

Agenda Item IV

Rules Committee Agenda

March 23, 2016

1:30 p.m.

- A. Discussion concerning the Board's Notice of Intention to enter into Rule Review, as posted in the *Texas Register*.
- B. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 527 – Peer Review*, of the Board's *Rules* pursuant to *Section 2001.039* of the *Texas Government Code*.
- C. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 502 – Peer Assistance*, of the Board's *Rules* pursuant to *Section 2001.039* of the *Texas Government Code*.
- D. Discussion, consideration and possible action on the AICPA's Accounting and Review Services Committee seeking comment on its proposed amendment to Statement on Statement on Standards for Accounting and Review Services No. 21.
- E. Schedule next meeting.

Agenda Item IV

Rules Committee Agenda

March 23, 2016

1:30 p.m.

- A. Discussion concerning the Board's Notice of Intention to enter into Rule Review, as posted in the *Texas Register*.

DISCUSSION: *Section 2001.039* of the Texas Government Code requires all state agencies to review its rules every four years. The review must consist of an assessment of whether the reasons for initially adopting a particular rule continue to exist and the state agency is required to re-adopt, revise or repeal the rule as a result of the review.

The first two Chapters of the Board's *Rules* for your review are *Chapter 527* regarding *Peer Review* and *Chapter 502* regarding *Peer Assistance*.

RECOMMENDATION: None

SUGGESTED MOTION: None

Agenda Item IV

Rules Committee Agenda

March 23, 2016

1:30 p.m.

- B. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 527 – Peer Review*, of the Board's *Rules* pursuant to Section 2001.039 of the Texas Government Code.

DISCUSSION: The Peer Review Committee is recommending that *Chapter 527* be amended in order to allow the Board to timely address evidence of deficient and failed peer reviews. The following proposed amendments to the *Chapter 527 Rules* attempts to incorporate the Peer Review Committee's efforts to do so.

Currently the practice of the Board is to require an accelerated peer review only after two consecutive deficient reviews. This can result in the issuance of as much as seven years of unacceptable attest work from a firm before the Board would initiate any disciplinary action.

The proposed rule amendments will make it clear that the Board has the authority to take action after only one deficient peer review. A fail would be considered a deficient review. The Board action could include an accelerated review but could also include removing attest services from the firm's practice in addition to a sanction. The proposed rule would retain the use of accelerated reviews as described above.

If however, a firm fails two consecutive peer reviews the firm may not provide attest services except to complete the services it has already begun and then only after a pre-issuance review by a third party of the firm's work.

The proposed rule amendment provides that any of the provisions of this section may be waived upon application to the Board by the firm.

The proposed amendments also provide for including a definition of "assigned review date," replacing "Peer Review State Board Access" with "Facilitated State Board Access" and a few other non-substantive changes.

RECOMMENDATION: The staff recommends that the Rules Committee and Peer Review Committees recommend to the Board that the proposed rule amendments be published in the *Texas Register* for public comment following the committees' discussion.

SUGGESTED MOTION: That the Rules and Peer Review committees recommend to the Board that the Board authorize the executive director to have the proposed rule amendments published in the *Texas Register* for public comment as revised by the committees.

1 **CHAPTER 527** **PEER REVIEW**
2 **RULE §527.1** **Establishment of Peer Review Program**

- 3
4 (a) Pursuant to §901.159 of the Act (relating to Peer Review), the board establishes a
5 peer review program to monitor CPAs' compliance with applicable accounting, auditing
6 and other attestation standards adopted by generally recognized standard-setting
7 bodies. The program may include education, remediation, disciplinary sanctions or other
8 corrective action where reporting does not comply with professional or regulatory
9 standards.
- 10 (b) This chapter shall not require any firm to become a member of any sponsoring
11 organization.

1 **CHAPTER 527** **PEER REVIEW**
2 **RULE §527.2** **Definitions**

3
4 The following words and terms used in this chapter shall have the following meanings,
5 unless the context clearly indicates otherwise.

6 (1) "Review" or "review program" means the review conducted under the peer review
7 program.

8 (2) "Review year" means the one-year (twelve-month) period covered by the review.
9 Engagements selected for review normally would have periods ending during the year
10 under review.

11 (3) "Sponsoring organization" means an entity that meets the standards specified by
12 the board for administering the review. The board shall periodically publish a list of
13 sponsoring organizations, which have been approved by the board.

