

December 10, 2014

Mr. David E. Iles, Chairman
Peer Review Committee
New York State Society of CPAs
14 Wall Street, 19th Floor
New York, New York 10005

Re: Oversight Visit to New York State Society of CPAs

Dear Mr. Iles:

I have attached the report and letter on the oversight visit that we performed on October 6 and 7, 2014. Please review the oversight visit documents with the peer review staff and prepare a response to the deficiencies identified in the report and the observations included in the accompanying report using exhibit 1-8 from the *AICPA Peer Review Program Oversight Handbook* as a guide. Your response for review and comment should be submitted to me prior to submitting the response to the Oversight Task Force. Please address your letter to the Chair of the Oversight Task Force and mail it to Karl Ruben, Technical Manager at the AICPA no later than 90 days of this letter.

If you have any comments or suggestions to be communicated to the AICPA Peer Review Board (board), please prepare a letter to the AICPA Oversight Task Force using exhibit 1-10 from the oversight handbook as a guide. Your comments and suggestions that might have been discussed as part of your oversight visit are no longer summarized in the letter of procedures and observations and must be communicated separately. This is important as your suggestions enable the board to identify problems and concerns, to provide consultation, and to provide additional guidance as needed on a national basis.

If you have any questions, please call Karl Ruben, Technical Manager with the AICPA Peer Review Program at (919) 402-4973.

Sincerely,

Paul V. Inserra

Paul V. Inserra, Member, Oversight Task Force
AICPA Peer Review Program

Enclosures

cc: Joanne Barry, CEO
Ernest Markezin, Director of Quality Enhancement
Richard Hill, Chairman, Oversight Task Force

Oversight Visit Report

October 7, 2014

To the New York State Society of CPAs
Peer Review Committee

We have reviewed the New York State Society of CPAs' administration of the AICPA Peer Review Program as part of our oversight program. Our procedures were conducted in conformity with the guidance established by the AICPA Peer Review Board (board) as contained in the *AICPA Peer Review Program Oversight Handbook*. The administering entity is responsible for administering the AICPA Peer Review Program in compliance with the *AICPA Standards for Performing and Reporting on Peer Reviews*, interpretations, and other guidance established by the board. Our responsibility is to determine whether (1) administering entities are complying with the administrative procedures established by the board as set forth in the *AICPA Peer Review Program Administrative Manual*, (2) the reviews are being conducted and reported upon in accordance with the standards, (3) the results of the reviews are being evaluated on a consistent basis by all administering entity peer review committees, and (4) information disseminated by administering entities is accurate and timely.

Based on the results of the procedures performed, we have concluded, except for the deficiencies described below, that the New York State Society of CPAs has complied with the administrative procedures and standards in all material respects as established by the board.

During our visit, we noted that reviews are not being consistently presented to the report acceptance body free from open technical issues. As such, some peer reviews we reviewed needed to be deferred subject to resolution of certain technical issues which could potentially change the report ratings. We recommend that the technical reviewer invest more time and greater care when performing technical reviews, so that all important review matters can be identified and resolved prior to the report acceptance process.

Also, we noted a high-volume peer reviewer who has demonstrated poor performance but was not issued a performance deficiency letter. We recommend that a performance deficiency letter be issued for the reviewer identified and that the reviewer's performance be monitored regularly and carefully.

As is customary, we have issued a letter of oversight visit procedures and observations that details the oversight procedures performed and sets forth recommendations that were not considered to be of sufficient significance to affect the conclusions expressed in this report.

Paul V. Inserra, Member, Oversight Task Force
AICPA Peer Review Program

October 7, 2014

To the New York State Society of CPAs
Peer Review Committee

We have reviewed the New York State Society of CPAs' administration of the AICPA Peer Review Program as part of our oversight program and have issued our report thereon dated October 7, 2014, which included two deficiencies. That report should be read in conjunction with the observations in this letter, which were considered in determining our conclusions. The observations described below were not considered to be of sufficient significance to further affect the conclusions expressed in that report.

The oversight visit was conducted according to the procedures in the *AICPA Peer Review Program Oversight Handbook*. An oversight program is designed to improve the administering entity's administration of the AICPA Peer Review Program through feedback on its policies and procedures and to provide resource assistance from an AICPA Peer Review Board Oversight Task Force member on both technical and administrative matters.

In conjunction with the oversight visit of the New York State Society of CPAs, the administering entity for the program, conducted on October 6 and 7, 2014, the following observations are being communicated.

