CPA	September 23, 2021	September 30, 2027
Vikram Deshpande, CPA	September 18, 2025	September 30, 2027

Fausto Hinojosa, CPA, served as the PROC Chairperson and Nick Petersen, CPA, served as the Vice Chairperson.

## American Institute of Certified Public Accountants

The AICPA Peer Review Program is currently the sole CBA-recognized Peer Review Program Provider. The AICPA oversees its program, and the peer reviews are administered by an administering entity, typically a state CPA society, approved by the AICPA to perform that role. Through regulation, the CBA established that the AICPA Peer Review Program meets the standards outlined in California Code of Regulations section 48. Further, the CBA accepts all AICPA-approved administering entities authorized to conduct the AICPA Peer Review Program.

The AICPA administers and monitors its peer review program through specifically assigned AICPA institutions, programs, and systems. Those monitoring tools are as follows:

- AICPA Peer Review Board.
- AICPA Oversight Task Force.
- AICPA Peer Review Program Administering Entities.
- AICPA Peer Review Integrated Management Application.

## California Society of Certified Public Accountants

CalCPA is one of 24 administering entities approved in 2025 by the AICPA. CalCPA administers the AICPA Peer Review Program in California, Arizona, and Alaska. As an administering entity, CalCPA is responsible for ensuring that peer reviews are performed in accordance with the AICPA's Standards for Performing and Reporting on Peer Reviews.

CalCPA upholds the integrity of its peer review administration of the AICPA Peer Review Program through use of the AICPA Peer Review Integrated Management Application system, complying with AICPA standards, reviewing and ensuring qualifications of peer

reviewers, conducting AICPA peer reviewer training, maintaining on-staff CPAs and technical reviewers, and facilitating several Report Acceptance Body meetings each year. The CalCPA Peer Review Committee addresses various administrative issues at its biannual meetings.

CalCPA technical reviewers review the technical quality of the peer review reports and findings on reviewed accounting firms and review the performance of peer reviewers. During the CalCPA Report Acceptance Body meetings, members discuss the peer reviews, conclude on the findings, discuss peer reviewer performance feedback, and determine whether each peer review completed is acceptable.

## Peer Review Oversight Committee Oversight of the California Peer Review Program

The PROC provides oversight of the CBA-recognized peer review program provider and peer review-related activities.

The PROC performs various oversight activities of the California Peer Review Program. The PROC observes a sample of peer-review related meetings throughout the year and engages in an annual site visit. Oversight activities may also include reviewing relevant peer review-related publications, highlighting and inquiring about findings that may have potential impacts to the California Peer Review Program, and performing continual internal updates and reviews of oversight procedures to address the evolving peer review program.

### Peer Review Oversight Committee Oversight Activities

The PROC actively oversees and evaluates the administration of the California Peer Review Program via observations of peer review-related meetings and activities. In 2025, the PROC engaged in the following peer review-related oversight activities:

- Observing CalCPA Report Acceptance Body Meetings.
- Observing AICPA Peer Review Board Meetings.
- Conducting the CalCPA Administrative Site Visit.

### *CalCPA Report Acceptance Body Meetings*

PROC members observed 22 Report Acceptance Body meetings. The observations assist the PROC in determining whether the Report Acceptance Body meetings met expectations as to its effectiveness for its role in the peer review process. The participating PROC members reported that all 22 observed Report Acceptance Body meetings met expectations as to their effectiveness in the peer review process.

PROC members stated that the technical aspects of the meeting content and discussions during each meeting were relevant and appropriate. Report Acceptance Body members were reminded of the conflict-of-interest policy during each meeting, and as a result, PROC members observed technical reviewers or Report Acceptance Body members recusing themselves. Report Acceptance Body members appeared

knowledgeable and transparent in their conversations during the meetings, including acknowledging areas outside of their expertise. Some PROC members also noted that they observed matters being deferred for lack of expertise and peer review rating revisions after thorough discussion.

### *AICPA Peer Review Board Meetings*

PROC members observed two AICPA Peer Review Board meetings. The objective of the PROC oversight is to observe how the Peer Review Board executes its duties in the meetings and determine whether this aspect of the peer review process is operating effectively for California. The participating PROC members concluded that the two observed Peer Review Board meetings met expectations as to their effectiveness in the peer review process.

### *CalCPA Administrative Site Visit*

The Administrative Site Visit of CalCPA is a comprehensive oversight activity performed by the PROC. The Administrative Site Visit allows the PROC to perform oversight of the California Peer Review Program. On October 3, 2025, PROC members Laura L. Ross, CPA, and Alan Gittelsohn, CPA, met virtually with CalCPA to perform the Administrative Site Visit. Michelle Center, CBA Licensing Chief, Suzanne Gracia, CBA Deputy Licensing Chief, and Laura Gron, CPA, AICPA Associate Director, observed the Administrative Site Visit.

CalCPA presented information and answered questions as outlined in the Peer Review Oversight Committee Administrative Site Visit Checklist related to:

- Peer review types.
- Peer reviewers.
- Planning and performing peer reviews.
- Administration and accepting peer reviews.
- Reporting responsibilities.