14 (4) "Special reports" include but are not limited to reports issued under professional
15 standards in connection with the following:

16 (A) specified elements, accounts, or items of a financial statement;

17 (B) compliance with aspects of contractual agreements or regulatory requirements
18 related to audited financial statements;

19 (C) financial presentations to comply with contractual agreements or regulatory
20 provisions; or

21 (D) financial information presented in prescribed forms or schedules that require a
22 prescribed form of auditor's reports.

23 (5) "Firm inspection program" means the process of firm inspection administered by
24 the PCAOB.

25 (6) "Rating" of a peer review refers to the type of report issued. The three types of
26 reports are pass, pass with deficiency(ies), or fail. The peer review rating is clearly
27 indicated in the final paragraph of the review report. A peer review report with a rating of
28 pass with deficiency(ies) or fail is considered a deficient review.

29 **(7) "Assigned review date" is the reporting due date to the board of an accepted**
30 **peer review report. It is the end date of the review process, not the beginning.**

31 **(8)** ~~(7)~~ "Acceptance **date**" of an AICPA or TSCPA peer review is the date that the
32 sponsoring organization's peer review report committee (PRRC), referred to in
33 §527.9(a)(1) of this chapter (relating to Procedures for a Sponsoring Organization), is

1 presented the peer review report on a review with the rating of pass and the PRRC
2 approves the review. The acceptance date and in this case the completion date of the
3 peer review are the same date and is noted in a letter from the administering entity to
4 the reviewed firm. The PRRC will be presented with the peer review report and the
5 firm's letter of response on reviews with a rating of pass with deficiencies or fail.
6 Ordinarily, the PRRC will require the reviewed firm to take corrective action(s) and those
7 actions will be communicated in a letter to the firm from the administering entity. In this
8 circumstance, the "acceptance date" is defined as the date that the reviewed firm signs
9 the letter from the administering entity agreeing to perform the required corrective
10 action(s).

11 **(9)** ~~(8)~~ "Completion date" of an AICPA or TSCPA peer review is the date that the
12 sponsoring organization's PRRC, referred to in §527.9(a)(1) of this chapter, is presented
13 the corrective action and the committee decides that the reviewed firm has performed
14 the agreed-to corrective action(s) to the committee's satisfaction and the committee
15 requires no additional corrective action(s) by the firm. The date is noted in a final letter
16 from the administering entity to the reviewed firm.

17 **(10)** ~~(9)~~ "AICPA Public File" is the file for firms that are members of AICPA's Employee
18 Benefit Plan Audit Quality Center, Governmental Audit Quality Center, or Private
19 Companies Practice Section who post their review information to this public file on
20 AICPA's web site as a membership requirement. Information in the public file includes
21 the firm's most recently accepted peer review report and the firm's response thereto, if
22 any.

23 **(11)** ~~(10)~~ "**Facilitated** Peer Review State Board Access (**FSBA PRSBA**)" is the state
24 board limited access web site that provides the most recently accepted peer review
25 report, the firm's letter of response (LOR), the corrective action letter (CAL), and the
26 final letter of acceptance (FLOA).

1 **CHAPTER 527** **PEER REVIEW**
2 **RULE §527.3** **Standards for Peer Reviews and Sponsoring Organizations**

- 3
4 (a) The board adopts Standards for Performing and Reporting on Peer Reviews (**the**
5 **Standards** SPRPR) promulgated by AICPA and for public company audit firms, the firm
6 inspection standards required under the Sarbanes-Oxley Act of 2002 (SOX), as its
7 minimum standards for review of firms.
- 8 (b) Qualified sponsoring organizations shall be the AICPA Peer Review Program, the
9 TSCPA's Peer Review Program and state CPA societies fully involved in the
10 administration of the AICPA Peer Review Program, the PCAOB, and such other entities
11 which are approved by the board.

1 **CHAPTER 527** **PEER REVIEW**
2 **RULE §527.4** **Enrollment and Participation**

3
4 (a) Participation in the program is required of each firm licensed or registered with the
5 board that performs any attest service ~~or any accounting and/or auditing engagements,~~*
6 including audits, reviews, compilations, forecasts, projections, or special reports as
7 defined in §901.002 of the Act (relating to General Definitions) and §501.52(4), (11) and
8 (23) of this title (relating to Definitions). A firm ~~which only performs~~ whose highest level
9 of service is preparation engagements under SSARS is not required to participate in the
10 program.

