

**California Society of CPAs Peer Review Program
Annual Report on Oversight for Calendar Year 2009
Date Issued – March 15, 2011**

I. Summary of Peer Review Program

The California Society of CPAs (CalCPA) serves as the administering entity for the AICPA Peer Review Program for the states of California, Arizona and Alaska (AICPA Peer Review Program). CalCPA administers the Peer Review Program for firms in those states that are not enrolled in the AICPA Peer Review Program (CalCPA Peer Review Program) . These programs operate the same; however there is a distinction between the two programs in that at least one owner of the firm must be a member of the AICPA to enroll in the AICPA Peer Review Program. AICPA bylaws require that members in a firm engaging in the practice of public accounting and issuing accounting and auditing reports have their firm enrolled in peer review.

The AICPA administers a peer review program through the National Peer Review Committee (NPRC) for firms required to be registered with and inspected by the Public Company Accounting Oversight Board (PCAOB) and for firms that elect to have their review administered by the NPRC. The NPRC prepares a separate annual oversight report; therefore their statistics are not included in this report. Also, the AICPA Peer Review Board prepares an annual report on a national basis. These reports are available on the AICPA web site.

California, Arizona, and Alaska Boards of Accountancy require firms who issue accounting and auditing reports to be peer reviewed. The AICPA Peer Review Program is a recognized peer review program provider. Effective January 1, 2010, the California Board of Accountancy requires peer review of firms that issue reports and has adopted a three-year phase in period. The Arizona Board of Accountancy requires peer review with an exception for firms that issue only compilations without disclosures reports. The Alaska Board of Accountancy requires peer review with an exception for firms that issue only compilation reports.

Peer review is a triennial review of a firm's accounting and auditing services performed by a peer reviewer who is unaffiliated with the firm being reviewed to ensure work performed conforms to professional standards. There are two types of peer reviews. System reviews are designed for firms that perform audits or other similar engagements. Engagement reviews are for firms that do not perform audits but perform other accounting work such as compilations and/or reviews. Firms can receive a rating of pass, pass with deficiency, or fail. Firms that receive ratings of pass with deficiency or fail usually must perform follow up actions. Further explanation of peer review is available at www.aicpa.org/prsummary.

II. CalCPA Administering Entity Oversight Process and Procedures

The Peer Review Administrative Committee (PRAC) of the California Peer Review Committee monitors the oversight process. Each PRAC member has been approved by the Council of CalCPA and has current audit experience.

Using criteria outlined in the *AICPA Peer Review Program Oversight Handbook*, peer reviewers and/or firms are chosen at the beginning of each year. A minimum of 2% of reviews processed during the year are subjected to the oversight process. A peer review committee member or former peer review committee member performs the oversights. For system oversights, this committee member must have current audit experience. AICPA Peer Review Program Oversight Checklists are utilized on all oversights and oversight reports are prepared. The oversight reports are included in the report acceptance body process and all oversight reports are reviewed by the PRAC.

For engagement review oversights and limited system review oversights, the peer reviewer is notified after the peer review has been submitted to the administering entity of the engagements that have been selected for review. The peer reviewers then submit their work papers for review and the oversight CPA reviews the financial statements and any applicable firm work papers for the selected engagements.

Onsite system reviews are conducted at the reviewed firm's office while the peer reviewer is performing the peer review. The oversight CPA examines the peer reviewer's work papers, reviews a sample of engagements selected by the peer reviewer for review, and attends the exit conference.

Every year, one third of reviewer resumes and CPE are verified. All reviewers are verified over a three year period. Reviewers provide information about the number of engagements they are specifically involved with and in what capacity. The California Peer Review Program compares this information to the reviewer resume in the AICPA database and to the reviewer firm's most recent background information and most recent peer review.

Biennially the AICPA Peer Review Board performs oversight on the California Peer Review Program. A member from the AICPA Peer Review Board Oversight Committee reviews files and interviews staff at the administrative office. In addition the member attends a peer review committee meeting and observes the report acceptance process of the committee members. A report is issued and approved by the AICPA Peer Review Board. This report is posted to the peer review section of the web site of CalCPA. In the year where the AICPA Peer Review Board is not performing oversight, a member of the California Peer Review Committee performs administrative oversight.

Note: The data in the following tables (sections III through VII) reflects peer review results as of March 11, 2011. The following percentages are the 2009 reviews in process, and their results are not included in the totals below.

CA – 1.1%

AZ – 1.5%

AK – There are no 2009 review in process

^ At least one owner of the firm must be a member of the AICPA to enroll in the AICPA Peer Review Program

III. Number of Enrolled Firms by Number of Professionals

Professionals are considered all personnel who perform professional services, for which the firm is responsible, whether or not they are CPAs.