As part of the review, a sample of peer reviews consisting of both system and engagement reviews selected from Report Acceptance Body meetings held in 2025 were used to document certain aspects of the mandatory peer review program. Overall, the PROC members determined that CalCPA administered peer reviews in 2025 in accordance with the standards adopted by the CBA.

During the Administrative Site Visit, the PROC members and CalCPA staff also discussed the following:

- The AICPA updated the Peer Review Integrated Management Application to ensure that California firms cannot opt out of Facilitated State Board Access reporting, consistent with the amendment to Business and Professions Code section 5076, that became effective January 1, 2025.
- The number of accounting firms and number of peer reviewers are decreasing simultaneously.

- The AICPA recently proposed that beginning January 1, 2026, firms with alternative practice structures will have their peer reviews administered by the National Peer Review Committee. It was also noted that, historically, peer reviewers have had access to information to facilitate the identification of firms with alternative practice structures.
- The AICPA's new Quality Management Standards represent a substantial shift in audit quality oversight. These standards replace the old quality control framework with a modern, risk-based approach that shifts the focus from rigid policies to proactive risk assessment and continuous monitoring. Every accounting firm conducting audits or other engagements must have its new quality management system fully designed and implemented by December 15, 2025. If a firm delays the implementation of these changes, it may impact the firm's peer review result.

Upon request, CalCPA provided clarity on the categories used to differentiate the reasons firms exit the peer review program. The AICPA, and its administering entities, use the following descriptive categories<sup>1</sup>:

- Resign—This occurs when a firm initiates the process to disenroll from the peer review program. For example, a firm resigns from the peer review program if the sole proprietor retires, or if a firm no longer performs services that require a peer review.
- Drop—This occurs when the administering entity initiates the process to remove a firm from the peer review program due to noncooperation prior to the commencement of the peer review. For example, the administering entity may drop a firm if it refuses to submit the required information to begin the peer review.
- Terminate—This occurs when the administering entity initiates the process to remove a firm from the peer review program due to noncooperation after the peer review process has commenced. For example, the administering entity may terminate a firm if it fails to submit a timely letter of response.

#### Peer Review-Related Reports and Publications Reviewed by the Peer Review Oversight Committee

The PROC annually reviews peer review-related reports and publications by the AICPA, CalCPA, and National Association of State Boards of Accountancy to remain current with the AICPA Peer Review Program, policies, procedures, and changes that affect consumers. The PROC reviewed the following peer review-related reports and publications in 2025:

- Report on the American Institute of Certified Public Accountants Peer Review Program Annual Report on Oversight, Issued April 23, 2025.

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<sup>1</sup> The CBA is notified when firms have been dropped or terminated.

- Report on the American Institute of Certified Public Accountants Peer Review Program, National Peer Review Committee, 2024 Annual Report on Peer Review Activities, Issued May 22, 2025.
- AICPA Peer Review administering entity Oversight Visit Results for the Virginia Society of CPAs, Tennessee Society of CPAs, Michigan Association of CPAs, Georgia Society of CPAs, Washington Society of CPAs, Coastal Peer Review, Inc., Ohio Society of CPAs, and the Florida Institute of CPAs.

*Report on the American Institute of Certified Public Accountants Peer Review Program Annual Report on Oversight, Issued April 23, 2025.*

At its December 2025 meeting, the PROC was presented with the Report on the American Institute of Certified Public Accountants Peer Review Program Annual Report on Oversight, Issued April 23, 2025.

The report provided an overview of oversight procedures performed in 2024. Oversight procedures performed by the Administering Entities are in accordance with the AICPA Peer Review Oversight Handbook (AICPA Oversight Handbook). The AICPA Oversight Task Force utilizes focus groups to monitor and perform procedures in conformity with the guidance contained in the AICPA Oversight Handbook. The focus groups report to the full Oversight Task Force.

The following is a list of the focus groups and the functions they perform:

- **Administering Entities Oversight Focus Group**—The Administering Entity Oversight Focus Group monitors the results of the Administering Entity oversights performed by the Oversight Task Force members, which occur on a rotating basis. Oversights include testing the administrative and report acceptance procedures established by the Peer Review Board. The Oversight Task Force members oversighted 14 Administering Entities in 2022, 10 Administering Entities in 2023, and nine Administering Entities in 2024.
- **Report Acceptance Body Observations Focus Group**—The Report Acceptance Body Observation Focus Group reviews and approves Report Acceptance Body observation reports, including any responses received from the Administering Entities. Report Acceptance Body observations focus on whether the report acceptance process is being conducted in accordance with standards and guidance. In 2024, the Report Acceptance Body observation focus group reviewed 53 Report Acceptance Body meetings and 199 peer reviews were selected during these observations.

