

November 2, 2017

To: Brenda Santoro, Committee Chair and the
Peer Review Committee of the New York State
Society of Certified Public Accountants

Re: Administrative Oversight Visit to New York State Society of Certified Public Accounts
Peer Review Committee (“NYSSCPA Peer Review” or the “Committee”)

Dear Ms. Santoro:

The oversight visit was conducted according to the administrative oversight procedures in the *AICPA Peer Review Program Oversight Handbook*. The administrative oversight program is designed to ensure that the AICPA Peer Review Program is being administered in accordance with guidance as issued by the AICPA Peer Review Board.

In conjunction with the administrative oversight visit of the Committee, the administering entity for the AICPA Peer Review Program (program), conducted on September 6-7, 2017 and October 4-5, 2017, the following observations are being communicated.

Administrative Procedures

On the following dates, September 6 and 7, 2017, we met with Ernest J. Markezin, Director of Professional & Technical Resources; Theresa Campbell, Manager of Peer Review Administration; Keith Lazarus, Assistant Manager of Professional & Technical Resources; and Peer Review Administrator Sobeida Cortorreal to review the program's administration. I met separately with Mark Rachleff on October 4 -5, 2017. We believe the administrative processes were being handled in a manner consistent with peer review standards.

We reviewed the files, which were still open more than 120 days prior to the oversight due to follow-up actions and 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. Extensions are granted with appropriate advice and consent from the Peer Review Technical Manager, the Committee Chair, or the Chair's Advisory Council (“CAC”), depending on the length of the extension request. We also reviewed the timeliness of the scheduling process, technical reviews, and the preparation of acceptance and follow-up letters.

We reviewed the back-up plan to support the program administrator and technical reviewer if either becomes unable to serve in that capacity. We found the policy was reasonable and effective..

Website and Other Media Information

The inspection team met with the Website manager to review the administering entity's procedures to determine if the information disseminated regarding the AICPA Peer Review Program by the administering entity on its Website and other media information (if applicable) is accurate and timely.

After reviewing the Website material and other media information (if applicable), we noted that the administering entity maintains current information as it relates to the peer review program. In addition, the administering entity has an individual who is responsible for maintaining the Website and monitors the Website on a bi-monthly basis to ensure peer review information is accurate and timely.

However, the communication channel procedure should be monitored on a regular basis for the peer review program coordinator and the Website manager to ensure that as information changes in the peer review program, the Website manager is changing the Web site materials. The current procedure is to review the links on a bi-monthly basis.

Working Paper Retention

We reviewed the completed working papers and found some noncompliance with the working paper retention policies. The files included the month prior to the 120 day retention period which were not yet destroyed until after the internal inspection. This has been a finding in prior inspections and we have reiterated to the administrator that the destruction of the files should be done timely and not be held for any reason, including the internal inspection.

Technical Review Procedures

On October 4, 2017, I met with Mark Rachleff, a technical reviewer, to discuss procedures. In addition to Mark Rachleff, Robert Irwin, John Rollieri, Abby Dawson and Gloria Robert perform all technical reviews and are experienced reviewers.

We reviewed the reports, letters of response, if applicable, and the working papers for ten reviews. With respect to these reviews, we found issues with respect to two reviews. The dates between receipt of firm work papers and date of presentation to the RAB exceeded 120 days.

We found that information requests from the technical reviewer to the team captain was not being followed up on a timely basis by the team captain.

The Committee is required to evaluate the competencies of the technical reviewers annually. During the evaluation the Committee ensures that the technical reviewers meet the following requirements (a) participation on a peer review at least annually, (b) obtaining required continuing professional education, and (c) attending training courses applicable to the types of reviews being evaluated. We observed that the in-house Peer Review Technical Manager met the requirements, however there is currently no procedure in place to ensure that the contract technical reviewers are evaluated to ensure they meet the technical reviewer requirements. This finding is a repeat finding from the previous internal inspection. As part of this inspection we did obtain assurances from the technical reviewers above via email regarding the requirements listed in (a) through (c) above. The Committee should perform and document evaluations of all technical reviewers on an annual basis. We received the evaluations from the technical reviewers in an email, however, the Committee should ask the contract technical reviewers for their annual evaluations as well as performing our own of their performance.

Committee and RAB Procedures

Our team consists of members of the Committee. Therefore, we relied on our experiences concerning our own report acceptance body (“RAB”) sessions and quarterly general committee meetings. The team also participated on a RAB conference call during our inspection.

We noted that the RAB deliberation approach is very orderly and include the use of the “consensus RAB”. It is apparent that the RAB members review the reports and working papers thoroughly prior to the meeting and have a good understanding of the program to reach an appropriate decision for each review. As a result, appropriate decisions are made in the acceptance process, appropriate follow-up actions are assigned and reviewers are appropriately monitored. Reviews are presented to the RAB on a timely basis, except for the two reviews noted in the Technical Review Procedures section.

We noted reviews were not consistently presented to the RAB free from open technical issues, causing a number of deferrals subject to resolution of technical issues that could potentially change the report ratings and additional time spent by the RAB members during the deliberation process. The AICPA Oversight Task Force report dated October 18, 2017 noted a similar issue.

All Committee members certify annually around June 1 as to their qualifications to serve on the Committee. Additionally approximately 30% of the Committee members' requirements are tested by the administering entity, which include experience and education. This testing was performed based on the prior calendar year (2016).

The Peer Review Board changed its reviewer qualification for reviews commencing on or after December 31, 2015 and reviewer training requirements for reviews commencing on or after May 1, 2016. If a reviewer does not meet the reviewer training requirement they are suspended or restricted from performing peer reviews and cannot serve on the Committee until they are reinstated. We noted two Committee/RAB members who did not have the required training and therefore were not qualified to participate on the Committee/RAB until reinstated. The administering entity should verify that all Committee/RAB members have the appropriate reviewer training at least annually. In addition, we noted one member that may not qualify as currently active as a manager with partner equivalent responsibilities.

Summary

Our observations to enhance the Committee's administration of the program are summarized as follows:

- 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.
- Implement a process to follow up on work paper retention.
- Implement a process to ensure contracted technical reviewers are meeting the AICPA requirements for participation on peer reviews and obtaining CPE and appropriate training.
- Implement a process to evaluate all technical reviewers on an annual basis.
- 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.

We have no further observations to be communicated to the Committee other than those observations noted in Appendix 1.

Respectfully submitted,

Grace G. Singer, CPA

Grace G. Singer, CPA
Administrative Oversight Team Lead

cc: Joanne Barry, Executive Director

Appendix 1

Other instances which appear to be isolated but should be reviewed by the Committee:

We found two instances where the acceptance letter was not issued within two weeks of the RAB meeting. Both instances appear to be isolated instances: the first letter was late by a day, the other instance was a review that had been monitored by an employee of NYSSCPA who had left the employment and upon review of the open file at a later date the oversight was found and a letter was sent. The RAB meeting in this instance was February 2016 and the letter was issued on November 2016.