

Facilitated State Board Access in New Mexico Member Frequently Asked Questions

1. What is Facilitated State Board Access?

It is a new process that the American Institute of CPAs (AICPA) has created to help keep up with the evolving changes in the business and regulatory environments and to address the demand for greater peer review transparency.

2. How does my firm benefit from this new Facilitated State Board Access process?

This new process is intended to create a nationally uniform system through which CPA firms can satisfy state board or licensing body peer review information submission requirements, increase transparency, and retain control over their peer review results. The AICPA and CPA state societies are working together to allow this process to become the primary means by which all State Boards of Accountancy (BOAs) obtain peer review results. Over time, this new process will help to make submission of your firm's peer review information easier. The NM Public Accountancy Board requires submission of a copy of the review report, letter of comments, acceptance letter, and if follow up is required the letter stating the follow-up is complete.

3. Which firms in New Mexico will be affected by the FSBA process?

Firms with their main office in New Mexico that have their peer reviews administered by the New Mexico Society of CPAs and have their review accepted on or after the March 20, 2009 RAB meeting will participate in FSBA.

This includes firms that already allow their peer review results to be posted to the existing public file as a condition of membership in the Governmental Audit Quality Center (GAQC), Employee Benefit Plan Audit Quality Center (EBPAQC) or Private Companies Practice Section (PCPS). *Please refer to question #17 in this Q&A for the specific process for these firms.*

4. Will a firm's peer review information be made public as a result of this new process?

No, a firm's peer review information will not be made available to the public as a result of this process. A firm's peer review results will be posted to a secure BOA access-only web site that will only be available to authorized state board representatives.

However, many firms already make their peer review results available as part of their AICPA membership or a Government Accountability Office (GAO) or BOA requirement. In addition, many firms make their peer review results available upon client request as it demonstrates a firm's commitment to quality.

5. Will my firm's peer review information that is posted to the secure BOA web site be shared with others?

That is not the intention of this process; however, each BOA's laws and regulations govern this matter. In addition, due to the Freedom of Information Act (FOIA) legislation that applies in some instances, BOAs may share information with others once they have obtained it.

6. How does this affect my firm's peer review information submission requirements?

Until our national goal is reached, this new process WILL NOT replace the current peer review information submission requirements of the New Mexico Public Accountancy Board, which licenses firms practicing in New Mexico. Therefore, firms will need to follow the current New Mexico Public Accountancy Board requirements until notified differently. (See list of required submissions in #2 above.)

7. Why Facilitated State Board Access?

After careful evaluation of the various options, stakeholders determined that the best way to address the user demands for greater peer review transparency, while considering member and state CPA society concerns, was to use the existing peer review process to facilitate the voluntary disclosure of peer review results to BOAs. The intent of this new process is to create a nationally uniform system through which CPA firms can satisfy state board peer review information submission requirements, increase transparency, and retain control over their peer review results.

8. When will Facilitated State Board Access be implemented?

New Mexico will begin the FSBA process for firms that have their reviews accepted on or after the March 20, 2009 RAB meeting. Full national implementation will occur throughout 2009 in connection with the acceptance of new peer review reports issued under the revised AICPA *Standards for Performing and Reporting on Peer Reviews (Standards)*.

9. What states are currently participating in the Facilitated State Board Access program?

Alabama, Connecticut, Delaware, The District of Columbia, Georgia, Guam, Idaho, Kansas, Kentucky, Maryland, Michigan, Minnesota, Missouri, Montana, Commonwealth of Northern Mariana Islands, New Jersey, New Mexico, Oregon, Pennsylvania, Virginia, Virgin Islands, Washington, West Virginia and Wisconsin. The following states began participating in FSBA in October 2007: North Carolina, Ohio, Oklahoma, South Dakota, Tennessee and Texas.

10. How will this new process work?

FSBA uses an opt-out process that allows peer review results to be made available to select BOAs on a voluntary firm basis, using a secure, BOA access-only web site that will only be available to authorized state board representatives. Firms will receive an additional notice and instructions along with their peer review acceptance letter that notifies them of the New Mexico Society of CPAs intent to post their peer review information to the secure BOA web site. For firms whose main office is located in New Mexico, their peer review administering entity is the New Mexico Society of CPAs. Firms that are not members of the AICPA Employee Benefit Plan Audit Quality Center, Governmental Audit Quality Center or Private Companies Practice Section will be given an opportunity to opt out of the process. Below are the details of how the new process will work.