- Enhanced Oversight Focus Group**—The Enhanced Oversight Focus Group reviews and evaluates the results of enhanced oversights performed by Subject Matter Experts (SMEs) and provides feedback to AICPA staff and SMEs. The Enhanced Oversight Focus Group also works with the Reviewer Performance Focus Group and provides feedback when appropriate. Enhanced oversights are performed by SMEs on must-select engagements and include the review of financial statements and working papers for such engagements.

One objective of the Enhanced Oversight Focus Group is to increase the probability that peer reviewers are identifying all material issues on must-select engagements, including whether the engagement is properly identified as nonconforming. One way this objective is achieved is by having SMEs and peer reviewers review two peer review sample groups: a random sample and a risk-based sample. The SME reviews the same engagement as the peer reviewer and the results are compared. The data in **Tables 1** and **2** indicates that SMEs identify more nonconforming engagements than peer reviewers. As a result, the Peer Review Board has approved multiple initiatives to improve peer reviewer performance on must-select engagements, such as additional training requirements for reviewers.

**Table 1** and **Table 2** display the annual results related to the two sample groups. When reading the tables, note that the sample size relates to the sample pulled for SME review. The table notes the percentage of nonconforming engagements identified by the SMEs in the sample. Next, the table includes the percentage of nonconforming engagements identified by the peer reviews from the sample of nonconforming engagements identified by the SMEs. For example, in 2015, the SMEs pulled a random sample of 190 engagements. Within that sample, the SMEs identified 104 (55%) as nonconforming. Of those 104 engagements, peer reviewers identified 42 as nonconforming.

**Table 1: Annual Results of Nonconforming Rates (Random and Risk-Based Samples Combined)**

Year	Sample Size	Total nonconforming engagements identified by SMEs	%	Number of nonconforming engagements identified by peer reviewer	Percent of nonconforming engagements identified by peer reviewer
2015	190	104	55%	42	40%
2016	108	38	35%	18	47%
2017	87	43	49%	27	63%
2018	185	108	58%	68	63%
2019	79	46	58%	37	80%
2020 <sup>2</sup>	*	*	*	*	*
2021	34	14	41%	7	50%

<sup>2</sup>The Oversight Task Force suspended the enhanced oversight process due to the COVID-19 pandemic; therefore, no oversights were performed for 2020 and resumed in September 2021.

Year	Sample Size	Total nonconforming engagements identified by SMEs	%	Number of nonconforming engagements identified by peer reviewer	Percent of nonconforming engagements identified by peer reviewer
2022	105	45	43%	28	62%
2023	67	23	34%	12	52%
2024 <sup>3</sup>	75	20	27%	12	60%

**Table 2: Annual Results of Nonconforming Rates (Random Samples)**

Year	Sample Size	Total nonconforming engagements identified by SMEs	%	Number of nonconforming engagements identified by peer reviewer	Percent of nonconforming engagements identified by peer reviewer
2015	85	47	55%	26	55%
2016	41	18	44%	9	50%
2017	54	21	39%	13	62%
2018	95	47	49%	33	70%
2019	77	44	57%	35	80%
2020 <sup>4</sup>	*	*	*	*	*
2021	*	*	*	*	*
2022	81	36	44%	26	72%
2023	62	23	37%	12	59%
2024 <sup>5</sup>	53	16	30%	10	63%

- Evolution Focus Group**—The Evolution Focus Group developed the Administering Entity benchmark criteria approved by the AICPA Peer Review Board. Administering Entities submit three benchmark summary forms during the year, each covering a four-month period. The focus group reviews the results of the benchmark summary forms, evaluates overall performance, and provides feedback as necessary.
- Plan of Administration Focus Group**—The Plan of Administration Focus Group reviews and annually approves the plans submitted by the Administering Entities agreeing to administer the program in compliance with standards and guidance.
- Reviewer Performance Focus Group**—The Reviewer Performance Focus Group reviews the reviewer performance monitoring report prepared by AICPA staff.

<sup>3</sup> As of the date of this report, the 2024 risk-based sample is 77% complete. Once complete, the sample size will be 97.

<sup>4</sup> The Oversight Task Force suspended the enhanced oversight process due to the COVID-19 pandemic; therefore, no oversights were performed for 2020 and resumed in September 2021.

<sup>5</sup> As of the date of this report, the 2024 random sample is 76% complete. Once complete, the total sample size will be 70.

This report summarizes AICPA staff's procedures to evaluate and monitor peer reviewers and Administering Entities for compliance with standards.

Administering Entities are required to submit their oversight policies and procedures to the Oversight Task Force on an annual basis. The following oversight procedures are performed as part of the Administering Entity oversight program:

**Oversight of Peer Reviews and Reviewers**—Throughout the year, the Administering Entity selects various peer reviews for oversight. The selections for oversight are made by the peer review committee chair or designated task force of peer review committee members, based on input from Administering Entity staff, technical reviewers, and peer review committee members and can be on a random or targeted basis. In 2024, Administering Entities conducted oversight on 177 reviews; of those, 102 were system reviews and 75 were engagement reviews.

