

Agenda

UTAH BOARD OF ACCOUNTANCY

LICENSING BOARD

August 2, 2017 - 1:30 P.M.
Room 402

Heber M. Wells Building
160 E. 300 S. Salt Lake City, Utah

This agenda is subject to change up to 24 hours prior to the meeting.

ADMINISTRATIVE BUSINESS:

Call Meeting to Order
Sign Per Diem
Approve Board Minutes from June 7, 2017 Meeting
Compliance Report, Neena Bowen

DISUCSSION ITEMS:

Update on proposed rule changes
Letter re: UAA Language for Use of Titles - Exposure Draft
Review Proposed Evolution of Peer Review Administration
Going green/CPA Examination Services - NASBA

NEXT SCHEDULED MEETING: September 6, 2017

Note: In compliance with the Americans with Disabilities Act, individuals needing special accommodations (including auxiliary communicative aids and services) during this meeting should notify, Carol Inglesby, ADA Coordinator, at least three working days prior to the meeting. Division of Occupational & Professional Licensing, 160 East 300 South, Salt Lake City, Utah 84115, 801-530-6628 or toll-free in Utah only 866-275-3675

MINUTES

UTAH BOARD OF ACCOUNTANCY LICENSING BOARD MEETING

June 7, 2017

Room 402 Fourth Floor – 1:30 p.m.
Heber Wells Building
Salt Lake City, UT 84111

CONVENED: 1:32 p.m.

ADJOURNED: 3:25 p.m.

Bureau Manager:

Chris Rogers
Robyn Barkdull

Board Secretary:

Ann Naegelin
Sharon Smalley

Board Members Present:

Robert Fuehr, Vice Chair
Michael Gregory
K Tim Larsen
Carey Woolsey

Board Members Absent:

Wade Watkins, Chairman, excused

DOPL Staff

Neena Bowen, Compliance Specialist
Pamela Bennett, DOPL Investigator

Guests:

Jeremy Walker, State Auditor Office
Susan Speirs, UACPA
Richard Price
Owen Ashton, UACPA

TOPICS FOR DISCUSSION

ADMINISTRATIVE BUSINESS:

Approval of May 3, 2017 Minutes

A motion was made by Mr. Larsen to approve the minutes as amended. Mr. Gregory seconded the motion. Motion passed by unanimous vote.

New Bureau Manager and Board
Secretary

Ms. Barkdull and Ms. Smalley were introduced to the Board.

Compliance Report

Ms. Bowen gave a compliance report. All licensees are compliant with the terms of their probation.

Discipline Update
Kevin Dean Rasband

Ms. Bennett updated the Board regarding the Stipulation and Order to surrender the license for Mr. Rasband.

DISCUSSION ITEMS:

Richard Price
Probation Interview

Ms. Bowen reviewed the Stipulation and Order for Mr. Price. Mr. Price peer review was completed within six months of the signed Order as required. He is requesting early termination of his probation. Mr. Price answered questions from the Board. Mr. Woolsey made a motion to approve termination of probation contingent upon proof of acceptance of his peer review. Mr. Larsen seconded the motion. Motion passed by unanimous vote.

Proposed Rule Changes

Mr. Rogers reviewed proposed changes to the CPE rules with the Board. The rules will be published and a hearing will be scheduled.

UAA Title Language Exposure Draft

Mr. Larsen made a motion to send a letter in opposition of the exposure draft. Mr. Gregory seconded the motion. Motion passed by unanimous vote. UACPA will draft a letter for review by the Board.

Peer Review & ARC Section 70

The Board reviewed a question received by a licensee regarding when a peer review is required. The effective date of the "Standards for Performing and Reporting on Peer Review" will be updated in the rules. This change should clarify when a peer review is required.

DOPL Process Overview and
Investigations

Ms. Bennett gave an overview of the process for complaints received by DOPL investigations section.

Open and Public Meeting Act Training

Mr. Rogers presented the annual Open and Public Meeting Act Training.

ADJOURN AND NEXT MEETING:

Adjourned at 3:25 pm.

Note: These minutes are not intended to be a verbatim transcript but are intended to record the significant features of the business conducted in this meeting. Discussed items are not necessarily shown in the chronological order they occurred.

