

**The Ohio Society of CPAs
Annual Report on Oversight
Date Issued – September 21, 2016**

Administering Entity Oversight Process and Procedures

Purpose of this Report

The purpose of this Annual Report on Oversight (Report) is to provide an overview of the Peer Review Programs administered by the Ohio Society of CPAs (OSCPA). The report includes statistics and results of various oversight procedures performed by and on the OSCP A Peer Review Committee for the period covered January 1, 2015 – December 31, 2015.

Overview of the Ohio Society of CPAs (OSCPA) Peer Review

The OSCP A serves as the administering entity for Ohio firms enrolled in the AICPA Peer Review Program which began in 1989. For Ohio firms that are not eligible to be enrolled in the AICPA Peer Review Program, the OSCP A administers the OSCP A Peer Review Program which began in 1991. Both programs adopted the AICPA “Standards for Performing and Reporting on Peer Reviews” and are administered similarly. The OSCP A administers its oversight processes and procedures for both programs in accordance with the guidance from AICPA Peer Review Program Oversight Handbook, Chapter 2, Section IV.

A. Administrative Oversight

1. A member of the AICPA Oversight Task Force (OTF) visits the OSCP A on a biennial basis to perform oversight on all aspects of the AICPA Peer Review Program administration, including the administrative, technical reviewer and committee processes. A report letter is issued to the OSCP A, which contains any findings on the oversight. The report letter, along with a copy of the OSCP A Peer Review Committee’s response is submitted to the AICPA Peer Review Board for approval. Upon approval a copy of the report and response letter will be available on the OSCP A website at www.ohiocpa.com
2. In those years when there is no AICPA OTF oversight, an administrative oversight is performed by the OSCP A Peer Review Committee chair (or by another person approved by the committee) on the OSCP A’s administration of both the AICPA and the OSCP A Peer Review Programs. The administrative oversight reports are submitted to the AICPA as part of the Plan of Administration and are reviewed by the OSCP A Peer Review Committee. This report is also reviewed by the AICPA OTF representative that will be performing oversight the following year.
3. The Accountancy Board of Ohio (ABO) has approved the OSCP A as its authorized agent to administer both the AICPA and OSCP A Peer Review Programs for those firms that provide attestation services and are required to undergo a peer review for firm licensure. The ABO performs a monthly oversight on the OSCP A administration, including committee processes.

B. Annual Oversight Report

The OSCP A annually prepares a report on its peer review oversight process. This report contains statistical information covering a minimum of one calendar year and up to three years to capture a

complete peer review cycle. A copy of the report is submitted to the AICPA and is available on the OSCP website www.ohiocpa.com

C. Oversight Selection and Process for Peer Review Firms and Peer Reviewers

The AICPA and OSCP Peer Review Programs include the selection of various peer reviews for oversight. The selections may be random or targeted and are based on the criterion for selection as outlined in the AICPA Peer Review Program Oversight Handbook, Chapter 2, Section IV, Item C.

As part of its oversight process, the OSCP peer review committee oversees both firms being reviewed as well as reviewers performing reviews.

1. Firm oversight selection is conducted on a minimum of 2% of all reviews performed in a 12 month period of time, and within the 2% selected, there must be at least two of each type of peer review evaluated (system and engagement reviews). In addition, at least two “must-select” engagement oversights must be performed. The two engagement oversights must include either audits of employee benefits plans under Employee Retirement Income Security Act (ERISA), engagements performed under generally accepted Government Auditing Standards (GAGAS), audits of insured depository institutions subject to (FDIC) Improvement Act of 1991, audits of carrying broker dealers or examinations of service organizations (Service Organization Control [SOC]1 and 2 engagements). The oversight should not be performed on the same type of audits. Targeted oversight selection is based on a number of factors including, but not limited to, the types of peer review reports previously received, a member of the firm performs multiple peer reviews, high risk engagements or the firm’s initial peer review.
 - A) Members of the OSCP Peer Review Committee perform all system review and must-select engagement oversights. The oversight reviewers must have team captain qualifications and experience. It is understood that the oversight function is a committee member responsibility.
 - B) Technical reviewers perform all engagement review oversights.
2. Reviewers selected for targeted oversight may be selected due to frequent submission of pass reports, conducting reviews for firms with audits in high risk industries, performance of their first peer review, or performing high volumes of reviews, etc. Oversight of a reviewer can also be a result of performance deficiencies such as issuance of an inappropriate peer review report, failure to properly reach the appropriate conclusion during a review or timeliness of review performance which are monitored on a monthly basis by the technical reviewers and committee chair.

