

## Oversight Visit Report

October 21, 2010

To the Peer Review Committee  
Alabama Society of CPAs

We have reviewed the Alabama Society of CPAs administration of the AICPA Peer Review Program as part of our oversight program. Our procedures were conducted in conformity with the guidance established by the AICPA Peer Review Board (board) as contained in the *AICPA Peer Review Program Oversight Handbook*. The administering entity is responsible for administering the AICPA Peer Review Program in compliance with the *AICPA Standards for Performing and Reporting on Peer Reviews*, interpretations, and other guidance established by the board. Our responsibility is to determine whether (1) administering entities are complying with the administrative procedures established by the board as set forth in the *AICPA Peer Review Program Administrative Manual*, (2) the reviews are being conducted and reported upon in accordance with the standards, (3) the results of the reviews are being evaluated on a consistent basis by all administering entity peer review committees, and (4) information disseminated by administering entities is accurate and timely.

Based on the result of the procedures performed, we have concluded that the Alabama Society of CPAs has complied with the administrative procedures and standards in all material respects as established by the board.

As is customary, we have issued a letter of oversight visit procedures and observations that details the oversight procedures performed during our visit..



Arthur L. Sparks, Jr., Member, Oversight Task Force  
AICPA Peer Review Program

**Peer Review Program**

October 21, 2010

To the Peer Review Committee  
Alabama Society of CPAs

We have reviewed the Alabama Society of CPAs' (the "Society") administration of the AICPA Peer Review Program as part of our oversight program and have issued our report thereon dated October 21, 2010. That report should be read in conjunction with the observations in this letter, which were considered in determining our conclusions. The observations described below were not considered to be of sufficient significance to affect the conclusions expressed in that report.

The oversight visit was conducted according to the procedures in the *AICPA Peer Review Program Oversight Handbook*. An oversight program is designed to improve the administering entity's administration of the AICPA Peer Review Program through feedback on its policies and procedures, and to provide resource assistance from an AICPA Peer Review Board (the "Board") Oversight Task Force member on both technical and administrative matters.

In conjunction with the oversight visit of the Alabama Society of CPAs, the administering entity for the program, conducted on October 20-21, 2010, the following observations are being communicated.

**Administrative Procedures**

I was accompanied on the review by Teresa Bordeaux, Technical Manager of the AICPA. On the morning of October 20, 2010, we met with Ms. Shirley Carroll, Peer Review Manager, and Mr. Michael Brand, Chair of the Peer Review Committee, to review the program's administration. We do not believe the administrative processes were being handled in a manner consistent with peer review standards.

We reviewed the files which were still open due to follow-up actions. We found that the follow-up actions were being monitored for completion by the administrative staff. We found that some firms undergoing follow-up actions which were past due were not being notified of their delinquency by sending the appropriate letters.

We also reviewed the policies and procedures for the granting of extensions. Very few extensions are granted and only in extreme conditions.

We also reviewed the timeliness of the scheduling process, technical reviews and the preparation of acceptance and follow-up letters. We found that some of the reviews were delinquent without corresponding letters being sent to the firm and / or the reviewer. The status of reviews and follow-up actions were not being reported to the committee.

The Society has developed a back-up plan to support the peer review manager should she become unable to serve in that capacity. That plan includes the using the peer review manager in an enjoining state. The plan has been acknowledged by the enjoining state but never actually tested.

### **Web-Site and Other Media Information**

The Board's Peer Review Administrative Staff independently reviewed the administering entity's procedures to determine if the information disseminated regarding the AICPA Peer Review Program by the administering entity on their web-site is accurate and timely.

After the AICPA staff's review of the Web site material, we noted that the administering entity maintains information which is not current as it relates to the peer review program. The peer review process references "report reviews" and "letter of comments", both of which have been written out of the standards. The technical reviewer page also references the "letter of comments" inappropriately. The administering entity has an individual who is responsible for maintaining the web-site and monitoring the web-site to ensure peer review information is accurate and timely. The web site should be updated by that individual to agree with current standards.

### **Working Paper Retention**

We reviewed the completed working papers and found instances of noncompliance with the working paper retention policies. We noted some files where the documentation had not been destroyed according to professional standards. The Society should develop a strategy to ensure that the retention policies of the program are followed. This should include a process to delete electronically saved documents once the 120-day retention period has expired.

### **Technical Review Procedures**

Selected committee members serve as technical reviewers. We discussed the process with Shirley Carroll and we met with the two primary technical reviewers, Warren Morrison and Matt Oaks. These reviewers are responsible for reviewing the engagements and clearing as many items as is practical prior to submission to the committee, which acts as the Report Acceptance Body (RAB).