Date Approved

Chairperson, Utah Board of Accountancy

Date Approved

Bureau Manager, Division of Occupational & Professional
Licensing

July 8, 2017

J. Coalter Baker, CPA
NASBA UAA Committee
150 Fourth avenue North #700
Nashville, TN 37219

Dear Mr. Baker:

Thank you for the opportunity to provide feedback regarding proposed language that would allow non-CPAs to assume or use management accounting designations with certain caveats and restrictions. We understand the pressure that has been placed upon NASBA and the AICPA as we grapple with the ever-changing nature of the accounting profession and the responsibility that we must uphold the CPA brand to our profession, to the users of financial statements and the public.

The state of Utah has approximately 5,200 CPAs and the Utah Association of Certified Public Accountants (UACPA) has 3,300 members. Our boards are opposed to the proposed language under Section 14 for several reasons as follows:

- As currently written, the UAA is the model act for the practice of public accounting. Utah statute has modeled much of our rules and regulations based on the UAA. The Department of Professional Licensing regulates the licensure of CPAs and has no ability to regulate individuals who hold designations regardless of whether they are a CPA.
- Section 58-26a-305 addresses as unlawful conduct using any words, letters, titles or other designations indicating that a person is a certified public accountant unless the person has a current license and prohibits the issuance of reports similar to conventional language already used by licensees.
- Many of our members share concerns with the proposed language. Below is sentiment as expressed by one of our members and echoed by many.
 - “I believe that having the AICPA or CIMA or IMA issuing “designations” to non-CPAs only serves to confuse the public, and maybe generate fees for the organizations issuing such designations. Having a title, and having that title provided by an “official” board of one of these organizations, makes it look like these recipients are being held out as receiving additional training, or a specialization in accounting that is really not there.

Their ability is the same as if they were called accountant, or bookkeeper – they are still unable to provide attest services; or tax services unless they work in a CPA firm under a CPA’s supervision. There is no difference between the person using this imaginary designation, or the person who is prohibited from using CPA, PA, etc. under 14. The designation means nothing in the world of accounting; yet those who use financial statements prepared by one of these people will rely on them as though it was a professional accountant who prepared them, notwithstanding that there may be a disclaimer stating that the financials were not compiled/reviewed/audited – and just

prepared by this person who isn't a CPA, but uses a title similar in nature. Let's face it – banks don't always read the letter attached to the financials in the first place.

The general public will not know how to distinguish between these other designations as different than a CPA – it is understandable that most members of the general public will see two different accounting designations – say MA, and CPA, and think that they are comparable in ability, when in actuality there is no comparison in education requirements or experience levels.” – UACPA member

- Concerns have been expressed regarding language permitting the use of the word “management” in a designation conferred by a bona fide nationally recognized accounting organization such as the American Institute of Certified Public Accountants (AICPA), the Chartered Institute of Management Accountants (CIMA) and the Institute of Management Accountants (IMA). Many CPAs have asked the question, “If Section 14 permits a designation that includes the word “management”, what word is next?” Are we eroding the integrity of the CPA brand and creating confusion amongst ourselves as licensees as well as the general public? The UAA is not the place for designation type language.
- The AICPA has not advocated for non-CPAs and non-CPA credentials in the past. Adding non-CPA language to the UAA is a direct conflict of interest to the CPA profession and will open the door for other designations to be added in the future and perhaps strengthen legislative agendas that would weaken the perceived value of the CPA license.
- Many professional licensing boards across the country have been addressing the anti-competition issues raised by the North Carolina Dental Case. If the state of Utah were to permit designations to be used under our current statute, we would be in direct conflict of having the ability to send cease and desist letters to non-licensed CPAs and possibly create confusion at the state court level.

Our Executive Board and the Utah State Board of Accountancy believes the proposed language will begin to strip the CPA brand of the integrity, competency and objectivity that it holds to the profession, users of financial information and the general public. The additional language will create confusion to the public by giving increased credibility to a credential and lessening the value of a license. The State does not have the ability to regulate a designation as it does a license.

We appreciate the opportunity to provide feedback on this issue and strongly discourage further consideration from the joint UAA committees.