**Evolution of Peer Review Administration**—As part of the evolution of peer review administration, the AICPA Peer Review Board approved Administering Entity benchmarks to enhance overall quality and effectiveness of program administration. The benchmarks include qualitative, objective, measurable criteria which may be modified over time due to advances in technology and other factors. Administering Entities report their compliance with the benchmarks three times per year.

Based on the results of the oversight procedures, the AICPA Oversight Task Force has concluded, for the oversight initiatives performed during 2024, that the objectives of the Peer Review Board oversight program were met.

[\*Report on the American Institute of Certified Public Accountants Peer Review Program, National Peer Review Committee, 2024 Annual Report on Peer Review Activities, Issued May 22, 2025.\*](#)

At its December 2025 meeting, the PROC was presented with the Report on the American Institute of Certified Public Accountants Peer Review Program, National Peer Review Committee, 2024 Annual Report on Oversight, Issued May 22, 2025.

The Oversight Task Force conducted an external review of the National Peer Review Committee administrative functions in Fall 2024 and an internal review was conducted by a member of the Peer Review Board in Fall 2023, which covers the overall NPRC peer review process, including:

- National Peer Review Committee processes:
  - Scheduling.
  - Technical review.
  - Report acceptance.
- Facilitated State Board Access.
- National Peer Review Committee Oversight process and procedures:
  - Types of oversight.
    - Limited oversight

- Full oversight
    - Engagement oversight
  - Oversight performed.
  - Enhanced oversight.
  - Use of panels.
- Peer review performance.
- Results of reviews administered by National Peer Review Committee.
- Oversight processes:
  - Peer reviews.
  - Oversight performed on the Administering Entity.

Both the external and internal reviews of the National Peer Review Committee administrative functions conducted by the members of the Oversight Task Force concluded that the NPRC has complied with the administrative procedures and standards in all material respects as established by the AICPA Peer Review Board.

#### *AICPA Peer Review Administering Entity Oversight Visit Results*

The PROC monitors out-of-state Administering Entities that operate under the CBA-Recognized Peer Review Program Provider, the AICPA, to ensure that they are held to the same regulatory standards as in California.

Out-of-state oversight procedures include a review of the current list of AICPA-approved administering entities, with a focus on the top 20 jurisdictions (states) with a high-volume of Out-of-State Firm Registrants under the current California mobility program and require the following:

- At each PROC meeting, select two out-of-state administering entities from the list of administering entities.
- Review available prior AICPA administering entity oversight reports.
- Complete the PROC Out-of-State Administering Entities Checklist.
- Present and discuss as necessary the following items:
  - Findings
  - Recommendations
  - Develop items to include in a written inquiry to the AICPA regarding the findings and request for explanations, corrective actions, and timeframe for completion, if applicable.
- Follow-up and review future published AICPA Administering Entity oversight report(s) to ensure all findings have been addressed and corrected.

In 2025, the PROC reviewed the AICPA oversight reports for the following administering entities:

<b>Administering Entity</b>	<b>Licensing Jurisdiction</b>
Michigan Association of CPAs	Michigan
Georgia Society of CPAs	Georgia
Washington Society of CPAs	Washington, New Mexico, Colorado

Administering Entity	Licensing Jurisdiction
Coastal Peer Review, Inc.	North Carolina, Maryland
The Ohio Society of CPAs	Ohio
Florida Institute of CPAs	Florida
Virginia Society of CPAs	Virginia, District of Columbia
Tennessee Society of CPAs	Tennessee

Each administering entity reviewed by the PROC received an AICPA oversight report noting that they had complied with the administrative procedures and standards in all material respects as established by the AICPA Peer Review Board; however, some administering entities received recommendations for improvement.

The AICPA Oversight Report for Michigan Association of CPAs recommended:

- Technical reviewers should exercise greater care in performing technical reviews to identify and resolve issues before the report acceptance process. Additionally, the Report Acceptance Body should exercise care to ensure all critical matters are identified and discussed.

The AICPA Oversight Report for Georgia Society of CPAs recommended:

- Upon receipt, reviews should be processed within the 120-day time frame. Technical reviewers should take greater care to ensure there are fewer deferrals of reviews during the Report Acceptance Body meetings.

The AICPA Oversight Reports for Washington Society of CPAs, Coastal Peer Review, Inc., Florida Institute of CPAs, Virginia Society of CPAs, The Ohio Society of CPAs, and Tennessee Society of CPAs had no recommendations.

## Statistical Monitoring and Reporting on California Peer Review Statistics

The PROC annually provides and reports on peer review-related statistics specific to the state of California. The data is provided to the PROC by CalCPA, and it includes firms that chose to opt out of the Facilitated State Board Access. The PROC collects the following data points:

- Number of reviews completed by month, and types (system vs. engagement) cumulatively for the annual reporting period.
- Types (system vs. engagement) and number of reviews receiving a pass, pass with deficiencies, or fail rating.
- Corrective action matters.
- Firms expelled from the program.

The PROC asked that CBA staff provide statistical updates biannually, once prior to the PROC Administrative Site Visit to CalCPA, and a second time to consider for inclusion in the PROC Annual Report.