In New Mexico, the process will entail:

- Making peer review results available to select BOAs on a voluntary firm basis, using a secure, BOA access-only web site that will be available only to authorized state board representatives. The New Mexico Society of CPAs will post applicable peer review information related to a firm's most recently accepted review to this secure BOA web site unless the firm requests that its information be excluded. The firm will be notified by the New Mexico Society of CPAs, via a notice included with the firm's peer review acceptance letter of its intention to post the firm's peer review results and the firm will have 30 days to opt out of the process.
- Once the New Mexico Society of CPAs posts the information, the firm's managing partner and peer review contact will receive a confirmation via email (or regular mail if email is not available) informing them that the results have been posted to the site and a reminder that the firm has 30 days from the date of the acceptance letter to opt-out of the process. The email also provides the partner and peer review contact the opportunity to make the firm's results available to additional select BOAs.
- After 30 days, if the firm does not opt out, the firm's peer review results will be available to authorized BOA representatives via a secure BOA web site. It is anticipated that this option will be beneficial, over time, to firms with multi-state practices.

Firms can request that their results be made available to more than one BOA, as long as the BOAs require peer review and are not prohibited from obtaining access to peer review information. **However, access will be limited only to those BOAs that are currently participating.**

11. When can I expand access to other BOAs outside of those currently participating?

Firms will be provided with the opportunity to select additional BOAs to receive expanded access. However, access will not be granted until the selected state or states are participating in the FSBA process.

12. What peer review information will be posted by the New Mexico Society of CPAs to the secure BOA web site for firms that do not opt out?

The following documents will be posted, as applicable, to the secure BOA web site. The number of documents posted for each firm can vary based upon the results of the peer review. **It is important to note that unless a firm opts out, all applicable documents will be posted even if it is not a state requirement.** A firm that does not opt out will not choose which documents to post as each of those applicable (based on the results of its peer review) will be posted.

- Peer review report
- Letter of comments
- Letter of response
- Acceptance letter
- Letter(s) signed by the reviewed firm indicating that the peer review documents have been accepted with the understanding that the reviewed firm agrees to take certain actions
- Letter notifying the reviewed firm or individual that certain required actions have been completed

13. What if my firm changes its mind and wants to opt out after the information has been posted?

A firm that is not a member of the AICPA Employee Benefit Plan Audit Quality Center, Governmental Audit Quality Center or Private Companies Practice Section may opt out at any time by notifying the New Mexico Society of CPAs in writing. Once the New Mexico Society of CPAs has been notified, the information will be removed from the web site, however, certain information (which is currently publicly available) will remain posted to the secure BOA web site. *Please refer to question #14 for more information.*

14. What happens if my firm decides to opt out?

If a firm chooses to opt out, it is important to note that certain information (which is currently publicly available) will be posted to the secure BOA web site. This information will help us to maintain a complete database of all firms in the peer review program. This includes:

- The firm's name and address

- The firm's enrollment in the Peer Review Program
- The date of acceptance and the period covered by the firm's most recently accepted peer review
- Whether the firm's enrollment in the program was terminated or dropped.

15. What if my firm is required to sign its acceptance letter agreeing to take certain actions (as a condition of peer review acceptance), and 30 days have elapsed from the date of the opt out letter but my firm has not returned the signed acceptance letter to the New Mexico Society of CPAs?

There may be situations where a time lapse occurs between the AE receiving the signed acceptance letter and the 30 days to opt out. An AE will not post the firm's peer review information to the secure BOA web site unless it has received the signed acceptance letter because a review is not considered accepted until the firm agrees in writing to take the actions required. For such firms that ultimately elect not to opt out, the peer review information would be posted the later of 30 days after the date of the acceptance letter or the date the acceptance letter is signed by the firm.

16. Isn't this an example of how rules imposed on large firms can cascade down to small firms?

No. There is growing demand for increased transparency in all facets of business; this demand is driven by marketplace and regulatory trends that affect firms of all sizes. Currently, 46 out of 54 state boards of accountancy either mandate peer review as a condition of licensure or have announced plans to do so, and about half of those states already require some form of submission of peer review information as a condition for renewal of a license.

17. What happens if my firm already allows its peer review results to be posted to the existing public file as a condition of membership in the Governmental Audit Quality Center (GAQC), Employee Benefit Plan Audit Quality Center (EBPAQC) or Private Companies Practice Section (PCPS)?

Because the information is already in the public file as a condition of membership, your firm will automatically have its peer review results posted to the secure BOA web site.

Your firm will not be able to opt out from providing access to the New Mexico Public Accountancy Board but will receive a letter from the New Mexico Society of CPAs informing you that your peer review results have been posted to the secure BOA web site and giving you the opportunity to make your peer review results available to other eligible BOAs. If you request the New Mexico Society of CPAs to do so, it will grant access to the authorized state board representatives in the state(s) you specify.

18. What if my firm is enrolled in the Center for Public Company Audit Firms (CPCAF) Peer Review Program?

These firms will begin participating in early 2009.

19. Who do I contact if I have questions?

You can contact Peer Review Administrator Camille Dozier at 505-246-1699, 800-926-2522, or camille@nmscpa.org; or you can contact Gary Freundlich, CPA, Director of Peer Review at the AICPA at gfreundlich@aicpa.org.