Sincerely,

Susan A. Speirs, CPA
CEO

Gavin Hutchinson, CPA
President

Proposed Evolution of Peer Review Administration

Revised January 2017

A discussion paper seeking input from state CPA societies and state boards of accountancy

Background

In February 2016, the American Institute of CPAs (AICPA) released a discussion paper to state CPA society (society) CEOs to solicit input on the evolution of peer review administration of the AICPA Peer Review Program (Program), with a companion paper sent to state boards of accountancy (boards) in July. The evolution of peer review administration is part of the AICPA's Enhancing Audit Quality (EAQ) initiative, with the objective to ultimately improve audit performance by increasing consistency, efficiency and effectiveness of Program administration.

The February paper proposed a model for a peer review administering entity (AE) of the future, specifying various criteria, including a required number of AEs, specific staffing requirements/qualifications, structural requirements for Peer Review Committees (Committees) and Report Acceptance Bodies (RABs) and the administration of a minimum of 1,000 peer reviews annually. The model demonstrated one potential way in which the consistency, efficiency and effectiveness in the administration of peer review could be increased, resulting in improved audit performance by practitioners.

The discussion paper and its companion paper to the boards generated significant discussion and response, including formal comment letters from 30 societies and 25 boards. The overwhelming majority of respondents agreed inconsistencies exist among AEs and the administration model needs to change. Most respondents agreed a reduction in the number of AEs would improve consistency.

In addition, stakeholders submitted ideas on how best to achieve the stated objective including several alternatives to the model. A group of society staff leadership and AICPA staff carefully considered these alternatives, and agreed that a model using modified staffing requirements/qualifications and specific performance benchmarks could most effectively achieve the objective. In addition, the Planning Task Force of the AICPA's Peer Review Board (PRB) provided additional input while concurring with the approach as a whole. **Based on this feedback, the model has been revised to eliminate the required number of AEs, the requirement to administer a minimum of 1,000 reviews annually and many of the AE staffing requirements.**

Proposed Benchmark Model

The most common suggestion for the evolution of peer review administration was to allow existing, effective AEs that operate in full accordance with Program Standards and guidance, to continue administering the Program, without consideration given to the number of peer reviews administered, and to discontinue administration by poor performing AEs. Many respondents indicated they believed their AE was operating effectively because they were unaware of any evidence to the contrary. **Accordingly, the model proposed in this paper requires AEs to meet specific benchmarks, diligently monitored by the AICPA, and increases transparency of AE performance.**

Under this model, AEs that choose to continue administering peer reviews must meet specific benchmarks, which include qualitative, objective and measurable criteria. AEs will be evaluated based upon whether they consistently meet these benchmarks. AE performance will be made transparent through new reporting requirements to various stakeholders, such as society CEOs and boards, as appropriate. If this approach is undertaken, the specific benchmarks illustrated in this paper are subject to changes and approval by the PRB, and may be modified over time due to advances in technology and other factors.

Inconsistencies in administrative processes and report acceptance have been identified by PRB Oversight Task Force (OTF) members and AICPA staff through RAB observations, AE oversight visits and other processes. These inconsistencies, though communicated only to the AE in the past, resulted in peer reviews being administered untimely and with results not in compliance with the Program. The proposed benchmarks have been developed by identifying how to:

- Minimize the inconsistencies
- Increase the probability that individuals with the appropriate knowledge, experience and skepticism perform and give adequate consideration to technical reviews and the RAB process, and
- Optimize the peer review process so firms can meet their licensing requirements efficiently

Two Important Criteria Retained and Modified

Two key criteria from the original proposed model are included, though slightly modified, in this revised proposal related to staffing and Technical Reviewer requirements.

- 1) Staffing: Ultimately, the society CEO is responsible for determining the necessary staffing and hiring appropriately qualified individuals.

