

**THE VIRGINIA BOARD OF ACCOUNTANCY (VBOA)
PEER REVIEW OVERSIGHT COMMITTEE**

The Peer Review Oversight Committee (PROC) met on Tuesday, December 2, 2014 in Board Room #3 of the Perimeter Center, 9960 Mayland Drive, Henrico, Virginia 23233.

MEMBERS PRESENT: Nadia Rogers, CPA, PROC Chair
Marc B. Moyers, CPA, VBOA Liaison
Douglas L. Bowles, CPA
Delores King, CPA (effective 1/1/2015)
Reza Mahbod, CPA
Steve Walls, CPA

STAFF PRESENT: Wade A. Jewell, Executive Director
Mary Charity, Director of Operations
Patti Hambright, CPE/Peer Review Coordinator/Administrative Assistant

OTHERS PRESENT: Emily Walker, Government Affairs Director, Virginia Society of Certified
Public Accountants
Darshae Dabney, Technical Services Specialist, Virginia Society of Certified
Public Accountants

CALL TO ORDER

Ms. Rogers called the meeting to order at 1:10 p.m. Ms. Rogers addressed the Committee and thanked the members for their attendance and participation.

SECURITY BRIEFING

Ms. Hambright provided the emergency evacuation procedures.

PUBLIC COMMENT PERIOD

There was no public comment.

NEW COMMITTEE MEMBER INTRODUCTIONS

Ms. Rogers welcomed new Committee members Ms. King (effective 1/1/2015), Mr. Mahbod and Mr. Walls. She requested all Committee members, Board and VSCPA staff to introduce themselves and provide a brief bio.

OVERVIEW OF EXISTING PEER REVIEW OVERSIGHT

Mr. Bowles had been asked by the PROC Chair to present a summary of an earlier presentation to the Virginia Board of Accountancy. The presentation provided an overview of current peer review oversight activities by other entities. The presentation explained the current oversight by both the VSCPA, as the designated administering entity for Virginia and DC, and by the AICPA. The presentation explained existing oversight of the administering entity, of the VSCPA Peer Review Committee, and of the Team Captains listed in Virginia. The presentation also disclosed that there is actual on-site oversight of reviews in progress and off-site oversight of reviews once completed, conducted by both professional organizations. He also explained that the AICPA résumés of reviewers are subject to oversight no less than once every three years, in which the reviewers must document the scope of services he or she provides in the various industries included on their résumé. Reviewers are also monitored annually for compliance with peer review CPE requirements. He also commented that any reviewer deemed by the VSCPA Peer Review Committee to be a “problem reviewer” is subject to on-site oversight by a member of the committee.

2014 COMMITTEE PROGRESS

Ms. Rogers led the discussion regarding the 2014 Committee progress. Ms. Rogers indicated the Board had delegated to the VSCPA the responsibility for peer reviews performed in Virginia, to evaluate the results for corrective actions and to monitor those corrective actions. Ms. Rogers noted the PROC had participated in three out of four of the VSCPA meetings in 2014 to date. She noted the next meeting, which would be held by teleconference, is scheduled for December 5, 2014. Mr. Moyers suggested new Committee members initially work alongside existing Committee members. He also noted our statutes do not dictate how many meetings the Committee must attend and that all states have different requirements. Ms. Rogers presented the Committee with two handouts for review. Mr. Jewell noted the next PROC Summit would be held in July 2015 in Nashville, TN.

UPDATES

AICPA'S ENHANCING AUDIT QUALITY DISCUSSION PAPER AND INITIATIVE

Ms. Rogers led the discussion regarding the AICPA's enhancing audit quality discussion paper and initiative. She noted this paper addresses financial statement audits of private entities and will continue to clarify auditing standards to ensure high quality audits. She also noted currently team captains must update their peer review training (CPE) every three years and efforts are being made to update training annually.

DOL AUDITS

Ms. Rogers noted NASBA is working with Federal agencies such as DOL, IRS and the SEC on behalf of state boards. She noted the DOL had sent NASBA a list of firms that have done ERISA audits. These firms must have a firm license and be enrolled in the peer review program. It was noted that the list originates with firms having a Virginia address.

DISCUSSION ON FAILED AND PASSED WITH DEFICIENCY PEER REIVEWS

Ms. Rogers led the discussion regarding firms with failed and/or passed with deficiency peer reviews. The Committee agreed that the current peer review process does an excellent job of identifying, correcting and enforcing remediation of firms that have multiple pass with deficiencies or fail reports. Currently the AICPA may remove a firm with three consecutive failed and/or passed with deficiency peer reviews. This lengthy process can take up to nine years or more. Ms. Rogers also noted because of firm confidentiality requirements, firms with deficiencies were not being identified. Ms. Dabney noted the VSCPA Report Acceptance Body (RAB) has the responsibility to look at a firm's deficiencies for repeated systemic cause. Ms. Walker noted the AICPA is moving to two consecutive failed and/or passed with deficiency peer reviews as being the "trigger point" and not three. Mr. Jewell noted with regards to firm confidentiality he would meet with Anna Birkenheier, Assistant Attorney General, for clarification. As the Assistant Attorney General changes frequently for the BOA, Ms. Dabney suggested the outcome with confidentiality should be made available in writing.

NASBA PEER REVIEW TELECONFERENCE UPDATE

Ms. Rogers updated the Committee on NASBA's Compliance Assurance Committee call hosted on September 10, 2014 wherein current topics related to the profession and Peer Review were discussed as well as sharing ideas and questions amongst various states' PROC Members. The individuals leading the call also reminded PROC Members that NASBA's website includes resources, such as checklists to complete when observing the Peer Review Committee/Report Acceptance Body Meetings, which the Committee discussed using going forward.

SCHEDULE ATTENDANCE FOR PUBLISHED VSCPA MEETINGS

Ms. Rogers and Mr. Mahbod plan to participate with the VSCPA conference call on December 5, 2014. Ms. King and Mr. Walls will attend the face-to-face VSCPA meeting scheduled for February 2, 2015.

2014 ANNUAL REPORT TO BOARD

Ms. Rogers saw no reason why the PROC could not present to the Board a favorable report that states the Board may rely on the VSCPA and NPRC in carrying out its responsibilities with respect to peer review. The PROC will present the annual report to the Board at its Board meeting on January 8, 2015.

OPEN DISCUSSION

Ms. Dabney noted the VSCPA had a surprise increase in firm peer review enrollment. She estimated four times the normal amount of firms had registered for peer review.

Mr. Jewell requested new Committee members fill out and return requested forms.

ADJOURNMENT

There being no further business before the VBOA PROC, the meeting was adjourned at 3:05 p.m.

APPROVED:

Nadia Rogers, CPA, PROC Chairman

COPY TESTE:

Wade A. Jewell, Executive Director