We reviewed the reports, letters of response, and the working papers for most of the reviews submitted to the RAB on October 21, 2010. The information for those reviews was received on October 18, 2010. It is our understanding that we received the information at the same time as the committee members. It is our belief that this short review period could cause some reviews to not be adequately reviewed and appropriate consideration given. The technical reviewers and the administration should work to give the committee at least one week to review the engagements. During our review of the

peer reviews, we noted that the review issues were addressed properly by the technical reviewers before the reviews were presented to the RAB.

### **Review Presentation**

The peer review committee, acting as a RAB, meets eight times during the year to accept peer reviews. On October 21, 2010, we participated in the committee meeting (acting as a RAB) when several reviews were discussed. The meeting was orderly and it was apparent that the committee members, even with the time constraints placed upon them by the administration and technical reviewers, had reviewed the reports and working papers thoroughly prior to the meeting and had a good understanding of the program to reach appropriate decisions for each review. The reviews were presented timely and appropriate follow-up actions and team/review captain feedbacks were done.

### **Committee Procedures**

On October 21, 2010 we attended the on-site peer review committee meeting. We observed the committee's (acting as a RAB) acceptance process and offered our comments at the close of business. We also reviewed the minutes of the committee meetings from the past two years and noted that the committee had never taken action on the internal administrative oversight report nor the desk oversight reports generated by the AICPA. The committee had also failed to send reviewer feedback when it was warranted by the desk oversight reports generated by the AICPA. This is a repeat finding from the prior oversight report. In the review of the minutes of the committee meetings, we also noted that it was not recorded that the status of the reviews and the follow-up status reports were ever discussed by the committee. These status reports are extremely important and should be carefully monitored by the committee. This is also a repeat finding from the prior oversight report.

### **Oversight Program**

The Alabama Society of CPAs' peer review committee has adopted a formal oversight program which is well documented. We reviewed the document and found it to be comprehensive, but not necessarily followed.

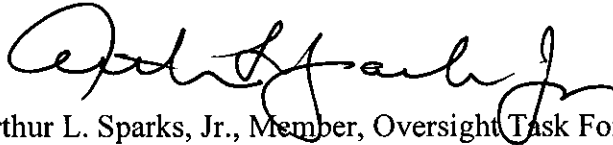
### **Summary**

My observations to enhance the Alabama Society of CPAs' administration of the program are summarized as follows:

- The administrator should send out letters when the background information, scheduling or follow-up actions become delinquent.
- The web site should be updated to include information about the current standards and remove information and terms used in previous standards.
- The working paper retention policies called for in the standards should be adhered to and followed.

- The administration and technical reviewers should allow the committee members more time to review the information used to accept peer reviews.
- The committee should take action on the internal administrative oversight report and the desk oversight reports generated by the AICPA. That action should be recorded in the minutes.
- The committee should send reviewer feedback when it is warranted by the results of the desk oversight reports generated by the AICPA.
- The status of reviews and the follow-up status reports should be discussed by the committee. The record of the discussion should be recorded in the minutes.

The foregoing matters were considered in determining our conclusion set forth in our letter dated October 21, 2010, and these matters do not change our conclusion.



Arthur L. Sparks, Jr., Member, Oversight Task Force  
AICPA Peer Review Program



Jeannine P. Birmingham, CPA, CAE  
President and CEO

November 22, 2010

Robert C. Bezgin, Chair  
AICPA Peer Review Board  
Oversight Task Force  
Palladian I Corporate Center  
220 Leigh Farm Road  
Durham, NC 27707-8110

Re: Oversight Visit to the Alabama Society of CPA's

Dear Mr. Bezgin:

We have received and reviewed the oversight visit letters issued in connection with the AICPA Peer Review Board's oversight visit to the Alabama Society of CPA's by Oversight Task Force member Art Sparks and AICPA Technical Manager Teresa Bordeaux on October 20-21, 2010. This letter represents our response to the observations noted in the oversight visit letters. The matters discussed herein were brought to the attention of all peer review program committee members, administrative staff, and technical reviewers. In addition, the matters discussed in this letter will be monitored to ensure they are effectively implemented as part of our system of quality control.

#### **Administrative Procedures**

The Alabama Society of CPA's is currently in the process of implementing procedures to ensure that will ensure that letters will be sent out to firms when the background information, scheduling or follow-up actions become delinquent. This includes having a date sensitive "tickler" file reminder system that will alert the administrator when the preceding items have become delinquent.

The Alabama Society of CPA's will ensure that the web-site is updated to include information about current standards and remove information and terms used in previous standards. The Alabama Society of CPA's will also review the web-site annually to make sure the content is current.

The Alabama Society of CPA's has also emphasized the importance of adhering to the working paper retention policies called for in the Standards. Additionally, we will review the procedures to ensure these policies are followed.

It was discussed at the subsequent meeting of the Alabama Society of CPA's Peer Review Committee meeting that the administrator should work closely with the technical reviewers to ensure that the committee members have adequate time to review the information used in accepting peer reviews. It was the consensus that the materials for

the meetings be provided to the committee no later than one week before the meeting is to take place.