Though the primary focus of the proposed model is the achievement of identified benchmarks, each AE will be required to have at least one CPA employed on staff, who is actively engaged, knowledgeable about the Program Standards and administrative requirements and processes, and has the authority and sufficient knowledge to identify and correct inadequate performance of an administrator or technical reviewer. If the AE administers for more than one state, the CPA staff member must be employed full-time. This individual should

- Be fully committed to the objectives of the Program and its administration and have the moral courage to challenge Committees/RABs, when necessary.
- Conduct monitoring procedures and present results to the society CEO
- Be responsible for day to day operations of the Program, which allows continuity and a backup plan

- 2) Technical Reviewer Requirements: Based on stakeholder feedback the requirement for a full-time technical reviewer to be employed on staff has been removed. Additionally, the requirement that all working papers be evaluated as a part of the technical review has been removed. However, there will be a change in process in that administrators will make all peer review working papers available to the technical reviewer who will be required to take a risk-based approach in determining which working papers should be evaluated during the technical review. In addition, the requirement for the technical reviewer to be present during RAB meetings has been retained.

Failure to Meet Benchmarks

If performance benchmarks are not met, a society (or organization) will lose its ability to be an AE. The OTF and AICPA staff will monitor AE compliance through reports generated from the new peer review software program launching in 2017, Peer Review Integrated Management Application (PRIMA), observations of Committee and RAB meetings and AE oversight visits. If an AE fails to meet the benchmarks and appropriate, timely remediation is not achieved, the

PRB will rescind the AE's ability to administer the Program. Fair procedures will be developed and followed to determine the appropriate remediation and, if necessary, termination.

Benchmarks

Benchmarks fall into three categories: administrator, technical reviewer and Committee/RAB. AEs will be required to develop policies and procedures to address how the AE will comply with the benchmarks. These policies and procedures will become part of each AE's annual Plan of Administration (POA). The POA is a document outlining operational details as to how the AE will implement the Program under Program Standards and is subject to annual approval by the PRB.

In addition, each AE will be required to develop and disclose in its POA its policies and procedures designed to mitigate the familiarity threat that exists among Committees/RABs, technical reviewers, peer reviewers, and firms subject to review, based on the AE's particular circumstances. Such procedures may include one or more of the following (not all inclusive):

- Redacting identifying information about firm and/or peer reviewers from documents presented to RAB
- Arranging for the acceptance of its committee members' peer reviews by another AE
- Arranging for the acceptance of its high-volume reviewers' reviews by another AE
- Arranging for RAB members or specialists from other states to participate in RABs
- Engaging qualified individuals from another state to perform all technical reviews

In addition to the policies and procedures designed to mitigate the familiarity threat developed by each AE, all committee and RAB members will annually be required to: (1) participate in guided discussion which will emphasize the importance of maintaining objectivity and the appropriate level of skepticism, and (2) sign confirmations indicating their agreement to comply with Program Standards and maintain objectivity and an appropriate level of skepticism.

For each AE, the applicable society CEO(s) will be accountable for the peer review administrative process under his/her organization's responsibility. Accordingly, the CEO will be responsible for:

- Determining the necessary staffing
- Hiring appropriately qualified individuals
- Monitoring compliance with the benchmarks, and
- Signing the POA, agreeing to the responsibilities outlined above

See Exhibit 1 for descriptions of proposed benchmarks.

Benchmark Violations and Fair Procedures

If an AE fails to meet the required benchmarks, fair procedures will be followed to determine the appropriate remediation, or depending on the significance of the benchmarks not achieved, termination. The fair procedures developed will provide the AE an opportunity to remedy the situation(s) that created the violation(s), with disqualification as an AE resulting only from a failure to remediate to acceptable levels of performance. When remediation is required, the individual within the AE responsible for the Program should immediately take required actions, and the society CEO should oversee the remediation.

Violations will fall into one of two categories: egregious and non-egregious, with both types of violations resulting in required remediation and appropriate transparency to stakeholders. A pattern of non-egregious violations will result in additional oversight, with failure to remediate causing the AE to move into "probation." Egregious violations will cause immediate "probation," with the AE incurring the cost of external oversight during remediation.

Exhibit 2 provides a flow chart and an illustrated example of fair procedures. The fair procedures will be fully developed and shared with all stakeholders, including the costs to the AE for remediation and probationary activities.