Per State as of March 11, 2011

California Firms	^AICPA Peer Review Program	CalCPA Peer Review Program
Sole Practitioners	1074	209
2-5 Professionals	968	162
6-10 Professionals	359	34
11-19 Professionals	170	9
20-49 Professionals	97	3
50+ Professionals	17	0
Totals	2685	417

Arizona Firms	^AICPA Peer Review Program	CalCPA Peer Review Program
Sole Practitioners	203	75
2-5 Professionals	192	44
6-10 Professionals	51	8
11-19 Professionals	21	1
20-49 Professionals	10	0
50+ Professionals	3	0
Totals	480	128

Alaska Firms	^AICPA Peer Review Program	CalCPA Peer Review Program
Sole Practitioners	34	11
2-5 Professionals	32	1
6-10 Professionals	9	0
11-19 Professionals	7	0
20-49 Professionals	2	0
50+ Professionals	1	0
Totals	85	12

**IV. Results of Peer Reviews Performed During the Year 2009
Results by Type of Peer Review and Report Issued**

California Firms	^AICPA Peer Review Program	CalCPA Peer Review Program
System Reviews:		
Pass	325	10
Pass with Deficiencies	40	2
Fail	7	0
Subtotal – System	372	12
Engagement Reviews:		
Pass	435	2
Pass with Deficiencies	46	0
Fail	6	0
Subtotal – Engagement	487	2
Totals	859	14

Arizona Firms	^AICPA Peer Review Program	CalCPA Peer Review Program
System Reviews:		
Pass	53	12
Pass with Deficiencies	7	7
Fail	2	1
Subtotal – System	62	20
Engagement Reviews:		
Pass	105	46
Pass with Deficiencies	13	5
Fail	1	2
Subtotal – Engagement	119	53
Totals	181	73

Alaska Firms	^AICPA Peer Review Program	CalCPA Peer Review Program
System Reviews:		
Pass	16	1
Pass with Deficiencies	1	0
Fail	0	0
Subtotal – System	17	1
Engagement Reviews:		
Pass	8	4
Pass with Deficiencies	2	1
Fail	0	0
Subtotal – Engagement	10	5
Totals	27	6

V. Number and Reasons for Report Modifications

The following lists the reasons, summarized by elements of quality control as defined by Statement on Quality Control Standards, for report modifications (when a pass with deficiency or fail report is issued) and shows the number of firms that received pass with deficiency reports from system reviews performed for 2009. There can be two or more elements in a peer review report.

Reasons for Report Modifications California Firms	^AICPA Peer Review Program	CalCPA Peer Review Program
Leadership Responsibilities for Quality	2	0
Relevant Ethical Requirements	1	0
Engagement Performance	37	2
Human Resources	8	0
Acceptance & Continuance of Clients & Engagements	1	0
Monitoring	16	2
Totals	65	4

Reasons for Report Modifications Arizona Firms	^AICPA Peer Review Program	CalCPA Peer Review Program
Leadership Responsibilities for Quality	1	0
Relevant Ethical Requirements	0	0
Engagement Performance	7	7
Human Resources	2	0
Acceptance & Continuance of Clients & Engagements	1	0
Monitoring	2	1
Totals	13	8

Reasons for Report Modifications Alaska Firms	^AICPA Peer Review Program	CalCPA Peer Review Program
Leadership Responsibilities for Quality	0	0
Relevant Ethical Requirements		0
Engagement Performance	1	0
Human Resources	0	0
Acceptance & Continuance of Clients & Engagements	1	0
Monitoring	0	0
Totals	2	0

VI. Number of Engagements Not Performed In Accordance with Professional Standards

The following shows the total number of engagements reviewed and the number identified as “not performed in accordance with Professional Standards” from peer reviews performed during 2009. The Standards state that an engagement is ordinarily considered not performed in accordance with Professional Standards when deficiencies, individually or in aggregate, exist that are material to understanding the report or the financial statements accompanying the report, or represents omission of a critical accounting, auditing, or attestation procedure required by professional standards.

California Firms				
Engagement Type	^AICPA Peer Review Program		CalCPA Peer Review Program	
	Number of Engagements		Number of Engagements	
	Reviewed	Not Performed in Accordance with Professional Standards	Reviewed	Not Performed in Accordance with Professional Standards
Audits – Single Audit Act (A-133)	161	16	5	0
Audits – Governmental – All Others	130	14	8	0
Audits – ERISA	186	15	1	0
Audits – FDICIA	4	1	0	0
Audits – Other	433	25	14	4
Reviews	570	14	11	0
Compilations with Disclosures	421	15	7	0
Compilations without Disclosures	1018	50	8	0
Financial Forecast & Projections	2	0	0	0
Other SSAEs	63	3	1	0
Totals	2988	153	55	4
% Not Performed in Accordance with Professional Standards		5.1%		7.3%

Arizona Firms				
Engagement Type	^AICPA Peer Review Program		CalCPA Peer Review Program	
	Number of Engagements		Number of Engagements	
	Reviewed	Not Performed in Accordance with Professional Standards	Reviewed	Not Performed in Accordance with Professional Standards
Audits – Single Audit Act (A-133)	28	4	2	0
Audits – Governmental – All Others	29	4	2	0
Audits – ERISA	31	2	5	0
Audits – FDICIA	0	0	0	0
Audits – Other	63	3	16	8
Reviews	97	5	42	1
Compilations with Disclosures	68	6	28	3
Compilations without Disclosures	251	12	66	3
Financial Forecast & Projections	0	0	0	0
Other SSAEs	19	0	3	0
Totals	586	36	164	15
% Not Performed in Accordance with Professional Standards		6.1%		9.1%

