

New York State Society of CPAs

Annual Report on Oversight

Date Issued – August 29, 2016

I. Administering Entity Oversight Process Policies and Procedures

1) Oversight of Individuals Reviews and Reviewers

A. Policies and Procedures to Ensure Peer Reviews are Reported and Conducted in Accordance with (AICPA) Peer Review Standards.

1. Oversight reviews are conducted on no less than two percent of all reviews completed during the calendar year (with at least two of such minimum total oversight reviews including on sight system review oversight reviews, two engagement reviews and two must select engagement reviews) during the oversight (calendar) year.
2. Oversight reviews are evaluated by the Peer Review Committee (the Committee) on a consistent and fair basis. Each month, with some exceptions depending on the pattern of completion of the oversight reviews, one of the seven standing report acceptance bodies (RABs) (three-member minimum) is assigned a completed oversight (report, checklist and, if necessary, relevant communications among the parties to the oversight) to deliberate along with the peer review report and supporting work papers.
3. The composition of the RAB takes into consideration any known potential conflicts due to knowledge of a firm, etc.
4. If members cannot agree whether to accept/defer the oversight or the review or if the firm disagrees with one or both reports, then the reviewed firm is referred to a

hearing panel (HP) comprised of at least 5 Committee members including the HP hearing officer.

B. Documentation of Reason(s) for Selecting Firm for Oversight (“OS”)

1. Based on detailed criteria discussed in Chapter 2 of the Oversight Handbook regarding firm, reviewer, and review characteristics.
2. Monthly Oversight Status Report: Customized spreadsheet developed by State Society posted for each oversight upon notification from the Committee of a new oversight. PRISM is also updated as to status of each oversight through acceptance.
3. Data regarding firm being oversighted, peer review and reasons selected from AICPA Oversight Handbook listings is posted to the spreadsheet along with other aspects of the reviewed firm profile.
4. Peer reviews selected for oversight based on industry qualifications, frequency of performing oversights and geography if oversight if done at the firm’s offices are all taken into account.
5. Team captain (reviewer) and reviewed firm notified by NYSSCPA peer review staff on behalf of the Committee chair or subcommittee OS chair and OS schedule agreed to with reviewed firm and reviewer:
 - a. Formal notification letter and work paper request (see AICPA samples) sent to peer reviewer and overseer. Copies of notice letters along with a sample oversight report, oversight checklist and a memo explaining oversight procedures, responsibilities and time table sent to Committee overseer.
 - b. Oversight information regarding firm, reasons for oversight, etc., entered into PRISM.
 - c. Type of and reasons for the oversight: indicated on spreadsheet.

- d. Contemporaneous with peer review field work (“on site” or “on location”).
 - e. Post completion of peer review report and before RAB acceptance (“off site” or “off location”).
6. Documentation (Oversight report, checklist and memorandum of findings and recommendations) submitted to the RAB along with peer review report and work papers for an acceptance deliberation conference call or upon reconvening of RAB that ordered the oversight:
- a. Oversight results reviewed (Overseer and firm provided opportunity to defend their respective positions on matters of disagreement on conference call with RAB. Conclusion and recommended remediation, if any, based on RAB vote. If reviewed firm does not accept RAB decision a hearing panel is scheduled or the review is referred to the AICPA for a hearing;
 - b. Oversights resulting in changes to reports or letter of comments in draft or already issued and oversights resulting in no changes to reports noted on Oversight Status spreadsheet;
 - c. If report type downgraded than reviewer received a team captain deficiency letter;
 - d. Documentation destroyed or returned to peer reviewer and the reviewed firm after oversight is accepted by Committee;
 - e. Committee acceptance/deferral reflected in letters utilizing AICPA sample letters with modifications as appropriate under the circumstances. Acceptance letters retained until another oversight is performed or three

years, whichever occurs earlier;

- f. PRISM updated with oversight results accepted by the Committee (RAB).

C. Administrative Procedures in General

1. Working paper retention policies. All work papers retained for 120 day.
2. Thereafter, only report, LOR, checklist and acceptance letter retained until next AICPA oversight. Both the AE and the oversight reviewer return or destroy all work papers, and reviewer prepared checklists annually.
3. Committee member tests retention and disposition of files procedures to determine compliance with AICPA provisions.
4. Appropriate acceptance and “provided that” letters are issued.