The following 2024 peer review-related statistical information was provided directly from CalCPA on September 29, 2025.

Number of Reviews Completed by Month, and Types (System vs Engagement)  
Cumulatively for the Annual Reporting Period

**Table 3: California Peer Reviews Accepted**

The data in **Table 3** provides the number of both system and engagement reviews accepted monthly starting from January 1, 2021, to December 31, 2024.

Month	2021	2022	2023	2024
January	121	98	87	74
February	86	114	75	84
March	96	100	68	77
April	109	79	72	72
May	84	76	47	60
June	53	58	68	52
July	55	67	70	73
August	60	84	102	76
September	94	69	71	73
October	84	71	60	78
November	58	53	48	49
December	111	51	58	55
<b>Total</b>	<b>1,011</b>	<b>920</b>	<b>826</b>	<b>823</b>

The yearly average number of reviews completed in California during 2021-2024 was 895.

Types (System vs. Engagement) and Number of Reviews Completed Cumulatively for  
the Annual Reporting Period

**Table 4: California Peer Reviews Performed During the Calendar Years 2021-2024 by Type Cumulatively for the Annual Reporting Period**

Type of Review	2021	2022	2023	2024
System	356	346	299	326
Engagement	655	574	527	497
<b>Total</b>	<b>1,011</b>	<b>920</b>	<b>826</b>	<b>823</b>

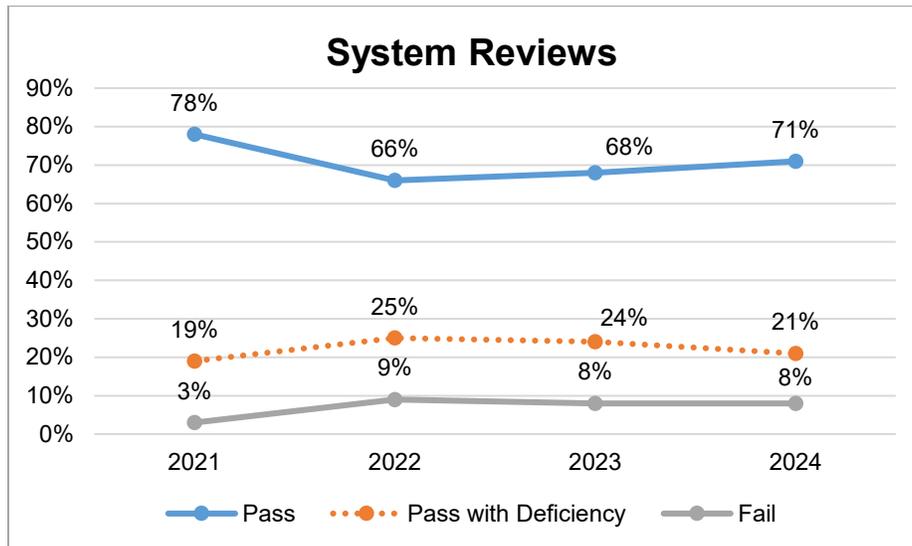
Types (System vs. Engagement) and Number of Reviews Receiving Pass, Pass with Deficiencies, or Fail Rating

**Table 5: California Peer Reviews Performed by Type of Peer Review and Rating**

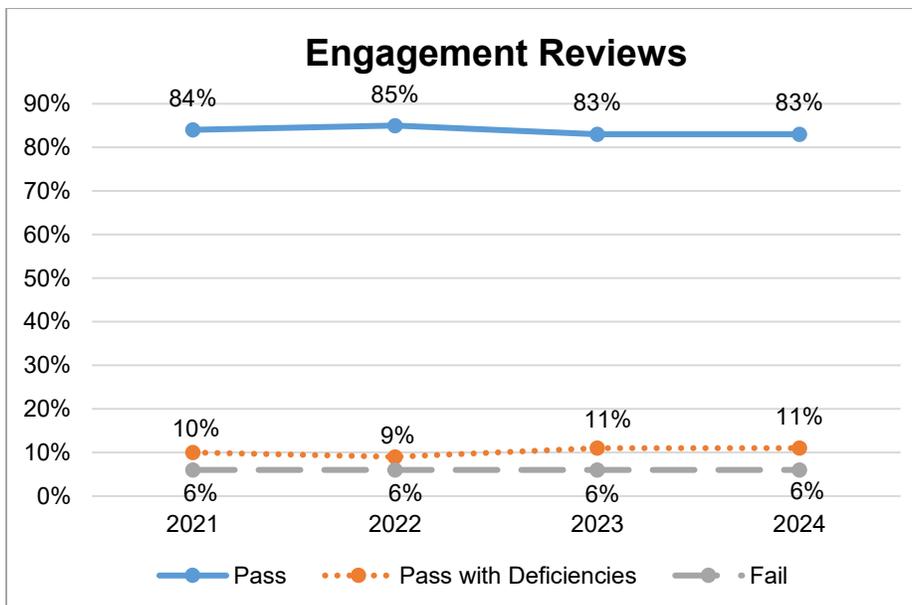
System Reviews								
Rating	2021 QTY	2021 %	2022 QTY	2022 %	2023 QTY	2023 %	2024 QTY	2024 %
Pass	276	78%	229	66%	204	68%	230	71%
Pass with Deficiencies	68	19%	87	25%	72	24%	70	21%
Fail	12	3%	30	9%	23	8%	26	8%
<b>Total System</b>	<b>356</b>	<b>100%</b>	<b>346</b>	<b>100%</b>	<b>299</b>	<b>100%</b>	<b>326</b>	<b>100%</b>