As previously indicated, the specific benchmarks illustrated in this paper are subject to changes and approval by the PRB, including the determination of which benchmark violations are considered egregious. Below are examples of proposed egregious benchmark violations which will cause an AE to move into probation:

- Late submission of the Annual POA (or not including all required information) by due date (note that the PRB is currently considering revising the due date of the Annual POA to a time where submission of complete information is reasonably achievable)
- Not completing the required annual minimum number of oversights by the due date (note that, similar to the consideration noted above for the Annual POA, the PRB is currently considering the date by which all oversights must be completed.)
- Not addressing reviewer performance issues timely
- Technical reviewer and Committee/RAB members not applying appropriate level of objectivity and skepticism (familiarity threat)
- Receiving repeat comments in a RAB observation report from the immediate preceding report
- Releasing confidential peer review information to an external party without written permission from firm
- Sending over 15% of required communications late
- RABs accepting reviews without the presence of members who have appropriate experience/expertise or a quorum
- Not performing administrative oversight
- RAB consistently deferring or delaying over 10% of reviews
- Not engaging/using technical reviewers who possess appropriate experience, training or expertise
- Technical reviewers not present at RAB meetings
- Not structuring and scheduling RAB meetings appropriately
- Not responding timely to requests from the OTF or AICPA staff

State Board Oversight

While this paper does not propose a separate set of board oversight benchmarks, **such oversight will continue to be a critical component of the Program's administration.** The proposed model will not be effective without external oversight such as that performed by board-appointed Peer Review Oversight Committees (PROCs). We will continue to work closely with the National Association of State Boards of Accountancy (NASBA) and boards to support an effective PROC process. We will also continue our collaboration with NASBA's Compliance Assurance Committee (CAC) to discuss and develop appropriate oversight procedures.

In addition, we will create a panel of board executive directors as an additional channel of input for administrative matters. Through this model, we will provide an additional avenue of discussion regarding AE administration and other peer review matters.

Stakeholder Feedback Requested by June 30, 2017

Feedback is integral to the evolution of peer review administration. The AICPA is requesting your feedback of this proposed model and the benchmark criteria for AEs of the future. All input will be considered and will shape the final plan. The intent is to communicate a final plan, along with a transition process, by August 31, 2017.

Please consider the following questions when formulating your response.

- Considering the benchmark criteria presented, what changes do you believe will best increase consistency and audit quality in the peer review administration process?
- What suggestions do you have to help mitigate familiarity threats to the process?
- Are there proposals within this paper that are not feasible? If so, what suggestions do you have for otherwise meeting the objective of increasing consistency, efficiency and effectiveness of Program administration?
- Considering the benchmark criteria presented, would any new criteria be unreasonable to implement by May 1, 2018?
- Are there additional benchmark criteria that should be included?
- Are there aspects discussed within the paper that need further clarification?

If you have concerns about aspects of the proposed plan, please share alternative suggestions for meeting the quality initiative.

Comments and responses should be sent to Beth Thoresen, Director – Peer Review Operations, AICPA Peer Review Program, AICPA, 220 Leigh Farm Road, Durham, NC 27707-8110 or prsupport@aicpa.org, and are requested by June 30, 2017.

Thank you in advance for your thoughtful consideration of the issues facing Peer Review administration, and your commitment to enhancing audit quality throughout the profession.

Exhibit 1 – Benchmarks

The following are proposed performance benchmarks for which each AE will be held accountable. All benchmarks in this paper are illustrative and are subject to modification and approval by the PRB. The OTF and AICPA staff will monitor compliance utilizing PRIMA, observations of Committee and RAB meetings and AE oversight visits.

Some benchmarks may require changes to guidance and others may be revised as PRIMA is implemented during 2017. Current benchmarks will be monitored upon approval of the concept. Certain benchmarks are currently implied and thus expected to be currently met, and guidance will be changed such that they will be explicitly required. Benchmarks that are not currently implied or required will be phased in, with all benchmarks effective by May 1, 2018.