D. Peer Review Committee Minimum Oversight Documentation

1. Committee recommends TCs for review (on site or off site).
2. NYSSCPA sends notification letter to team captain and Committee overseer (if off-site, letter requests working papers and other relevant documentation in addition to notification language).
3. Oversight Control spreadsheet updated by NYSSCPA staff and PRISM updated as necessary.
4. Overseer completes Standard oversight Checklist and delivers to Chair of Subcommittee on Oversight and NYSSCPA staff.
5. Overseer completes Memorandum of Conclusions in letter format addressed to Chair of Peer Review Committee in draft.

6. Acceptance Letter addressed to Team Captain (either unconditional or provisional) prepared by NYSSCPA for Committee Chair's signature.

E. Monitoring Results of Oversight

1. Oversight Status report updated at least quarterly.
2. Number and reasons for extensions documented on Oversight status report in "Comments" column.
3. Corrective or monitoring action for a reviewer recommended as part of the oversight process follows the guidance in the RAB Handbook regarding reviewer performance.
4. Number of overdue oversights are developed from status report and reported to the Committee at each Committee meeting.

F. Policy Regarding Fees and Out-of-Pocket Expenses

1. Initial oversight is without charge to the reviewer or the firm.
2. If a follow up oversight, mentor, etc., is required, then the reviewer negotiates the fee determined by reference to prevailing market conditions.

G. AICPA Recommended Checklists, Letters and Memoranda Utilized in the Oversight Process

1. AICPA Peer Review Program Oversight Handbook, Eleventh Edition (February 2014), Exhibits 2-12 through 2-33.

2) NYSSCPA Peer Review Committee Oversight of AE Administration of AICPA Peer Review Program

A. Compliance with Administrative Procedures Established by the AICPA Peer Review Board

1. Effective June 30, 2003, annually a Committee member (or team headed by an OS team captain) will make an on-site visit to check administration of program by AE staff for completeness, documentation, and conclusions. Committee member also checks that technical reviewers have participated in at least one on-site review.
2. Information is entered into the computer system correctly.
3. Maintenance of website information with accurate and timely guidance. Periodically review website and update for new developments.
4. Conform to AICPA suggested selection criteria for oversight of peer reviewers; see procedures regarding oversight discussion on preceding pages.
5. Sample reviews for completeness timeliness, accuracy and compliance with peer review standards for each administrator and each technical reviewer.
6. Sample individual peer review over sights.
7. Sample verification of reviewer resumes.
8. Review and test procedures re recall and voided peer reviews.
9. Review and test procedures for TC deficiency letters.
10. Review and sample procedures for referring reviewed firms to AICPA PRB for non cooperation for failure to accurately report practice or for consecutive non Pass reports.

3) Annual Verification of Reviewers' Resumes

- A. The NYSSCPA administering entity verifies information within a sample of reviewers' resumes on an annual basis. The technical reviewer with the advice and

consent of the Peer Review Committee (“Committee”) performs the verification procedures.

1. Resumes, feedback forms (maintained in separate file in team captain alpha sequence), number of reviews, timeliness of submission of peer review documents, information obtained from State Society files and/or reports from the AICPA database. Performed periodically but not less than semi annually.
2. Documents, checklists, and letters are those set forth in Chapter 2 of the Oversight Handbook, Exhibits 2–3 through 2-11.
3. All reviewer resumes are verified over a three-year period.
4. Verification includes the reviewers’ qualifications and experience related to engagements performed under GAGAS, audits of employee benefit plans under ERISA, and audits of insured depository institutions subject to the FDIC Improvement Act of 1991, and includes on a test basis, but are not limited to:
 - i. writing peer reviewers and requesting them to provide specific information, such as the number of engagements they are specifically involved with and in what capacity.
5. Determining from the PRISM computer system whether the peer reviewer’s firm actually performed those engagements during its last peer review.
6. Verification of license to practice; and (4) verification of CPE attendance and credits.

B. Verification of Reviewers' Resumes: Procedures

The verification includes all active reviewers (team captains, team members, and Committee members) with a home office located in New York State. An active reviewer is defined as a reviewer who has updated his/her resume and/or has performed peer reviews within the last three years.

1. At a minimum, one third of reviewers' resume information is verified in year 1, a total of two-thirds has been verified by year 2, and 100 percent has been verified by year 3.
2. A verification package consisting of a transmittal letter (Exhibit 2-5), copy of the reviewer's resume, and verification of reviewer qualifications form (Exhibit 2-6) is sent to the reviewer for completion.
3. A control document is maintained to keep track of the date the requests were mailed and received. The sample "Reviewer Resume Verification Control Document" found in the AICPA Oversight Handbook is used for these purposes.
4. Reviewer reminder letter 1 is sent 30 days following the initial request (Exhibit 2-7).
5. Fourteen days after the date of the first letter, if the reviewer does not respond or submit the required documents, letter 2 is sent by certified mail—return receipt requested.
6. Within 14 days of sending the second letter, if the reviewer does not respond or the required documents are not received, the reviewer is contacted to determine the reason for the failure. The results of this call or electronic

requests are documented.