Alaska Firms				
Engagement Type	^AICPA Peer Review Program		CalCPA Peer Review Program	
	Number of Engagements		Number of Engagements	
	Reviewed	Not Performed in Accordance with Professional Standards	Reviewed	Not Performed in Accordance with Professional Standards
Audits – Single Audit Act (A-133)	12	1	0	0
Audits – Governmental – All Others	5	0	0	0
Audits – ERISA	3	0	0	0
Audits – FDICIA	0	0	0	0
Audits – Other	23	1	3	1
Reviews	27	2	5	0
Compilations with Disclosures	15	0	3	0
Compilations without Disclosures	22	1	2	0
Financial Forecast & Projections	0	0	0	0
Other SSAEs	4	0	1	1
Totals	111	5	14	2
% Not Performed in Accordance with Professional Standards		4.5%		14.3%

VII. Summary of Required Follow-up Actions

The Peer Review Committee is authorized by the Standards to decide on the need for and nature of any additional follow-up actions required as a condition of acceptance of the firm's peer review. During the report acceptance process, the peer review committee evaluates the need for follow-up actions based on the nature, significance, pattern, and pervasiveness of engagement deficiencies. The peer review committee also considers the comments noted by the reviewer and the firm's response thereto. If the firm's response contains remedial actions which are comprehensive, genuine, and feasible, then the committee may decide to not recommend further follow-up actions. Follow-up actions are corrective in nature and are imposed in an attempt to strengthen the performance of the firm. A review can have multiple follow-up actions. For 2009, the following represents the type of follow-up actions required. (TC = Team Captain)

California Firms Type of Follow-up Action	^AICPA Peer Review Program	CalCPA Peer Review Program
Agree to hire consultant for preissuance reviews	3	0
Submit proof of CPE taken	57	0
Submit copy of monitoring report	10	0
Submit to TC revisit-general	7	1
Submit to TC review of sub engagements w/ workpapers	14	1
Agree to have accelerated review	3	0
Submit to TC review of sub engs w/o workpapers	1	0
Totals	95	2

Arizona Firms Type of Follow-up Action	^AICPA Peer Review Program	CalCPA Peer Review Program
Submit proof of CPE taken	17	10
Submit copy of monitoring report	1	2
Submit to TC revisit -- general	4	1
Submit to TC review of sub engagements w/ workpapers	1	2
Submit to TC review of sub engs w/o workpapers	1	0
Totals	24	15

Alaska Firms Type of Follow-up Action	^AICPA Peer Review Program	CalCPA Peer Review Program
Agree to hire consultant for preissuance reviews	1	0
Submit proof of CPE taken	2	1
Totals	3	1

VII. Oversight Process

**Oversight Results
Peer reviews**

California Firms					
^AICPA Member Firms			Non-AICPA Member Firms		
Type of Peer Review (Sys, Eng, Rpt)	Must Select Engagement (ERISA, GAGAS, FDICA, NONE)	Total Oversights	Type of Peer Review (Sys, Eng, Rpt)	Must Select Engagement (ERISA, GAGAS, FDICA, NONE)	Total Oversights
System	GAGAS - 7	10	System	GAGAS	0
	ERISA - 4			ERISA	
Engagement		8	Engagement		1

Arizona Firms					
^AICPA Member Firms			Non-AICPA Member Firms		
Type of Peer Review (Sys, Eng, Rpt)	Must Select Engagement (ERISA, GAGAS, FDICA, NONE)	Total Oversights	Type of Peer Review (Sys, Eng, Rpt)	Must Select Engagement (ERISA, GAGAS, FDICA, NONE)	Total Oversights
System	GAGAS - 1	3	System	GAGAS	0
	ERISA - 3			ERISA	
Engagement		2	Engagement		0

Alaska Firms					
^AICPA Member Firms			Non-AICPA Member Firms		
Type of Peer Review (Sys, Eng, Rpt)	Must Select Engagement (ERISA, GAGAS, FDICA, NONE)	Total Oversights	Type of Peer Review (Sys, Eng, Rpt)	Must Select Engagement (ERISA, GAGAS, FDICA, NONE)	Total Oversights
System	GAGAS - 2	2	System	GAGAS	0
	ERISA - 1			ERISA	
Engagement		1	Engagement		1

Verification of reviewer’s resumes

State	Total Number of Peer Reviewers	Total Number of Resume’s Verified for Year	% of Total Verified
California	104	31	30%
Arizona	23	11	50%
Alaska	2	1	50%
Total	129	43	33%

Administrative oversights

<p>Date of Last Administrative Oversight Performed by the Administering Entity</p>	<p>January 14, 2010</p>
<p>Date of Last On-site Oversight Performed by the AICPA Oversight Task Force (covers only the AICPA Peer Review Program)</p>	<p>October 22-24, 2008</p>