Engagement Reviews								
Rating	2021 QTY	2021 %	2022 QTY	2022 %	2023 QTY	2023 %	2024 QTY	2024 %
Pass	548	84%	486	85%	436	83%	412	83%
Pass with Deficiencies	66	10%	54	9%	56	11%	55	11%
Fail	41	6%	34	6%	35	6%	30	6%
<b>Total Engagement</b>	<b>655</b>	<b>100%</b>	<b>574</b>	<b>100%</b>	<b>527</b>	<b>100%</b>	<b>497</b>	<b>100%</b>

**Graph 1 – System Reviews**



**Graph 2 – Engagement Reviews**



**Table 6: California Peer Reviews Performed by Types of Peer Review and Rating**

The data in **Table 6** is a combination of both system and engagement reviews and indicates relative changes in percentages for the total number of California reviews performed.

<b>System and Engagement</b>	<b>2021 QTY</b>	<b>2021 %</b>	<b>2022 QTY</b>	<b>2022 %</b>	<b>2023 QTY</b>	<b>2023 %</b>	<b>2024 QTY</b>	<b>2024 %</b>
Pass	824	82%	715	78%	640	77%	642	78%
Pass with Deficiencies	134	13%	141	15%	128	16%	125	15%
Fail	53	5%	64	7%	58	7%	56	7%
<b>Summary Total</b>	<b>1,011</b>	<b>100%</b>	<b>920</b>	<b>100%</b>	<b>826</b>	<b>100%</b>	<b>823</b>	<b>100%</b>

[Corrective Action Matters \(Various Types: Overdue Peer Review Reports, Disagreements Pending Resolution, etc.\)](#)

**Table 7: Summary of Required Follow-up Actions Under AICPA and CalCPA Peer Review Program**

The CalCPA Peer Review Committee is authorized by the AICPA Peer Review Program Standards to decide on the need for and nature of any additional follow-up actions required as a condition of acceptance of the firm's peer review. During the report acceptance process, the CalCPA Peer Review Committee evaluates the need for follow-up actions based on the nature, significance, pattern, and pervasiveness of engagement deficiencies.

The CalCPA Peer Review Committee also considers the comments noted by the reviewer and the firm's response thereto. If the firm's response contains remedial actions that are comprehensive, genuine, and feasible, then the committee may decide to not recommend further follow-up actions. Follow-up actions are remedial and educational in nature and are imposed to strengthen the performance of the firm. A review can have multiple follow-up actions.

Type of Follow-up Action	2021	2022	2023	2024
Submit proof of continuing professional education taken	317	271	245	242
Submit copy of monitoring report	9	9	13	7
Submit copy of inspection report to committee	1	1	2	0
Submit evidence of proper firm licensure	2	1	3	5
Submit to Team Captain revisit – General	3	4	1	0
Submit to Team Captain review of subsequent engagements with work papers	100	149	139	123
No longer perform any audit engagements	2	8	0	0
Agree to pre-issuance review by Team Captain or outside party	1	1	4	11
Team Captain or outside party review correction of non-conforming engagements	2	2	9	24
Team Captain or outside party to review firms' remedial actions in the letter of response	4	7	2	0
Submit inspection report to Team Captain or outside party for review	2	3	3	4
Request to have accelerated review	1	0	0	0
Agree to remediate deficiencies noted in firm's peer review	2	1	4	5
Join Government Audit Quality Center	1	0	0	3
Join Employee Benefit Plan Audit Quality Center	0	2	0	1
Submit Proof of Purchase of Manuals	0	1	0	0
Submit to Committee Member Visits	0	1	0	0
Team Captain/Outside Party to review firm's remedial actions in its response to the findings and further consideration	0	2	1	0
Oversight of monitoring by Team Captain/outside party	0	0	2	0
Submit evidence of proper individual licenses	0	0	1	0
Does not perform any [insert type <sup>6</sup> ] engagements	0	0	1	8
Agree to hire Team Captain or outside party to perform inspection	0	0	0	2
(data continued on next page)				

<sup>6</sup> Engagement types may include audits, reviews, compilations, Employee Retirement Income Security Act engagements, etc.