Administrator Benchmarks:

Current Requirements

- Enter committee decision for reviews when acceptance has been delayed or deferred and send letters within two weeks of RAB meetings
- Submit complete annual POA by due date, including completion of all requirements
- Select appropriate reviews for oversight based on written criteria in the policies and procedures, which considers risks associated with both the reviewer and the firm
- Ensure the minimum number of oversights and the related criteria are met and performed throughout the year
- Send overdue letters and other communications when appropriate as required by guidance
- Make appropriate decisions on exceptions (e.g. extensions, team members, off-site reviews, etc.) and maintain support for exceptions
- Perform the reviewer resume verification process timely and in accordance with the Oversight Handbook
- Follow the documentation retention criteria policy established within Interpretation 25-1

Implied Requirements

- Comply with confidentiality requirements of the Program and the boards for the states the AE administers; this includes:
 - Establish internal confidentiality procedures
 - Communicate the policies and procedures to all parties involved in the peer review administration process
 - Observe that the policies and procedures are followed
- Complete administration checklist and record working papers received (within four business days of receipt)
- Fully implement recommendations from RAB observations in a timely manner upon receipt of the report
- Fully implement recommendations from RAB observations such that no comments are repeated in subsequent observations
- Provide RAB materials electronically to RAB members one week in advance of RAB meetings
- Respond timely to requests from the OTF or AICPA staff

New Requirements

- Weekly investigate reviews for which review team composition can't be approved
- Record committee decisions timely in PRIMA after RAB meetings for reviews that are accepted which will result in documents being uploaded to FSBA
- Address the familiarity threat for Committee and RAB composition within the POA

Technical Reviewer Benchmarks:

Current Requirements

- Perform the technical review timely and in accordance with the RAB Handbook requirements (including applying appropriate levels of objectivity and skepticism)
- Recommend reviews or engagements for oversight when appropriate

Implied Requirements

- Limit reviews with open items and missing relevant information from being included in the RAB package unless RAB consultation necessary (overall over time, an AE should have less than 10% of its reviews delayed or deferred to another meeting)
- Fully implement recommendations from RAB observations in a timely manner upon receipt of the report
- Fully implement recommendations from RAB observations such that no comments are repeated in subsequent observations
- Be familiar with guidance issued by the PRB and the board licensure laws for the states in which the AEs administer peer reviews
- Propose due date for corrective actions or implementation plans after discussing feasibility with the firm in advance of RAB meeting to be included in the RAB materials
- Respond timely to requests from the OTF or AICPA staff

New Requirements

- Prepare reviewer feedback forms and letters in advance of RAB meeting to be included in the RAB materials
- Obtain must-select training to perform technical reviews of peer reviews that have engagements from must-select industries
- Be present during RAB meetings in which his/her reviews are presented to answer RAB member questions to avoid deferrals or delays
- Be CPAs
- Thoroughly prepare peer reviews for RAB meetings to minimize the number of reviews that are deferred or delayed accepted subject to missing information

Committee/RAB Benchmarks:

Current Requirements

- Conduct RAB meetings with sufficient frequency to meet 120-day rule for timeliness of presentation of reviews (60-day rule for engagement reviews with certain criteria)¹

¹ This model does not propose a minimum number of RAB meetings per year.

- Structure each meeting's RAB member composition to include members with relevant industry experience (regarding must-select engagements)
- Ensure each review has a quorum of RAB members to vote on it in accordance with the RAB Handbook
- Be familiar with guidance issued by the PRB
- Meet qualifications as established in the RAB Handbook
- Read materials prior to the RAB meeting and come prepared to discuss agenda items
- Discuss peer reviews and do not overly rely on the technical reviewer (including applying appropriate levels of objectivity and skepticism)
- Assign corrective actions and implementation plans in the appropriate situations with due dates that are feasible and will benefit the firm
- Issue timely the appropriate level of reviewer feedback that the situation dictates
- Shepherd reviews through the completion process timely, including generally not waiving or extending corrective actions and implementation plans (exception – hardships)
- Perform oversights on firms and reviewers timely in accordance with the Oversight Handbook and each AE's own written policies and procedures
- Annually evaluate qualifications and competencies of technical reviewer(s)
- Perform administrative oversight in accordance with the Oversight Handbook

Implied Requirements

- Establish RAB meeting length so that the entire meeting is productive; the length is appropriate to adequately discuss each peer review given its complexity (suggestion: conference calls should not be scheduled for more than two hours)
- Fully implement recommendations from RAB observations in a timely manner upon receipt of the report
- Fully implement recommendations from RAB observations such that no comments are repeated in subsequent observations
- Respond timely to requests from the OTF or AICPA staff