7. If the Committee decides to suspend the reviewer's ability to schedule peer reviews, a suspension letter with copies of the first and second letters is sent to the board and a copy is provided to the reviewer. (Exhibit 2-9)
8. When the resume verification package is returned, the verification procedures recommended at Exhibit 2-4, "Reviewer Resume Verification Procedures and Results," are performed and documented.
9. The administering entity challenges reviewers who may not appear to have the requisite experience to review engagements performed under GAGAS, audits of employee benefit plans under ERISA, and audits of insured depository institutions subject to the FDIC Improvement Act of 1991.
10. As part of the verification process, the administering entity determines that the reviewer's CPE satisfies Interpretation No. 31d-1 of paragraph .31 in PRP section 1000, *Standards for Performing and Reporting on Peer Reviews* (AICPA, *Peer Review Program Manual*, PRP sec. 1000).
11. If a reviewer fails to cooperate in revising his/her resume (peer review staff administering the resume verification procedures will confirm that reviewers who are required to update their resumes as a result of the verification procedures have, in fact, done so by accessing the resume at the AICPA web site) or responding to questions during the resume verification process in a timely professional manner, the Committee meets to determine whether the reviewer should be suspended from performing peer reviews.

- a. Regarding resume verifications, we notify reviewers to make sure that B codes are removed when they are over five years old.

II. Summary of Peer Review Programs

1. The New York State Society of CPAs (NYSSCPA) serves as the administering entity for the AICPA Peer Review Program in the State of New York, and also administers the New York State Society of CPAs Peer Review Program (which operates effectively the same as the AICPA Peer Review Program) for firms enrolled in the Mandatory Quality Review Program as required by New York State law.
2. Number of Enrolled Firms by Number of Professionals* as of December 31, 2015.

	NYSSCPA Peer Review Program	AICPA Peer Review Program[^]
Sole Practitioners	31	242
2 to 5	60	460
6 - 10	35	259
11 - 19	2	123
20 - 49	0	57
50 - 99	0	15
100+	0	0
No A&A Firms**	0	148
Total Enrolled Firms	128	1304
** No A&A Firms are not subject to peer review		

* Professionals are considered all personnel who perform professional services, for which the firm is responsible, whether or not they are CPAs. The number of enrolled firms is as of December 31, 2015.

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

3. Results of Peer Reviews Performed During the Year 2015*.

a. Results by Type of Peer Review and Report Issued

	NYSSCPA Peer Review Program	^AICPA Peer Review Program
System Reviews:		
Pass	20	208
Pass with deficiency(ies)	4	37
Fail	6	24
Subtotal – System	30	269
Engagement Reviews:		
Pass	11	133
Pass with deficiency(ies)	1	10
Fail	0	6
Subtotal - Engagement	12	149
Totals	42	418

***Note:** The above data reflects peer review results as of December 31, 2015. Approximately 5% of AICPA and 8.7% of Non-AICPA 2015 reviews are in process and their results are not included in the totals above.

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

b. Number and Reasons for Report Modifications

Reasons for Report Modifications Codes:

- 350 Leadership responsibilities for quality within the firm (“the tone at the top”)
- 351 Relevant Ethical Requirements
- 352 Engagement Performance
- 353 Human Resources
- 355 Monitoring
- 354 Acceptance and Continuance of Client Relationships and specific engagements

The following lists the reasons, summarized by elements of quality control as defined by Statement on Quality Control Standards, for report modifications (when a pass with deficiencies/modified or fail/adverse report is issued.)

Reasons for Report Modifications	NYSSCPA Peer Review Program	^AICPA Peer Review Program
Leadership responsibilities for quality within the firm ("the tone at the top")	3	11
Relevant Ethical Requirements	3	7
Engagement Performance	9	43
Human Resources	4	26
Monitoring	6	44
Acceptance and Continuance of Client Relationships and specific engagements	0	4
Totals	25	135

***Note:** The above data reflects peer review results as of December 31, 2015. Approximately 5% of AICPA and 8.7% of Non-AICPA 2015 reviews are in process and their results are not included in the totals above.

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

c. Number of Engagements Not Performed or Reported on in Accordance with Professional Standards in All Material Respects.