Type of Follow-up Action	2021	2022	2023	2024
Submit to outside party post-issuance review of subsequent engagements	0	0	0	2
Team captain to review quality control document	0	0	0	3
Other	11	4	3	2
<b>Total</b>	<b>458</b>	<b>467</b>	<b>433</b>	<b>442</b>

Firms Expelled (Terminated) from the AICPA Peer Review Program

**Table 8: California Terminated Firms**

Accounting firms that have commenced their peer review process may be terminated by the AICPA for the following reasons:

- Failure to cooperate.
- Consecutive failed reports.
- Failure to submit a signed acknowledgement letter.
- Failure to complete a corrective action.
- Non-cooperation related to omission or misrepresentation of information.
- Failure to complete its peer review after it has commenced.
- Failure to complete an implementation plan.
- Failure to correct deficiencies or significant deficiencies after consecutive correction actions.

Action	2021	2022	2023	2024
Terminated	2	4	3	4

Firms terminated for specific reasons can appeal for reenrollment in the California Peer Review Program and be evaluated by the administering entity or a hearing panel of the AICPA Peer Review Board.

The CBA Enforcement Division proactively initiates investigations of California-licensed accounting firms identified to have been terminated from the AICPA Peer Review Program. Results from each investigation vary on a case-by-case basis.

Statistical Monitoring and Reporting on California Peer Reviewer Statistics

The AICPA provides peer review-related statistics twice annually. There are approximately 17,700 firms currently enrolled in the AICPA Peer Review Program within the United States and its territories that have a peer review performed once every three years. In recent years, the AICPA has noted a decrease in the number of firms enrolled in the Program. This is attributed to firm mergers and firms no longer performing the accounting and auditing engagements that would subject them to a peer review.

There are also approximately 1,500 firms enrolled in the AICPA Peer Review Program that indicated they do not currently perform any engagements subject to peer review.

Between 2022-2024, approximately 6,700 peer reviews were performed by a pool of approximately 800 qualified peer reviewers.

The data provided in **Tables 9-12, 14, and 15** was provided by the AICPA and is California-specific. **Table 13** represents national data.

On November 11, 2024, there were 2,467 California firms enrolled in the AICPA Peer Review Program and on April 1, 2025, there were 2,367 California firms enrolled, reflecting a decrease of approximately 4%.

A California firm may have its peer review administered by an out-of-state administering entity if its principal office is located outside of California. A firm may hold licenses in multiple states. A firm is considered a California firm if it holds a license in the state of California or they are registered with the CBA as an Out-of-State Firm.

A peer review with a pass is accepted when the CalCPA Peer Review Committee or the CalCPA Report Acceptance Body concludes a peer review was performed and reported on in accordance with the AICPA peer review standards. If corrective action is ordered for a peer review receiving a rating of pass or pass with deficiencies, the report is accepted when the reviewed firm has agreed to perform the prescribed corrective actions.

**Table 9: Number of California Firm Peer Reviews Accepted**

<b>Administering Entity</b>	<b>1/1/2022-6/30/2022</b>	<b>7/1/2022-12/31/2022</b>	<b>1/1/2023-6/30/2023</b>	<b>7/1/2023-12/31/2023</b>	<b>1/1/2024-6/30/2024</b>	<b>7/1/2024-12/31/2024</b>
California Society of CPAs	525	395	414	407	416	406
Colorado Society of CPAs	0	1	0	0	0	0
Georgia Society of CPAs	0	0	0	0	0	0
National Peer Review Committee	13	2	16	2	6	9
The Ohio Society of CPAs	0	0	0	0	0	1
Oregon Society of CPAs	1	1	1	0	1	0
Peer Review Alliance	0	0	0	0	0	0
Pennsylvania Institute of CPAs	0	0	0	1	0	0
Tennessee Society of CPAs	0	0	0	1	0	0
Texas Society of CPAs	0	0	0	0	0	0
<b>Total<sup>7</sup></b>	<b>539</b>	<b>399</b>	<b>431</b>	<b>411</b>	<b>423</b>	<b>416</b>

<sup>7</sup> Data in Tables 3-8 and Tables 9-12 differ due to being generated on different dates. The AICPA provided data was generated after the CalCPA provided data. Given the tables only include active firms, the decline in firms is most likely attributed to firms becoming inactive during that time period.

**Table 10: Number of California Firms that Had System Peer Reviews Accepted**

<b>Administering Entity</b>	<b>1/1/2022-6/30/2022</b>	<b>7/1/2022-12/31/2022</b>	<b>1/1/2023-6/30/2023</b>	<b>7/1/2023-12/31/2023</b>	<b>1/1/2024-6/30/2024</b>	<b>7/1/2024-12/31/2024</b>
California Society of CPAs	223	127	159	139	167	158
Colorado Society of CPAs	0	1	0	0	0	0
National Peer Review Committee	12	2	16	2	6	8
Oregon Society of CPAs	0	0	0	0	1	0
The Ohio Society of CPAs	0	0	0	0	0	1
Peer Review Alliance	0	0	0	0	0	0
Tennessee Society of CPAs	0	0	0	1	0	0
<b>Total</b>	<b>235</b>	<b>130</b>	<b>175</b>	<b>142</b>	<b>174</b>	<b>167</b>