D. Annual Verification of Reviewers’ Resumes

To qualify as a reviewer, an individual must be an AICPA member and have at least five years of recent experience in the practice of public accounting in the accounting or auditing functions. The firm that the member is associated with should have received a pass report on either its system or engagement review. The reviewer should obtain at least 48 hours of continuing professional education in subjects

related to accounting and auditing every three years, with a minimum of eight (8) in any one year. A reviewer of an engagement in a high-risk industry should possess not only current knowledge of professional standards but also current knowledge of the accounting practices specific to that industry. In addition, the reviewer of an engagement in a high-risk industry should have current practice experience in that industry. If a reviewer does not have such experience, the reviewer may be called upon to justify why he or she should be permitted to review engagements in that industry.

Ensuring that the reviewers' resumes are updated annually and are accurate is a critical element in determining if the reviewer or review team has the appropriate knowledge and experience to perform a specific peer review. On an annual basis, the OSCP verifies a sample of reviewers' resumes of at least 1/3 of the active reviewers (100% being verified over a three-year period). The reviewers are required to submit specific information then a technical reviewer compares the information received to the information that is in the PRISM (AICPA peer review database) for accuracy.

Verification procedures include:

- The reviewer provides specific information such as the number of engagements they are specifically involved with and in what capacity. The OSCP peer review administrator then compares the information to the reviewer's resume on file with the AICPA and the firm's most recent background information to determine if the reviewer's firm actually performed those engagements during its last peer review.
- Verifying whether the reviewer is a partner or manager in a firm enrolled in an approved practice monitoring program.
- Verifying which state(s) the reviewer has a license to practice in (this may include requesting copies of their license)
- Determining the reviewers' qualification and experience related to the "high risk" engagements.
- Verifying the continuing professional education (CPE) courses taken over a three-year period (this may include requesting copies of their CPE certificates)
- Verifying that the reviewer's firm received a pas report on its most recently completed peer review.

1. Number of Enrolled Firms by Number of Professionals* as of 9/21/2016 and includes 100% of the reviews performed in 2015

	OH Peer Review Program	^AICPA Peer Review Program
Sole Practitioners w/o Audits	173	177
Sole Practitioners w/ Audits	25	49
2 to 5 w/o Audits	138	259
2 to 5 w/ Audits	17	122
6 to 10 w/o Audits	25	69
6 to 10 w/ Audits	4	85
11 to 19 w/o Audits	5	19
11 to 19 w/ Audits	2	56
20 to 49 w/o Audits	0	3
20 to 49 w/ Audits	1	30
50 to 99 w/o Audits	0	0
50 to 99 w/ Audits	0	4
100+ w/o Audits	0	0
100+ w/ Audits	0	0
No A & A Firms	29	50
Total Enrolled Firms	419	923

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

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

2. Results of Peer Reviews Performed During the year 2015 by Type of Peer Review and Report Issued

	OH Peer Review Program	^AICPA Peer Review Program
System Reviews:		
Pass	5	86
Pass with deficiency(ies)	2	10
Fail	4	3
Subtotal – System	11	99
Engagement Reviews:		
Pass	72	159
Pass with deficiency(ies)	7	7
Fail	8	5
Subtotal – Engagement	87	171
Total	98	270

Note: The above data reflects peer review results as of 9/21/2016 and includes 100% of the reviews performed in 2015.

3. Number and Reasons for Report Modifications for the year 2015

The following lists the reasons, summarized by elements of quality control as defined by the SQCS No.7, for report modifications (that is, Pass with deficiency(ies) or Fail (reports) from system reviews performed in the AICPA PRP. A System Review includes determining whether the firm’s system of quality control for its accounting and auditing practice is designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards, including SQCS No. 7, in all material respects. SQCS No. 7 states that the quality control policies and procedures applicable to a professional service provided by the firm should encompass the following elements: Leadership responsibilities for quality within the firm (“the tone at the top”); relevant ethical requirements; acceptance and continuance of client relationships and specific engagements; human resources; engagement performance; and monitoring. Since Pass with deficiency(ies) or Fail reports can have multiple reasons identified, the numbers contained in this section will exceed the number listed in other areas of the report.