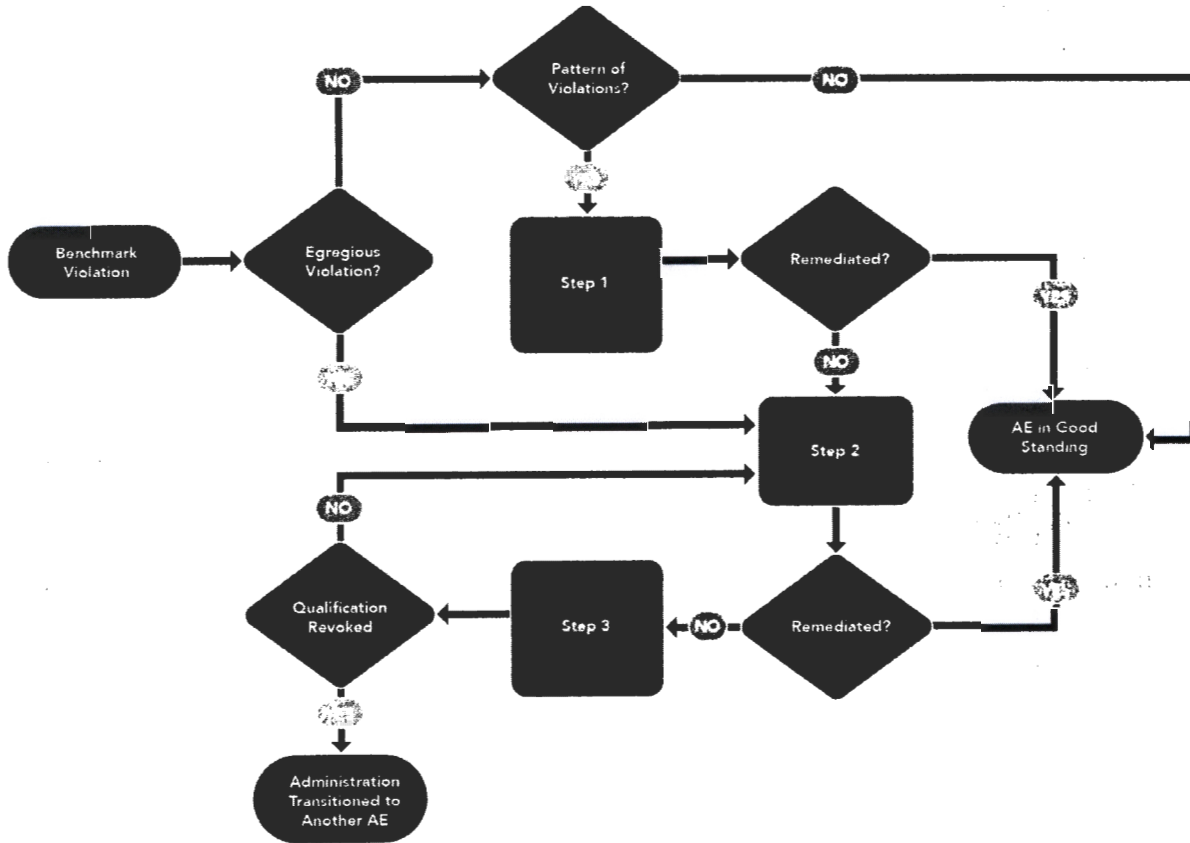
New Requirements

- Schedule RAB meetings no later than two weeks in advance
- Establish a written RAB rotation policy regarding RAB composition within the POA
- Ensure an oversight plan is approved by the Committee and is in place by a required date
- Present pertinent facts on each review (not on the consent agenda) prior to discussion and voting
- All RAB members will formally attest to having read all materials prior to RAB meeting and will maintain objectivity and a professionally skeptical attitude when considering reviews presented for acceptance.

Exhibit 2 – Fair Procedures

If an AE fails to meet the established benchmarks, fair procedures will be followed. The anticipated process will include multiple steps, including required remediation and, if remediation is not successful, termination of the AE’s qualification to administer the Program.

