



DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
2000 EVERGREEN STREET, SUITE 250
SACRAMENTO, CA 95815-3832
TELEPHONE: (916) 263-3680
FACSIMILE: (916) 263-3675
WEB ADDRESS: <http://www.cba.ca.gov>



July 1, 2010

California Society of Certified Public Accountants
Jeannie Tindel, Director of Legislation
1201 "K" Street, Ste 1000
Sacramento, CA 95814-3922

Dear Ms. Tindel:

Thank you for your letter to the California Board of Accountancy (CBA) seeking clarification regarding the peer review requirement for California licensed certified public accounting firms. Provided below is information in response to your questions.

Any firm performing accounting and auditing services after January 1, 2010 as defined in Section 39 of the CBA Regulations is subject to peer review, regardless of when they cease performing those services. The firm must have a peer review report accepted by a Board-recognized peer review program and report the peer review information to the CBA, pursuant to the dates established in Section 45(b) of the CBA Regulations.

In order for a firm to renew its license following its first reporting date, the firm must have had a peer review report accepted by a Board-recognized peer review program within the 36 months prior to its first reporting date. This also applies to a licensee (sole proprietor) who chooses to renew a license in an inactive status. Additionally, the firm must have a peer review report accepted by a Board-recognized peer review program once every three years thereafter.

The CBA Regulations do not specify "look back" time requirements. Although the AICPA standards only require a 12-month "look back," the peer reviewer may need to go back further (up to 36 months) in order to complete the peer review for a firm that performed services prior to the immediate 12 months of the firm's renewal date

The CBA has worked diligently to provide sufficient information to licensees to assist them in preparing for mandatory peer review. Below is a summary of the information made available by the CBA and communicated to licensees regarding the new peer review requirements:

- May 2009: UPDATE Newsletter article regarding the CBA's sponsorship of Assembly Bill (AB) 138, to make peer review mandatory for California licensed firms. (*The UPDATE Newsletter is sent to all active and inactive CPAs.*)
- June 2009: Posted a News Release on the CBA's Web site regarding AB 138 passing out of the Assembly.
- October 2009: Posted a News Release on the CBA's Web site regarding the Governor signing AB 138.

Mailed a letter to all active and inactive CPAs, corporations and partnerships that the Governor had signed AB 138 into law, which made peer review mandatory beginning January 1, 2010.

December 2009: UPDATE Newsletter article regarding new mandatory peer review requirement in addition to the Notice of Proposed Regulatory Action, which contained a summary of the proposed regulations and contact information for licensees who wished to provide comments on the proposal.

Posted a News Release on the CBA's Web site regarding peer review bringing greater consumer protection.

Peer Review Web page added to CBA Web site containing Frequently Asked Questions in addition to the laws and regulations governing peer review.

January 2010: CBA Web site posting regarding peer review public hearing.

March 2010: Peer Review brochure posted to CBA's Web site.

May 2010: UPDATE Newsletter Article regarding peer review reporting information and phase-in-dates for licensees.

An additional letter will be mailed in July 2010 to the first group of licensees who are subject to reporting peer review information by July 2011 (licensees with a license number ending in 01-33). Additional letters will be mailed yearly to subsequently affected groups of licensees, notifying them of the peer review requirement and their reporting due date.

Communication to licensees has been and will continue to be a high priority for the CBA as we move into the reporting phase of peer review. Should you have any questions regarding the responses to your questions or need additional information, please contact me at (916) 561-1718 or by email at pbowers@cba.ca.gov.

Sincerely,



Patti Bowers
Executive Officer