11 * *Dan is checking with Jerry Cross to see if there is a need for this language.*

12
13 (b) A firm that does not perform attest services as set out in subsection (a) of this
14 section shall annually submit a request for the exemption in writing to the board with an
15 explanation of the services offered by the firm. A firm which begins providing services
16 as set out in subsection (a) of this section shall notify the board of the change in status
17 within 30 days of the change in status, provide the board with enrollment information
18 within 90 days of the date the services were first provided and have a peer review
19 performed within 18 months of the date the services were first provided.

20 (c) Each firm required to participate under subsection (a) of this section shall enroll in
21 the applicable programs of an approved sponsoring organization within ~~42~~ 30 days
22 ~~months~~ from its initial licensing date or the performance of services that require a
23 review. The firm shall adopt the review due date assigned by the sponsoring
24 organization, and must notify the board of the peer review due date within 30 days of its
25 assignment. In addition, the firm shall schedule and begin an additional review within
26 three years of the previous review's due date, or earlier as may be required by the
27 sponsoring organization, ~~or a~~ a committee of the board or the board's executive director.
28 It is the responsibility of the firm to anticipate its needs for review services in sufficient
29 time to enable the reviewer to complete the review by the assigned review due date.
30 (d) In the event that a firm is merged, otherwise combined, dissolved, or separated, the
31 sponsoring organization shall determine which firm is considered the succeeding firm.
32 The succeeding firm shall retain its peer review status and the review due date.

- 1 (e) The board will accept extensions granted by the sponsoring organization to
2 complete a review, provided the board is notified by the firm within 15 ~~20~~ days of the
3 date that an extension is granted.
- 4 (f) A firm that has been rejected by a sponsoring organization for any reason must make
5 a request in writing to the board for authorization to enroll in a program of another
6 sponsoring organization. Such request shall be made within 30 days of notification by
7 the sponsoring organization.
- 8 (g) A firm choosing to change to another sponsoring organization may do so provided
9 that the firm authorizes the previous sponsoring organization to communicate to the
10 succeeding sponsoring organization any outstanding corrective actions related to the
11 firm's most recent review. Any outstanding actions must be cleared and outstanding
12 fees paid prior to transfer between sponsoring organizations.
- 13 (h) An out-of-state firm practicing in this state pursuant to a practice privilege provided
14 for in §901.461 of the Act (relating to Practice by Certain Out-of-State Firms) and
15 §517.1 and §517.2 of this title (relating to Practice by Certain Out of State Firms and
16 Practice by Certain Out of State Individuals) of these regulations must comply with the
17 peer review program of the state in which the firm is licensed.
- 18 (i) An out-of-state firm practicing in this state pursuant to a practice privilege from a
19 state without a peer review program must comply with §901.159 of the Act (relating to
20 Peer Review) and Chapter 517 of this title (relating to Practice by Certain Out-of-State
21 Firms and Individuals).
- 22 (j) An out-of-state firm practicing in this state pursuant to a practice privilege must
23 submit its peer review (or equivalent) documentation upon request of the board.
- 24 (k) Interpretive Comment. If a firm is subject to inspections pursuant to PCAOB and also
25 performs attest work not subject to such inspections, the firm must enroll in a peer
26 review program for review of its non-public company attest work in addition to the firm
27 inspection program required by the PCAOB.

1 **CHAPTER 527** **PEER REVIEW**
2 **RULE §527.5** **Successive Deficient Reviews**

3
4 **(a) The board at its sole discretion may require a firm which has received a rating**
5 **of pass with deficiencies or fail to have an accelerated peer review or subject it to**
6 **any other disciplinary or corrective action under the Act.**

7 **(b)** ~~(a)~~ A firm, including a succeeding successor firm, which receives two consecutive
8 reviews **on a system or engagement review** with **ratings** a rating of **either** pass with
9 deficiencies or ~~and/or fail~~ **in any order, or two pass with deficiencies,** ~~on a system or~~
10 ~~engagement review~~ may** be required to have an accelerated review by the Peer
11 Review Committee.