### **Committee Procedures**

The Alabama Society of CPA's will make sure that any actions necessary to be taken on internal administrative oversight reports and the desk oversight reports will be addressed during the meetings and recorded not only in the minutes of the meetings but also on the agenda that is sent to the committee members in advance of the meeting. In addition to this, the committee chair will ensure the committee sends reviewer feedback when it is warranted by the results of the desk oversight reports generated by the AICPA.

As was stated in our letter of response to our 2008 oversight, a policy has been implemented for the appropriate status documentation to be included on the agenda for each meeting and sent to each committee member for review. The committee chair will ensure this policy is being followed and will also ensure that the status of reviews and the follow-up status reports are discussed during the committee meetings and such discussions will be reflected in the minutes of the meetings.

We certainly appreciate the constructive advice and suggestions reflected in our oversight letters provided Mr. Arthur Sparks.

Sincerely,



Michael L. Brand, CPA  
Chairman of the ASCPA's Peer Review Committee

Cc: Jeannine P. Birmingham, CPA  
Shirley L. Carroll  
Teresa Bordeaux, Technical Manager of the AICPA



Jeannine P. Birmingham, CPA, CAE  
President and CEO

## Internal Oversight

March 1, 2010

Charles R. Wilson, CPA  
Alabama Society of CPAs  
P. O. Box 5000  
Montgomery, AL 36103

Re: Internal Oversight – 2009 year – review performed over the last couple of meeting dates and concluded March 1, 2010.

My internal oversight visit was conducted according to the guidance established by the AICPA Peer Review Board as contained in the *AICPA Peer Review Program Oversight Handbook*. My responsibility is to determine whether the administering entity complied with the administrative procedures established by the board as set forth in the *AICPA Peer Review Program Administrative Manual*, reviews are being conducted and reported upon in accordance with the standards, results of the reviews are being evaluated on a consistent basis the peer review committee and information disseminated by the administering entity is accurate and timely.

Based on the results of the procedures performed, I have concluded that the Alabama Peer Review Program has complied with the administrative procedures and standards in all material respects as established by the board.

In conjunction with the internal oversight visit of the Alabama Peer Review Program, the following observations are being communicated.

### **Administrative Procedures**

On the March 1, 2010, I met with Shirley Carroll to review the program's administration. I believe the administrative processes were being handled in a manner consistent with peer review standards.

I reviewed the files, which were still open due to follow-up actions, which had not yet been completed. I found that the follow-up actions were being effectively monitored for completion by the administrative staff and the Peer Review Committee.

I also reviewed the policies and procedures for the granting of extensions. I found that the peer review director handles short-term extension requests with discussion from the committee when the circumstances warrant.

I also reviewed the timeliness of the scheduling process, technical reviews, and the preparation of acceptance and follow-up letters. I found no problems in these areas.

I discussed the Alabama Society of CPAs' back-up plan to support the program administrator should she become unable to serve in that capacity. The backup plan is Norma Gillis from the Mississippi Society of CPAs. The back-up plan is in writing.

### **Web Site and Other Media Information**

I met with Shirley Carroll to review the administering entity's procedures to determine if the information disseminated regarding the AICPA Peer Review Program by the administering entity on their web site and other media information is accurate and timely.

After my review of the web site material and other media information (if applicable), I noted that the administering entity maintains current information as it relates to the peer review program.

### **Working Paper Retention**

I reviewed a sample of completed work papers and found them in compliance with the working paper retention policies.

### **Technical Review Procedures**

I met with the technical reviewers (at last meeting) to discuss procedures. Warren Morrison and Matt Oaks perform all technical reviews, are experienced reviewers, and are involved in teaching various reviewer courses.

I did not perform any specific oversight procedures in this area because I am a peer review committee member and attend all meetings. I did select a sample of reviews to scan and believe that all review issues were addressed properly by the technical reviewers before reviews were presented to the committee. This helped the acceptance process to be effective and efficient.

### **Review Presentation**

I did not select a sample of reviews in this area due to being on the committee and being present at all meetings but some reviews are brought to the committee with open technical issues. It appeared that the technical reviewer wanted the committee to assist in the final resolution of those issues before completing the review.

### **Committee Procedures**

The AICPA working paper oversights are emailed to the committee members before the meeting or handed out at the meeting for review and discussion. If warranted reviewer feedbacks are sent.

### **Oversight Program**

The Alabama Society of CPAs peer review committee has adopted a formal oversight program which is well documented. The Chairman reviews the oversights scheduled and performed periodically to determine if the minimum number will be met. As reviews go to the committee, the committee will discuss reviewers and/or firms that may need to be selected for oversight.

### **Summary**

My observations to enhance Alabama Society of CPAs' administration of the program are summarized as follows:

Noting no matters or concerns, I concluded that (Administering Entity) has complied with the administrative procedures and standards in all material respects as established by the board.

Sincerely,

**Charles R. Wilson, CPA**