



THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

TO: The Honorable Members of the Board of Regents

FROM: David H. Hamilton 

SUBJECT: Proposed Amendment of Subdivisions (f) and (h) of Section 70.10 of the Regulations of the Commissioner of Education Relating to the Mandatory Peer Review Program in the Profession of Public Accountancy

DATE: August 28, 2025

AUTHORIZATION(S):  

SUMMARY

Issue for Decision (Consent)

Should the Board of Regents amend subdivisions (f) and (h) of Section 70.10 of the Regulations of the Commissioner of Education relating to the mandatory peer review program in the profession of public accountancy?

Reason for Consideration

Review of policy.

Proposed Handling

The proposed amendment is submitted to the Full Board for adoption as a permanent rule at the September 2025 Regents meeting. A copy of the proposed rule (Attachment A) is attached.

Procedural History

The proposed amendment was presented to the Professional Practice Committee for discussion at its April 2025 meeting. A Notice of Proposed Rule Making was published in the State Register on April 23, 2025 for a 60-day public comment period.

Following publication in the State Register, the Department received no comments on the proposed amendment. Therefore, an Assessment of Public Comment

is not required and no changes to the proposed amendment are needed. If adopted at the September 2025 meeting, a Notice of Adoption will be published in the State Register on September 24, 2025. Supporting materials are available upon request from the Secretary to the Board of Regents.

Background Information

This is a technical amendment to change the phrase “system of quality control” to “system of quality management” to conform to new quality control standards issued by the American Institute of Certified Public Accountants.

Pursuant to section 7410 of the Education Law, registered public accounting firms are required to undergo a peer review of the firm's attest¹ services every three years. A firm that is subject to the mandatory peer review requirements must provide the Department with a copy of the report for an acceptable peer review conducted within the prior three years each time the firm registers. The Peer Review Oversight Committee (PROC) is responsible for overseeing this program on behalf of the Department. The PROC is a committee comprised of six members, five of whom are required to be certified public accountants. The PROC is separate from the State Board for Public Accountancy (Board). The PROC reports annually to the Board and the Department on its monitoring activities and issues related to the peer review program. Additionally, the PROC regularly monitors the status of all firms enrolled into the peer review program.

Section 70.10 of the Commissioner's regulations (last amended in 2021) sets forth the rules for the mandatory peer review program for the profession of public accountancy, which include provisions on the PROC, requirements of public accountancy firms' participation in the program, requirements for peer reviewers, and the overall administration of the program. As the national peer review standards continue to evolve, the current standards are set forth by the American Institute of Certified Public Accountants (AICPA).

The AICPA's Auditing Standards Board and Accounting and Review Services Committee have collectively adopted new quality control (now called quality

¹ As per Education Law §7401-a:

1. "Attest" means providing the following public accountancy services which all require the independence of licensees:
 - a. any audit to be performed in accordance with generally accepted auditing standards or other similar standards, developed by a federal governmental agency, commission or board or a recognized international or national professional accountancy organization, that are acceptable to the department in accordance with the commissioner's regulations;
 - b. any review of a financial statement to be performed in accordance with standards, developed by a federal governmental agency, commission or board or a recognized international or national professional accountancy organization, that are acceptable to the department in accordance with the Commissioner's regulations;
 - c. any examination to be performed in accordance with attestation standards developed by a federal governmental agency, commission or board or a recognized international or national professional accountancy organization, that are acceptable to the department in accordance with the commissioner's regulations; or
 - d. any engagement to be performed in accordance with the auditing standards of the public company accounting oversight board.

management) standards designed to improve a CPA firm's risk assessment and audit quality. The new standards modernize quality control and reflect new realities in practice, such as an increased emphasis on risk assessment, changes in technology and the growing use of external service providers.

The AICPA's new standard is called "Statement on Quality Management Standards (SQMS)" which supersedes the old "Statement on Quality Control Standards (SQCS)". The new standards are effective December 15, 2025, and the public accountancy firms are encouraged to early adopt these new standards.

The SQMS update aligns with the peer review process with quality management requirements. For firms subject to peer review, the quality management related provisions of the Peer Review Standards are effective for peer review years ending on or after Dec 31, 2025. The AICPA includes updates on peer review terminology and phrasing revisions to conform with the new SQMS.