12
13 *** In order to timely address deficiencies paragraph (b) could be rewritten to say that*
14 *two consecutive reviews of pass with deficiencies or fail will result in the requirement of*
15 *an accelerated review. The firm will be notified by the staff without the matter having to*
16 *be noticed and considered by a committee.*

17
18 **If that accelerated review results in a rating of pass with deficiencies or fail:**

19 **(1) the firm may complete attest engagements for which field work has already**
20 **begun only if:**

21 **(A) prior to issuance of any report, the engagement is reviewed and approved**
22 **by a third party reviewer acceptable to the chairman of the Technical Standards**
23 **Review Committee or the Peer Review Committee; and**

24 **(B) the engagement is completed within 30 days of the acceptance of the peer**
25 **review report, and LOR by the sponsoring organization; and**

26 **(2) the firm shall not perform any other attest service including any accounting**
27 **and/or auditing engagements, including audits, reviews, compilations, forecasts**
28 **projections, or other special reports for a period of three years or until given**
29 **permission by the board to resume this practice.**

30
31 ~~(b) If that accelerated review results in a rating of pass with deficiencies or fail:~~

32 ~~-(1) the firm may complete attest engagements for which field work has already begun~~
33 ~~only if:~~

1 —(A) prior to issuance of any report, the engagement is reviewed and approved by a
2 third party reviewer acceptable to the chairman of the Technical Standards Review
3 Committee or the Peer Review Committee; and
4 —(B) the engagement is completed within 30 days of the acceptance of the peer review
5 report, and LOR by the sponsoring organization; and
6 —(2) the firm shall not perform any other attest service including any accounting and/or
7 auditing engagements, including, audits, reviews, compilations (as well as compilations
8 where no report is required), forecasts, projections, or other special reports for a period
9 of three years or until given permission by the board to resume this practice.

10 **(c) A firm, including a successor firm, which receives two consecutive reviews**
11 **with a rating of fail on a system or engagement review shall not perform any other**
12 **attest service including any accounting and/or auditing engagements, including**
13 **audits, reviews, compilations, forecasts projections, or other special reports for a**
14 **period of three years or until given permission by the board to resume this**
15 **practice. The firm may complete attest engagements for which field work has**
16 **already begun only if:**

17 **(1) prior to issuance of any report, the engagement is reviewed and approved**
18 **by a third party reviewer acceptable to the chairman of the Technical Standards**
19 **Review Committee or the Peer Review Committee; and**

20 **(2) the engagement is completed within 30 days of the acceptance of the peer**
21 **review report, and LOR by the sponsoring organization.**

22 **(d)** (e) A firm may petition the board for a waiver from the provisions of this rule.
23 (d) The board at its discretion may require a firm which has received a rating of pass
24 with deficiencies or fail to have an accelerated peer review or subject it to any other
25 disciplinary or corrective action under the Act.

1 **CHAPTER 527** **PEER REVIEW**
2 **RULE §527.6** **Reporting to the Board**

3
4 (a) A firm must submit to the board:

5 (1) a copy of the peer review report and the FLOA from the sponsoring organization, if
6 such report has a rating of pass;

7 (2) a copy of the peer review report, the firm's LOR, the CAL, and FLOA if the report
8 has a rating of pass with deficiencies or fail; or

9 (3) a copy of any final report resulting from any inspection by the PCAOB firm
10 inspection program together with documentation of any significant deficiencies and
11 findings and the firm's response.

12 (b) Any report or document submitted to the board under this section is confidential
13 pursuant to the Act.

14 (c) Any report or document (collectively referred to as "documents") required to be
15 submitted under subsection (a) of this section shall be filed with the board as provided
16 below:

17 (1) Peer review documents will be made available by the TSCPA for firms enrolled in
18 the AICPA and TSCPA Peer Review Programs and administered by the TSCPA. Peer
19 review documents will be made available by the TSCPA by posting such documents
20 within 30 days of issuing its notice of acceptance to such firms on the **FSBA** ~~PR~~SB
21 web site. The reviewed firm must, within 10 days of receipt of the notice of completion
22 from the TSCPA, complete the board's Peer Review Compliance Reporting form and
23 submit it to the board along with the required documents.

24 (2) Firms otherwise enrolled in the AICPA peer review program (including those whose
25 peer reviews are administered by the NPRC) must, within 10 days of receipt of the
26 notice of completion from the sponsoring organization, complete the board's Peer
27 Review Compliance Reporting form and submit it to the board along with the required
28 documents. However, this requirement may be met by allowing the firm's peer review
29 documents to be posted on the **FSBA** ~~PR~~SB web site, with access granted to the
30 board within 30 days of issuing its notice of acceptance to such firms on the **FSBA**
31 ~~PR~~SB web site.