**Table 11: Number of California Firms that Had System Peer Reviews Accepted in a Must-Select Category**

<b>Must-Select Category</b>	<b>1/1/2022-6/30/2022</b>	<b>7/1/2022-12/31/2022</b>	<b>1/1/2023-6/30/2023</b>	<b>7/1/2023-12/31/2023</b>	<b>1/1/2024-6/30/2024</b>	<b>7/1/2024-12/31/2024</b>
Employee Retirement Income Security Act (380, 383, 390, 400, 403)	138	67	143	72	79	75
Federal Deposit Insurance Corporation Improvement Act (7, 8)	0	0	2	0	0	0
Government Auditing Standards (5,13, 325)	122	80	140	101	104	100
Broker Dealers (440, 450)	2	N/A <sup>8</sup>	N/A	N/A	N/A	N/A
Service Organization Controls 1 and 2 (312, 313)	7	10	10	3	4	3
<b>Total</b>	<b>269</b>	<b>157</b>	<b>295</b>	<b>176</b>	<b>187</b>	<b>178</b>

<sup>8</sup> Broker Dealers are no longer must-select engagements.

**Table 12: Number of California Firms That Had Engagement Peer Reviews Accepted**

Administering Entity	1/1/2022-6/30/2022	7/1/2022-12/31/2022	1/1/2023-6/30/2023	7/1/2023-12/31/2023	1/1/2024-6/30/2024	7/1/2024-12/31/2024
California Society of CPAs	302	268	255	268	249	248
Georgia Society of CPAs	0	0	0	0	0	0
National Peer Review Committee	1	0	0	0	0	1
Oregon Society of CPAs	1	1	1	0	0	0
Pennsylvania Society of CPAs	0	0	0	1	0	0
Texas Society of CPAs	0	0	0	0	0	0
<b>Total</b>	<b>304</b>	<b>269</b>	<b>256</b>	<b>269</b>	<b>249</b>	<b>249</b>

**Table 13: Total Peer Reviews Performed Nationally**

	2020-2022	2023	2024
Reviews Performed	21,724	6,133	6,349

**Table 14: Total Number of Reviewers Who Created a New Resume**

Reviewer Location	1/1/2022-6/30/2022	7/1/2022-12/31/2022	1/1/2023-6/30/2023	7/1/2023-12/31/2023	1/1/2024-6/30/2024	7/1/2024-12/31/2024
California Address	0	0	0	0	0	2
Non-California Address	25	36	11	27	58	33
<b>Total</b>	<b>25</b>	<b>36</b>	<b>11</b>	<b>27</b>	<b>58</b>	<b>35</b>

Between January 1, 2024, and December 31, 2024, there were 112 peer reviewers performing peer reviews of accepted California firms. Of the 112, 47 had their main office headquartered in California.

CalCPA reported to have begun a peer reviewer recruitment effort targeted at a few select firms with exemplary peer reviews. Additionally, CalCPA reported they plan to investigate options to assist with costs associated with peer reviewer training. While the population of firms to undergo peer review decreased by approximately 8% from the prior year, the PROC still encourages the CalCPA to continue to provide data regarding

the peer reviewer population that would assist the PROC in monitoring the sufficiency of the peer reviewer population.

**Table 15: Top California Reviewers by Volume, Including the Percentage of Reviews Performed<sup>9</sup>**

1/1/2024-12/31/2024			
Total Number of Engagement Reviews	Total Number of System Reviews	Grand Total	% of CA Reviews
15	37	52	9.65%
15	25	40	7.42%
36	0	36	6.68%
15	19	34	6.31%
10	21	31	5.75%
13	17	30	5.57%
18	10	28	5.19%
26	0	26	4.82%
6	15	21	3.90%
8	12	20	3.71%

## Conclusion

Overall, the PROC found that the California Peer Review Program met the requirements set forth by the CBA in 2025.

## Recommendations

The PROC recommends the CBA direct the PROC to:

- Continue to monitor the California peer reviewer population and pipeline of reviewers to ensure that California firms have access to knowledgeable peer reviewers who have the capacity to perform a peer review in a timely manner by:
  - Continuing to report peer reviewer data obtained from AICPA.
  - Continuing to report updates from CalCPA on efforts to recruit new peer reviewers.
  - Identifying and reporting other available data that may provide a clearer picture of the sufficiency of the peer reviewer population (e.g., decreasing firm enrollment in peer review program, peer reviewers by specialty, etc.).
- Review the AICPA's 2027 oversight report on Pennsylvania Institute of CPAs and every new oversight report thereafter to continue to ensure that Pennsylvania Institute of CPAs is meeting the CBA's peer review requirements as they assist CalCPA with peer reviews.

<sup>9</sup> In Table 15, each row represents a California reviewer and is ranked by the total number of reviews performed in the applicable timeframe.

The PROC recommends the CBA expand its directive of the PROC to include the following:

- Assist the CBA, as appropriate and practicable, in reviewing proposed updates to the Peer Review Program associated with firms who utilize alternative practice structures.
- Identify a process and timeline to regularly obtain a list of firms that resigned from the peer review program.