The following shows the total number of engagements reviewed and the number identified as “substandard” 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	NYSSCPA Peer Review Program		^AICPA Peer Review Program	
	Reviewed	Not Performed in Accordance with Professional Standards	Reviewed	Not Performed in Accordance with Professional Standards.
Single Audit Act (A-133)	2	1	67	19
All other subject to GAS	5	1	67	13
FDICIA	0	0	2	1
Other SAS Engagements	38	11	359	49
Reviews	31	5	352	23
Compilations with Disclosures	16	2	201	13
Compilations omit Disclosures	27	1	312	20
Financial Forecast and Projection – examination	1	1	3	1
Financial Forecast and Projection - other	0	0	1	0
Other SSAE	0	0	3	0
SOC 1 Reports	0	0	4	0
Examinations of Written Assertions	0	0	3	0
Agreed-Upon Procedures	1	0	33	1
Non-Carrying Broker Dealers	0	0	4	2
Other	0	0	5	0
Defined Contribution Plans-Limited and Full Scope (excluding 403(b) plans)	3	2	104	30
Defined Benefit Plans Limited and Full Scope	0	0	23	4
ERISA Health and Welfare Plans	0	0	10	5
ESOP Plans	0	0	10	1
Other Employee Benefit Plans	0	0	4	0
Defined Contribution Plans-Limited and Full Scope (403(b) plans only)	1	0	13	4

Other Audits Under PCAOB Standards Not Covered by PCAOB Permanent Inspection Program	0	0	2	0
Compiled Financial Forecast and Projection	0	0	5	1
Preparation Engagements with Disclosures	2	1	1	0
Preparation Engagements omit Disclosures	0	0	7	0
Totals	127	25	1595	187

***Note:** The above data reflects peer review results as of December 31, 2015. Approximately 5% of AICPA and 8.7% of Non-AICPA 2015 reviews are in process and their results are not included in the totals above.

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

d. Summary of Required Follow-up Actions

The Peer Review Committee is authorized by the 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 peer review committee evaluates the need for follow-up actions based on the nature, significance, pattern, and pervasiveness of engagement deficiencies. The peer review 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	NYSSCPA Peer Review Program	^AICPA Peer Review Program
Receiving Revised Report	0	4
Resolution of matter under dispute	0	4
Receiving revised SRM	1	4
Completion of working paper review	0	6
TC revision of working papers	4	13
Agree to take certain CPE	2	9
Agree to hire consultant for inspection	0	2
Agree to hire consultant-preissuance reviews	9	58
Submit proof of CPE taken	3	18
Submit to team captain revisit—general	0	1
Submit to TC review of subsequent engagements w/ w/p	0	5
Submit Inspection Report To Team Captain	0	1
Team Captain to review QCD	0	3
Outside Party to Review Inspection	0	2
Submit to t/c review of subsequent engagement without w/p	1	0
Outside party review substan. correction	0	1
Does not Perform any Auditing Engagement	0	1
Submit Monitoring Report to Committee	1	6
Submit Monitoring Report to Team Captain	7	37
Oversight of Monitoring by Team Captain	0	1
Submit proof of purchase of Manuals	3	3
Clarification of one or more issues	0	8
Receipt of additional information	0	4
Submit evidence of proper firm licensure	0	3
Resolution of open questions	2	18
Agree to take certain CPE	0	1
Total	33	213

***Note:** The above data reflects peer review results as of December 31, 2015. Approximately 5% of AICPA and 8.7% of Non-AICPA 2015 reviews are in process and their results are not included in the totals above.

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

III. Oversight Process

Oversight Results

a) Peer reviews

AICPA Member Firms

Type of Peer Review (Sys, Eng)	Oversight Included Must Select Engagement (ERISA, GAGAS, FDIC, NONE)
System	8 (#of Engs: 6 GAGAS, 5 ERISA)
Engagement)	2

*One oversight may include more than one must select engagements

AICPA Non-Member Firms

Type of Peer Review (Sys, Eng)	Oversight Included Must Select Engagement (ERISA, GAGAS, FDIC, NONE)
System	2 (1 ERISA)
Engagement	0

b) Verification of reviewer's resumes

Total Number of Peer Reviewers	Total Number of Resumes Verified for Year	% of Total Verified
138	47	34.1%

*Please note several reviewers were inactive or suspended.

c) Administrative oversights

Date of Last Administrative Oversight Performed by the Administering Entity	July 26, 2016
Date of Last On-site Oversight Performed by the AICPA Oversight Task Force (covers only the AICPA Peer Review Program)	January 19-20, 2016