32 (3) Firms enrolled in the PCAOB firm inspection program must, within 10 days of
33 receipt of the notice of completion from the PCAOB, complete the board's Peer Review

- 1 Compliance Reporting form and submit it to the board along with the required
- 2 documents.
- 3 (d) The information required under subsection (c) of this section must be filed with the
- 4 board either by mail or electronically such as by fax, email, or **FSBA** ~~PR~~SBA web site.

1 **CHAPTER 527**
2 **RULE §527.7**

PEER REVIEW
Peer Review Oversight Board

3
4 (a) The board shall retain the Peer Review Oversight Board (PROB) for the purpose of:

5 (1) monitoring sponsoring organizations to provide reasonable assurance that peer
6 reviews are being conducted and reported in accordance with Standards for Performing
7 and Reporting on Peer Reviews (the Standards) promulgated by the AICPA Peer
8 Review Board;

9 (2) reviewing the policies and procedures of sponsoring organization applicants as to
10 their conformity with the peer review standards; and

11 (3) reporting to the board on the conclusions and recommendations reached as a
12 result of performing the functions in paragraphs (1) and (2) of this subsection.

13 (b) Information concerning a specific firm or reviewer obtained by the PROB during
14 oversight activities shall be confidential, and the firm's or reviewer's identity shall not be
15 reported to the board. Reports submitted to the board will not contain information
16 concerning specific firms or reviewers. Members of the PROB will be required to
17 execute a confidentiality statement for the sponsoring organization which they oversee.

18 (c) The PROB shall consist of three members who are active licensed Texas CPAs. No
19 member of the PROB shall be current members of the board or one of its committees,
20 the TSCPA's Peer Review or Professional Conduct Committee, or the AICPA
21 Professional Ethics Executive Committee (including subcommittees). The members
22 should have extensive experience in accounting and auditing and currently be in the
23 practice of public accountancy at the partner (or equivalent) level, and shall be
24 members of the TSCPA or the AICPA. The member's firm must have received a report
25 with a rating of pass or an unmodified opinion from its last peer review. Compensation
26 of PROB members shall be set by the board.

27 (d) The PROB shall make an annual recommendation to the board as to the
28 qualifications of an approved sponsoring organization to continue as an approved
29 sponsoring organization on the basis of the results of the following procedures:

30 (1) Where the sponsoring organization is the AICPA/NPRC, state CPA societies other
31 than Texas, fully involved in the administering AICPA Peer Review Program, or the
32 PCAOB, PROB shall review the published reports of those entities or successors, to
33 determine that there is an acceptable level of oversight;

1 (2) Where the sponsoring organization is other than those listed in paragraph (1) of
2 this subsection, PROB shall perform the following functions:

3 (A) At least one member of the PROB shall attend all meetings of each sponsoring
4 organization's PRRC. Certain PRRC meetings may be conducted via telephone. In
5 those instances, the PROB may join the conference call.

6 (B) During such visits, the PROB shall:

7 (i) meet with the organization's peer review committee during the committee's
8 consideration of peer review documents;

9 (ii) evaluate the organization's procedures for administering the peer review
10 program;

11 (iii) examine, on the basis of a random selection or other criteria adopted by PROB,
12 a number of reviews performed by the organization to include, at a minimum, a review
13 of the report on the peer review, the firm's response to the matters discussed, the
14 sponsoring organization's FLOA outlining any additional corrective or monitoring
15 procedures, and the required technical documentation maintained by the sponsoring
16 organization on the selected reviews; and

17 (iv) expand the examination of peer review documents if significant deficiencies,
18 problems, or inconsistencies are encountered during the analysis of the materials.

19 (e) In the evaluation of policies and procedures of sponsoring organization applicants,
20 the PROB shall:

21 (1) examine the policies as drafted by the applicant to determine that they will provide
22 reasonable assurance of conforming with the standards for peer reviews;

23 (2) evaluate the procedures proposed by the applicant to determine that:

24 (A) assigned reviewers are appropriately qualified to perform the review for the
25 specific firm;

26 (B) reviewers are provided with appropriate materials;

27 (C) the applicant has provided for consulting with the reviewers on problems arising
28 during the review and that specified occurrences requiring consultation are outlined;

29 (D) the applicant has provided for the assessment of the results of the review; and

30 (E) the applicant has provided for an independent report acceptance body that
31 considers and accepts the reports of the review and requires corrective actions by firms
32 with significant deficiencies;

1 (3) make recommendations to the board as to approval of the applicant as a
2 sponsoring organization.