Proposed Amendment

The proposed amendment implements the AICPA's new Statement on Quality Management Standards by amending subdivisions (f) and (h) of Section 70.10 of the Commissioner's regulations by replacing references to "system of quality control" with "system of quality management."

Related Regents Items

[October 2021: Proposed Addition of Subdivision \(j\) to Section 29.10 of the Rules of the Board of Regents and Amendment of Section 70.10 of the Regulations of the Commissioner of Education Relating to the Mandatory Peer Review Program in the Profession of Public Accountancy](https://www.regents.nysed.gov/sites/regents/files/1021brca10.pdf)

<https://www.regents.nysed.gov/sites/regents/files/1021brca10.pdf>

[April 2025: Proposed Amendment of Subdivisions \(f\) and \(h\) of Section 70.10 of the Regulations of the Commissioner of Education Relating to the Mandatory Peer Review Program in the Profession of Public Accountancy](https://www.regents.nysed.gov/sites/regents/files/425ppcd1.pdf)

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Recommendation

It is recommended that the Board of Regents take the following action:

VOTED: That subdivisions (f) and (h) of Section 70.10 of the Regulations of the Commissioner of Education be amended, as submitted, effective September 24, 2025.

Timetable for Implementation

If adopted at the September 2025 meeting, the proposed rule will become effective as a permanent rule on September 24, 2025.

AMENDMENT TO THE REGULATIONS OF THE COMMISSIONER OF EDUCATION

Pursuant to sections 207, 6504, 6507, 7401, and 7410 of the Education Law

1. Subdivision (f) of section of 70.10 the Regulation of the Commissioner of Education is amended to read as follows:

(f) Approval of team and review captains and review teams.

(1) Each approved sponsoring organization shall develop and provide a list of reviewers to the department. The list may be made publicly available on a website specified by the sponsoring organization. The department will monitor the list of approved reviewers for the peer review program.

(2) Each approved sponsoring organization shall develop and implement procedures to assure that each review team member:

(i) is licensed or otherwise authorized to practice public accountancy in any state;
and

(ii) possesses knowledge of professional standards applicable to the attest practice or other specialized areas of practice to be reviewed, including recent experience in, and knowledge about, the rules and regulations appropriate to the industries of the engagements the individual will be reviewing.

(3) Each approved sponsoring organization shall develop and implement procedures to assure that each team or review captain:

(i) is licensed or otherwise authorized to practice public accountancy in any state;
and

(ii) meets the following competencies prior to commencing a peer review:

(a)

(1) each team captain performing a peer review of a firm's system of quality [control] management over its attest services, shall within the last five years, have experience performing attest services on behalf of a firm as a sole proprietor, partner of a partnership or limited liability partnership, member of a limited liability company or shareholder of a professional service corporation;

(2) each review captain performing a peer review to evaluate that a firm's engagements were performed and reported in conformity with applicable professional standards, shall within the last five years, have experience performing attest services on behalf of a firm as a sole proprietor, partner of a partnership or limited liability partnership, member of a limited liability company or shareholder of a professional service corporation, manager or person with equivalent supervisory responsibilities;

(b) has completed an initial training acceptable to the department that is in accordance with the American Institute of Certified Public Accountants Standards for Performing and Reporting on Peer Reviews, or its equivalent as determined by the department. At a minimum, said training shall include:

(1) training relating to the performance of peer reviews if the team captain will be issuing a report expressing an opinion on the firm's system of quality control; or

(2) training relating to the performance of peer reviews if the review captain will be issuing a report that only evaluates engagements submitted for review without expressing an opinion on the firm's system of quality [control] management;

(c) subsequent to the team or review captain's completion of an introductory reviewer training course pursuant to clause (b) of this subparagraph and within each successive triennial period as a team or review captain, the team or review captain shall

complete training acceptable to the department relating to the performance of peer reviews; and

(d) possesses knowledge of professional standards applicable to the attest practice to be reviewed, including recent experience in, and knowledge about, the rules and regulations appropriate to the industries of the engagements the individual will be reviewing.

2. Subdivision (h) of section 70.10 of the Regulation of the Commissioner of Education is amended to read as follows:

(h) Effect of substandard reviews. Any firm that receives a peer review report indicating that the firm has failed to design a system of quality [control] management over its attest services or comply with its system of quality control over its attest services, or that receives a peer review report indicating that the firm has failed to perform and report on engagements in conformity with applicable professional standards in all material respects, may be referred by the PROC for disciplinary action under Education Law section 6510.