Process Flow:



Steps in Fair Procedures:

Step 1: Increased monitoring performed remotely by AICPA staff. Determination to move to Step 1 made by AICPA staff, with periodic reporting of activity to the OTF.

- Accelerated RAB observations to include all reviews presented to RAB. (Second RAB observation to occur no sooner than 30 days after the first.)
 - Procedures include reviewing RAB materials, observing the RAB meeting and preparing the report.
- Monitor status of open reviews monthly during this period.

Step 2: Probation – increased monitoring performed by AICPA staff and/or OTF member at AE's expense, which may include on-site oversight at an appropriate hourly rate and reimbursement of travel expenses. Determination to move to Step 2 made by OTF.

Step 2 Example: Below are activities that may occur with increased monitoring during the probation period. Multiple activities, including repetitions, may be required, and could cost the AE anywhere from \$10,000 to \$40,000. Note, however, that actual hours, rates and resulting costs may vary greatly.

- RAB meeting observation – procedures include reviewing materials, observing the meeting and preparing a report to the OTF (time estimate – 5 hours)
- Test AE's compliance with administrative procedures (time estimate – 4 hours)
- Committee meeting observation (time estimate – 4 hours)
- Travel to AE for in-person observation (time estimate – 4 to 10 hours)

Step 3: Referral to hearing panel to determine whether:

- The AE's qualification to administer the Program will be terminated (with its administration transitioned to another AE), or
- The AE will be allowed to continue to remediate (i.e., return to Step 2).



Peer Review Program

June 25, 2017

Beth Thoresen, Director
Peer Review Operations
AICPA Peer Review Program, AICPA
220 Leigh Farm Road
Durham, NC 27707-8110

via email to: Beth.Thoresen@aicpa-cima.com

Dear M. Thoresen,

In response to the AICPA's *Proposed Evolution of Peer Review Administration, Revised January 2017*, the Nevada Society of CPAs (NVCPA), being an Administrative Entity (AE), offers the following observations and comments.

The NVCPA acknowledges and agrees that consistency, efficiency, transparency and effectiveness are necessary in the administration of a quality peer review program. Additionally, we agree that the society CEO should be responsible for determining the necessary staffing for the program as stated in the discussion paper. However, requiring that the AE have at least one CPA on staff removes the autonomy of the CEO in their hiring responsibilities. Furthermore, adding another CPA to the mix of those involved in the peer review program does not guarantee improved quality. There are already CPAs involved at every step of the process from the firm to the reviewer to the technical reviewer to the RAB to the AICPA oversight team and yet, there have still been quality issues from some programs. Being a CPA also does not guarantee "moral courage," as has been stated as a reason for this requirement, to stand up to a technical reviewer or RAB member. Many administrators, including our own, do not shy away from challenging anyone in the process and understand the requirements, processes and standards as good as any CPA because they spend their entire day involved in peer review administration. We feel this requirement is unnecessary, could be costly for states who do not already employ CPAs and will not ensure the desired goal of quality. We suggest focusing on the performance and product from AEs and addressing any issues as necessary.

Another area of concern are the penalties that could be assessed to an AE for failure to meet a benchmark. The proposed fines of \$10,000 to \$40,000 for increased oversight are excessive for the items that may cause an AE to fall in to this category. Peer Review, by its very nature, was designed to be remedial rather than punitive. These fines are punishment and do not guarantee program improvement. In our own state, a firm that violates a standard during attest work can be fined a maximum of \$5,000 per violation. This means an AE can be fined more for an administrative failure than a CPA who fails to follow an audit standard. We agree that there may be a need for probation, increased oversight or removal of AE status in some cases. We feel a set of benchmarks and proper

oversight will identify failures and give AEs an opportunity to improve. If they cannot improve in a timely manner, such large penalties are unlikely to prompt change or increase quality.

Other than these two major issues, we believe the rest of the benchmarks are reasonable and feasible and could be implemented by May 1, 2018. We appreciate the efforts to improve peer review quality and thank you for your careful consideration of stakeholder feedback.

Regards,

A handwritten signature in cursive script that reads "Anna Durst".

Anna Durst, CPA, CGMA

Chief Executive Officer