3 (f) Annually the PROB shall provide the board's Peer Review Committee with a report
4 on the continued reliance of sponsoring organizations' peer reviews. The PROB report
5 shall provide reasonable assurance that peer reviews are being conducted and reported
6 on consistently and in accordance with the Standards for Performing and Reporting on
7 Peer Reviews (the Standards) promulgated by the AICPA Peer Review Board. A
8 summary of oversight visits shall be included with the annual report.

1 **CHAPTER 527** **PEER REVIEW**
2 **RULE §527.8** **Retention of Documents**

3
4 (a) Each reviewer shall maintain all documentation necessary to establish that each
5 review conformed to the review standards of the relevant review program, including the
6 review working papers, copies of the review report, and any correspondence indicating
7 the firm's concurrence, non-concurrence, and any proposed remedial actions and any
8 related implementation.

9 (b) The documents described in subsection (a) of this section shall be retained by the
10 reviewer for a period of time corresponding to the retention period of the sponsoring
11 organization, and upon request of the PROB, shall be made available. In no event shall
12 the retention period be less than 120 days from the date of completion of the review by
13 the sponsoring organization.

1 **CHAPTER 527** **PEER REVIEW**
2 **RULE §527.9** **Procedures for a Sponsoring Organization**

- 3
4 (a) To qualify as a sponsoring organization, an entity must submit a peer review
5 administration plan to the board for review and approval by the PROB. The plan of
6 administration must:
- 7 (1) establish a PRRC and subcommittees as needed, and provide professional staff as
8 needed for the operation of the peer review program;
 - 9 (2) establish a program to communicate to firms participating in the peer review
10 program the latest developments in peer review standards and the most common
11 findings in the peer reviews conducted by the sponsoring organization;
 - 12 (3) establish procedures for resolving any disagreement which may arise out of the
13 performance of a peer review;
 - 14 (4) establish procedures to resolve matters which may lead to the dismissal of a firm
15 from the peer review program, and conduct hearings pursuant to those procedures;
 - 16 (5) establish procedures to evaluate and document the performance of each reviewer,
17 and conduct hearings, which may lead to the disqualification of a reviewer who does not
18 meet the AICPA standards;
 - 19 (6) require the maintenance of records of peer reviews conducted under the program
20 in accordance with the records retention rules of the AICPA; and
 - 21 (7) provide for periodic reports to the PROB on the results of the peer review program.
- 22 (b) A sponsoring organization is subject to review by the board and the PROB.
23 (c) The PCAOB is exempt from these requirements.

1 **CHAPTER 527**
2 **RULE §527.10**

PEER REVIEW
Peer Review Report Committee

3
4 A PRRC is comprised of CPAs practicing public accountancy and formed by a
5 sponsoring organization for the purpose of accepting peer review reports submitted by
6 firms on peer review engagements.

7 (1) Each member of a PRRC must be active in the practice of public accountancy at a
8 supervisory level in the assurance accounting or auditing function while serving on the
9 committee. The member's firm must be enrolled in an approved practice-monitoring
10 program and have received a report with a rating of pass ~~or an unmodified report~~ on its
11 most recently completed peer review. A majority of the committee members must satisfy
12 the qualifications required of system peer review team captains as established and
13 reported in the AICPA Standards for Performing and Reporting on Peer Reviews.

14 (2) Each member of a PRRC must be approved for appointment by the governing body
15 of the sponsoring organization.

16 (3) In determining the size of a PRRC, the requirement for broad industry experience,
17 and the likelihood of some members needing to recuse themselves during the
18 consideration of some reviews as a result of the members' close association to the firm
19 or because they performed the review, shall be considered.

20 (4) No more than one PRRC member may be from the same firm.

21 (5) The PRRC members' terms shall be staggered to provide for continuity.

22 (6) A PRRC member may not concurrently serve as:

23 (A) a member of any state's board of accountancy; or

24 (B) a member of any state's CPA society's ethics committee.

25 (7) A PRRC member may not participate in any discussion or have any vote with
26 respect to a reviewed firm when the committee member lacks independence as defined
27 in §501.70 of this title (relating to Independence) or has a conflict of interest. Examples
28 of conflicts of interest include, but are not limited to:

29 (A) the member's firm has performed the most recent peer review of the reviewed
30 firm's accounting and auditing practice;

31 (B) the member served on the review team, which performed the current or the
32 immediately preceding review of the enrolled firm; or

33 (C) the member believes he cannot be impartial or objective.