Reasons for Report Modifications	OH Peer Review Program	^AICPA Peer Review Program
Engagement Performance	6	12
Human Resources	1	3
Acceptance & Continuance of Clients & Engagements	0	0
Monitoring	3	3
Relevant Ethical Requirements	0	0
Leadership responsibilities for quality within the firm	2	2
Totals	12	20

Note: The above data reflects peer review results as of 9/21/2016.

4. Number of Engagements Not Performed or Reported on in Accordance with Professional Standards for the year 2015

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 2015. The Standards state that an engagement is ordinarily considered substandard 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.

Engagement Type	OH Peer Review Program		^AICPA 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
Entities s/t SEC Independence Rules				
Audits – Single Audit Act (A-133)				1
Audits – Government – All Other				1
FDICIA				
Audits – Other				1
Reviews		1		4
Compilations (old-full & omit discl)		8		5
Compilations with Disclosures				
Compilations without Disclosures				
Financial Forecast and Projections-examinations				
Financial Forecast & Projections-other				
Other SSAEs				
SOC 1 Reports				
SOC 2 Reports				
Examinations of Written				

Reviews of Written Assertions				
Agreed-Upon Procedures				1
Non-Carrying Broker-Dealers				
Defined Contribution Plans Limited and Full Scope (excluding 403 (b) plans)		2		6
Defined Contribution Plans Limited and Full Scope				
Defined Benefit Plans Limited and Full Scope				
ERISA Health and Welfare Plans				
ESCOP Plans				
Other Employee Benefit Plans				
Defined Contribution Plans Limited and Full Scope (403 (b) plans only)		1		1
Other		1		1
Totals		13		21

Note: The above data reflects peer review results as of 9/21/16.

5. Summary of Required Follow-up Actions

The Peer Review Committee (committee) is authorized by *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 committee evaluates the need for follow-up actions based on the nature, significance, pattern, and pervasiveness of engagement deficiencies. The 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 remedial and educational in nature and are imposed in an attempt to strengthen the performance of the firm. A review can have multiple follow-up actions. For 2015, the following represents the type of follow-up actions required.

Type of Follow-up Action	OH Peer Review Program	^AICPA Peer Review Program
Receiving a revised LOR	1	
Receiving revised RPT		
TC Revision of working papers		2
Agree to take certain Continuing Education (CPE) 009	20	23
Agree to hire consultant for pre-issuance reviews	1	6
Submit proof of CPE taken		
Submit copy of inspection report	4	2
Submit inspection completion letter	3	2
Outside party to review inspection	1	
Submit report on consultant		2
Submit to team captain (TC) revisit – general		
Submit to TC review of subsequent engagement with workpapers (020, 201)	1	
Submit Monitoring Report to Committee		
901 Agreed to take CPE	10	9
902	3	2
904		
903		
Team Captain to review QCD	1	
Submit proof of proper licensure		
Clarification of one or more issues		
Other	1	
Totals	47	48

Note: The above data reflects peer review results as of 9/21/2016.

6. Oversight Results

a) Peer reviews

1. AICPA Member Firms

Type of Peer Review (System or Engagement)	Oversight Included Must Select Engagement (ERISA, GAGAS, FDICIA, Carrying Broker Dealers, NONE)
System	9 (5, 13, 380, 400)
Engagement	4

2. Non-AICPA Member Firms

Type of Peer Review (System or Engagement)	Oversight Included Must Select Engagement (ERISA, GAGAS, FDICIA, Carrying Broker Dealers, NONE)
System	3 (380, 400)
Engagement	1

b) Verification of reviewer's resumes

Total Number of Peer Reviewers	Total Number of Resumes Verified for Year 2015	% of Total Verified
74	None	0% (100% verified in 2013 & 2014)

c) Administrative oversights

Date of Last Administrative Oversight Performed by the Administering Entity	November 13, 2015
Date of Last On-site Oversight Performed by the AICPA Oversight Task Force (covers only the AICPA Peer Review Program)	November 20 & 21, 2014