Administrative Procedures

On the morning of October 6, 2014, Fran McClintock, AICPA senior technical manager and I met with the director of quality enhancement, technical manager, and manager of administration to review the program's administration. We believe the administrative processes were being handled in a manner consistent with peer review standards.

We reviewed the files which were still open due to follow-up actions, which had not yet been completed. We found that the follow-up actions were being effectively monitored for completion by the administrative staff and the peer review committee.

We also reviewed the policies and procedures for the granting of extensions. We found that the technical manager or manager of administration handle short-term requests with discussion with the committee when circumstances warrant.

Additionally, we reviewed the timeliness of the scheduling process, technical reviews and the preparation of acceptance letters and follow-up letters. We found no problems in these areas.

Also, we reviewed the timeliness of the preparation of poor performance and tardiness letters and found the tardiness letters were being issued in a timely and appropriate manner. As described in our oversight visit report, we noted a high-volume peer reviewer who has demonstrated poor performance and has not been issued a performance deficiency letter. We recommend that a performance deficiency letter be issued for the reviewer identified and that the reviewer's performance be monitored regularly and carefully.

The Society has developed a back-up plan to support the peer review staff should any of them become unable to serve in their capacity.

Web Site and Other Media Information

We met with the manager of administration to review the administering entity's procedures to determine if the information disseminated regarding the AICPA Peer Review Program by the administering entity on their Web site and other media information is accurate and timely.

After AICPA staff's review of the Web site material and other media information, we noted that the administering entity maintains current information as it relates to the peer review program. The manager of administration is responsible for maintaining the peer review section of the Web site and monitors the Web site on a periodic basis to ensure peer review information is accurate and timely.

Working Paper Retention

We reviewed the completed working papers and found compliance with the working paper retention policy.

Technical Review Procedures and Review Presentation

We met with the Society's primary technical reviewer, to discuss procedures. He is an experienced reviewer and performs a majority of the technical reviews. The Society also utilized a few contract technical reviewers as well.

We reviewed the reports, letters of response, if applicable, and the workpapers for eight reviews in preparation for the report acceptance body (RAB) on September 22, 2014. As described in our oversight review report, we noted that reviews are not being consistently presented to the report acceptance body free from open technical issues. As such, some peer reviews we reviewed needed to be deferred subject to resolution of certain technical issues which could potentially change the report ratings. We recommend that the technical reviewers invest more time and greater care when performing technical review,

so that all important review matters can be identified and resolved prior to the report acceptance process.

We also noted instances where the peer reviewer did not document their rationale for excluding certain levels of services from engagement selection. Overall, engagement selections were adequate.

Committee and RAB Procedures

On September 22, 2014, we attended, via teleconference, a RAB meeting. We observed the RAB's acceptance process and offered our comments at the close of discussions. The RAB meeting was orderly and it was apparent that the committee members had reviewed the reports and workpapers prior to the meeting and had a good understanding of the program. We pointed out on three reviews certain unresolved technical issues that caused the RAB to defer/delay these reviews pending resolution of these issues. On their own, the RAB appropriately deferred/delayed three other reviews that had unresolved technical issues.

We met with technical manager and manager of administration and discussed their procedures for disseminating the comments resulting from the AICPA working paper oversights to the appropriate individuals. It was determined the committee issued reviewer feedback forms when appropriate.

On October 7, 2014, we attended the full committee meeting. We observed that the committee meeting was orderly, well-attended, and informative. It was apparent that the committee members were committed to the goals of the program. We noted that the committee does not receive or review a review status report and we recommended that one be provided to them at each meeting so they can appropriately monitor the status of open reviews, especially those in corrective action or that are delinquent.

Oversight Program

The New York State Society of CPAs' peer review committee has adopted a formal oversight program which is well documented. We reviewed the document and procedures performed and found it to be comprehensive.

Summary

Our observations to enhance the New York State Society of CPAs' administration of the program, with further consideration to the deficiencies noted in the report, are summarized as follows:

- We recommend that a performance deficiency letter be issued for the reviewer identified and that the reviewer's performance be monitored regularly and carefully.

- We recommend that the technical reviewer invest more time and greater care when performing technical review, so that all important review matters can be identified and resolved prior to the report acceptance process. We also recommend that the Society utilize the contract reviewers to a greater extent to help relieve the workload of the primary technical reviewer.
- We recommend that all peer reviewers be reminded to document their rationale for excluding certain levels of services from engagement selection.
- We recommend that a review status report be presented at each peer review committee meeting and that it be a standing agenda item as well.

Paul V. Inserra, Member, Oversight Task Force
AICPA Peer Review Program