1 (8) Each PRRC member must comply with the confidentiality requirements of
2 §901.161 of the Act (relating to Privilege for Certain Information). The sponsoring
3 organization may annually require its PRRC members to sign a statement
4 acknowledging their appointments and the responsibilities and obligations of their
5 appointments.

6 (9) A PRRC decision to accept a report must be made by not fewer than three
7 members who satisfy the above criteria.

1 **CHAPTER 527**
2 **RULE §527.11**

PEER REVIEW
Responsibilities of Peer Review Report Committee

3
4 The PRRC shall:

5 (1) establish and administer the sponsoring organization's peer review program in
6 accordance with the AICPA Standards for Performing and Reporting on Peer Reviews;

7 (2) prescribe actions designed to assure correction of the deficiencies in the reviewed
8 firm's system of quality control policies and procedures;

9 (3) monitor the prescribed remedial and corrective actions to determine compliance by
10 the reviewed firm;

11 (4) resolve instances in which there is a lack of cooperation and agreement between
12 the committee and review teams or reviewed firms in accordance with the sponsoring
13 organization's adjudication process;

14 (5) act upon requests from firms for changes in the timetable of their reviews;

15 (6) appoint members to subcommittees and task forces as necessary to carry out its
16 functions;

17 (7) establish and perform procedures for ensuring ~~insuring~~ that reviews are performed
18 and reported on in accordance with the AICPA Standards for Performing and Reporting
19 on Peer Reviews;

20 (8) establish a report acceptance process, which facilitates the exchange of viewpoints
21 among committee members;

22 (9) communicate to the governing body of the sponsoring organization on a recurring
23 basis:

24 (A) problems experienced by the enrolled firms in their systems of quality control as
25 noted in the peer reviews conducted by the sponsoring organization;

26 (B) problems experienced in the implementation of the peer review program; and

27 (C) a summary of the historical results of the peer review program.

Agenda Item IV

Rules Committee Agenda

March 23, 2016

1:30 p.m.

- C. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 502 – Peer Assistance*, of the Board's *Rules* pursuant to *Section 2001.039* of the *Texas Government Code*.

DISCUSSION: At the last Board meeting, the Board approved for publication in the *Texas Register* for public comment a proposed amendment to Board *Rule 523.131(b)(3)* that would require ethic course providers to have in their presentation and materials information on the services available to licensees from the Accountants Confidential Assistance Network (ACAN). This came from a recommendation of the Peer Assistance Committee. The proposed amendment was published in the *Texas Register* seeking public comment and to date, no comments have been received. It will be considered by the Board at the March 24, 2016 Board meeting for final adoption.

Chapter 502 of the Board's *Rules*, which directly addresses the Board's Peer Assistance program, has been made available for the committee's review in order to comply with the required review of Board *Rules* pursuant to *Section 2001.039* of the *Texas Government Code*. Staff has no recommended changes to the Peer Assistance program other than what was proposed at the last Rules Committee meeting in *Chapter 523*.

RECOMMENDATION: The staff recommends that the Rules Committee recommend to the Board that it authorize the executive director to publish the proposed re-adoption of *Chapter 502 (Peer Assistance)* pursuant to the requirement of *Section 2001.039* of the *Texas Government Code*.
in the Texas Register for public comment

SUGGESTED MOTION: That the Rules Committee recommend to the Board that it authorize the executive director to publish the proposed re-adoption of *Chapter 502* of the Board's *Rules* in the *Texas Register* for public comment.

1 **CHAPTER 502** **PEER ASSISTANCE**
2 **RULE §502.1** **Peer Assistance to Licensees**

3
4 (a) The board adopts the provisions contained in the Texas Health and Safety Code,
5 Chapter 467, Peer Assistance Programs, in its entirety, including any amendments
6 enacted by the Texas Legislature.

7 (b) Should the board receive information regarding a licensee, applicant or certificate
8 holder indicating possible chemical dependency on drugs or alcohol or mental health
9 issues, the board may:

10 (1) refer the licensee to an approved peer assistance program; or

11 (2) require the licensee to participate in or complete a course of treatment or
12 rehabilitation.

13 (c) Should the board receive a complaint or other information constituting possible
14 violations of other board rules, including chemical dependency on drugs or alcohol, or
15 mental health issues, then the board may take action as appropriate under this title and
16 the Act regarding those possible violations in addition to making a referral under
17 subsection (b) of this section.

