

February 13, 2018

To: Brenda Santoro, Chair, NYSSCPA Peer Review Committee  
Grace Singer, Committee Inspection Team Captain

In August and October 2017, the NYSSCPA Peer Review Committee (PRC) Inspection Team finalized their work and issued their report and observations for the annual internal inspection of the NYSSCPA administration of the AICPA Peer Review Program, pursuant to AICPA Peer Review technical and administrative standards in effect for the year ended May 31, 2017.

Over the course of the inspection and at the time the report was issued, the NYSSCPA Peer Review staff (PR Staff) communicated to the Inspection Team its responses to and planned actions to address observations contained in the report. This letter serves to formally document those responses to the report and observations of the PRC Inspection Team.

The PR Staff is committed to performing in accordance with the standards for administering entities (AEs) and functioning in an effective manner. The responses to the Inspection Team's observations summarized below will be monitored to ensure that they are effectively implemented as part of our system of quality control.

Inspection Team Observations: Observation and Recommendation

**Observation and Recommendation 1:** Implement a process for reviewing all open files and the follow-up actions necessary, and develop the process to be responsive to the PRIMA system and the transition of the program to PICPA in 2018.

**PR Staff Response:** Since the completion of the internal inspection, staff are preparing specific comments on a bi-weekly consolidated status report for all categories of open reviews from scheduling through corrective actions. This report is reviewed with the Committee Chair and also now discussed with the Vice President - Professional & Technical Standards

Peer Review section at the Pennsylvania Institute of CPA's (PICPA) as part of the transition of administration of New York firms from NYSSCPA to PICPA.

**Observation and Recommendation 2:** Implement a process to follow up on work paper retention.

**PR Staff Response:** Prima now automatically includes the work paper retention listing to both the reviewer and the firm. The listing is also retained on PRIMA.

**Observation and Recommendation 3:** Implement a process to ensure contracted technical reviewers are meeting the AICPA requirements for participation on peer reviews and obtaining CPE and appropriate training.

**PR Staff Response:** Each contract reviewer now annually submits written documentation of its CPE, participation as an observer on peer reviews and oversights, etc. Three of the four independent contracting technical reviewers have their annual evaluation by their "home state" administrating entity Committee. The fourth independent contractor is based in New York and submits his technical reviewer annual performance report to the NYSSCPA Peer Review Committee;

**Observation and Recommendation 4:** Implement a process to evaluate all technical reviewers on an annual basis.

**PR Staff Response:** Implemented by staff at the time of the internal inspection.

**Observation and Recommendation 5:** Implement a procedure to ensure that all Committee/RAB members have met the partner equivalency, the reviewer training requirements annually and that the verification of reviewer resumes occur on a timely basis.

**PR Staff Response:** Staff have implemented procedures to ensure timely annual requests to all Committee members regarding their qualifications to be Committee members and, also, RAB members. These procedures will be performed during the annual mailing of requests of confidentiality, independence, etc.

We believe that three of the observations represent isolated departures from our policies and procedures and, accordingly, are not systemic. All observations of the Inspection team were addressed and were remediated upon notification of the departures. Finally, the observation regarding retention of work papers was attributable to a programming limitation on the old AICPA database (PRISM) prior to implementation of PRIMA.

The results of the Inspection Team's report and observations were reviewed and discussed in a staff meeting held on December 12, 2017.

Sincerely,



February 13, 2018

Mark Rachleff, Peer Review Technical Manager, NYSSCPA