18 (d) An approved peer assistance program that receives a report or referral under
19 subsection (b) of this section or a report under §467.005(a) of the Texas Health and
20 Safety Code, may intervene to assist the licensee, applicant or certificate holder to
21 obtain and complete a course of treatment and rehabilitation.

1 **CHAPTER 502**
2 **RULE §502.2**

PEER ASSISTANCE
Texas State Board of Public Accountancy Policy Statement
of the Peer Assistance Oversight Committee

- 5 (a) The board has established the peer assistance oversight committee to oversee the
6 activities of the TSCPA's peer assistance program as mandated under the Texas Health
7 and Safety Code, Chapter 467.
- 8 (b) The peer assistance oversight committee operates under the premise that
9 impairments caused by chemical dependency on drugs or alcohol and mental health
10 issues are treatable.
- 11 (c) The peer assistance oversight committee's responsibilities include, but are not
12 limited to:
- 13 (1) protecting the public from CPAs whose ethical, behavioral, and technical violations
14 due to chemical dependency on drugs or alcohol and/or mental health issues have
15 harmed, or have the potential to harm, the public;
 - 16 (2) encouraging CPAs, CPA applicants, and accounting students to seek assistance
17 for impairment due to chemical dependency on drugs or alcohol and/or mental health
18 issues;
 - 19 (3) cooperating with the TSCPA's peer assistance program in promoting confidential
20 assistance to CPAs, CPA applicants, and accounting students who suffer from chemical
21 dependency on drugs or alcohol and/or mental health issues; and
 - 22 (4) disseminating information about the peer assistance program to CPAs, CPA
23 applicants, and accounting students.

Agenda Item IV
Rules Committee Agenda
March 23, 2016
1:30 p.m.

- D. Discussion, consideration and possible action on the AICPA's Accounting and Review Services Committee seeking comment on its proposed amendment to Statement on Standards for Accounting and Review Services No. 21.

DISCUSSION: The committee is being provided a link to the AICPA's Exposure Draft seeking public comment on its proposed changes to the Statement on Standards for Accounting and Review Services No. 21. Also enclosed is a letter from the TSCPA commenting on the proposed changes. This is being provided for the committee's information, review and possible comment. Comments are due on the proposed changes by May 6, 2016.

RECOMMENDATION: None

MOTION: None

https://www.aicpa.org/research/exposedrafts/compilationreview/downloadabledocuments/20151208a_ed_pfi_pro_forma_and_omnibus_ssars.pdf



**Texas Society of
CPA Certified Public Accountants**

March 2, 2016

Mike Glynn
Accounting and Review Service Committee
American Institute of CPAs
mglynn@aicpa.org

**RE: ARSC Proposed Statement on Standards for Accounting and Review Services
*Compilation of Prospective Financial Statements, et al***

Dear Mr. Glynn:

One of the expressed goals of the Texas Society of Certified Public Accountants (TSCPA) is to speak on behalf of its members when such action is in the best interest of its members and serves the cause of Certified Public Accountants in Texas, as well as the public interest. The TSCPA has established a Professional Standards Committee (PSC) to represent those interests on accounting and auditing matters. The views expressed herein are written on behalf of the PSC, which has been authorized by the TSCPA Board of Directors to submit comments on matters of interest to the committee members. The views expressed in this letter have not been approved by the TSCPA Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of TSCPA.

The TSCPA PSC is supportive of the proposed changes to the Compilation and Review professional guidance included in the above referenced exposure draft (ED). We believe the proposed changes are positive and will enhance the performance of engagements focused on compilation of prospective financial statements and pro forma financial information.

The question posed on page 9 of the ED asked respondents to specifically address whether they agree with the decision to not require written representation in a compilation of prospective financial information. We agree that a representation letter should not be required in such engagements. We believe adequate representations for the accountant in such engagements will be forthcoming through forecast information, financial information, memos, emails, and other resources including the engagement letter in which the client accepts responsibility for the preparation of the prospective financial information.

We appreciate the opportunity to provide input into the standards setting process.

Sincerely,

A handwritten signature in cursive script that reads "Jerilyn K. Barthel".

Jerilyn K. Barthel, CPA
Chair, Professional Standards Committee
Texas Society of Certified Public Accountants

Agenda Item IV

Rules Committee Agenda

March 23, 2016

1:30 p.m.

E. Schedule next meeting.