

**New York State Society of CPAs
Annual Report on Oversight
Date Issued – March 9, 2011**

I. Administering Entity Oversight Process and Procedures

1. Conduct of Oversight:

1.1 Objectives

1.2. Policies and procedures to ensure peer reviews are reported and conducted in accordance with (AICPA) peer review standards.

2. Oversight reviews are evaluated by the Committee on a consistent and fair basis. Each month a task force (three-member minimum) is assembled to carry out the acceptance process. The composition of the oversight subcommittee varies each year, and known potential conflicts due to knowledge of a firm, etc., are taken into consideration. If members cannot agree whether to accept/defer, then a review is reported to the full committee for deliberation.

Oversights will be conducted on no less than 2 percent of all reviews (with at least two system reviews, two engagement reviews, and two report reviews), ready for committee acceptance during the year. On an annual basis, two system oversights must include either audits of employee benefits plans under ERISA, engagements under the Government Auditing Standards, or FDICIA engagements. Oversight procedures:

2.1. Monthly Oversight Status Report: Customized spreadsheet developed by State Society posted for each oversight upon notification from Committee of a new oversight. Substantially similar engagement oversight information is posted to the PRISM oversight section. PRISM also utilized for oversight status. Data regarding firm being oversighted, peer review and reasons selected from AICPA oversight handbook listings.

2.1.1. Documentation of reason(s) for selecting firm for oversight based on detailed criteria discussed in chapter 2 of Oversight Handbook regarding firm, reviewer, and review characteristics. Our spreadsheet utilizes a legend key with lettered and numbered codes for each reason.

2.1.2. Background check on peer reviewers

2.1.2.1. Resumes, feedback forms (maintained in separate file in team captain alpha sequence), number of reviews, and timeliness of

submission of peer review documents, etc. information obtained from State Society files and/or reports from the AICPA database.

2.1.2.2 At least 33 percent of peer reviewer resumes will be verified each year.

2.1.2.3 Documents, checklists, and letters are those set forth in Chapter 2 of the Oversight Handbook, Exhibits 2–3 through 2–9.

2.1.3. Selection of overseer-If firm has specialized or must select industry practice, overseer selected must have equivalent credentials

2.1.4. Team captain (reviewer) and reviewed firm notified by NYSSCPA peer review staff on behalf of committee chair or subcommittee chair and schedule agreed to.

2.1.4.1. Formal notification letter and work paper request (see AICPA samples) sent to peer reviewer and separate letter sent to firm with copies to overseer.

2.1.4.2. Type of oversight: indicated on spreadsheet

2.1.4.2.1. Contemporaneous with peer review field work (“on site or on location”)

2.1.4.2.2. Post completion of peer review report and before RAB acceptance (“off site or off location”)

2.1.4.3. Documentation returned to the peer reviewer and firm after oversight is accepted by committee.

2.1.4.4. Documentation (Checklist and memorandum of findings and recommendations) submitted to oversight subcommittee:

2.1.4.4.1. Overseer presents case to the subcommittee: conclusion and recommended remediation, if any, based on majority opinion adopted by subcommittee.

2.1.4.4.2. 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.

2.1.4.5. 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.

2.1.4.5.1. Unconditional

2.1.4.5.2. Conditional with remediation recommendations

3. Monitoring Results of Oversight

3.1. Unconditional

3.2. Number and reasons for extensions documented on Oversight status report in “Comments” column.

3.3. Corrective or monitoring action for a reviewer recommended as part of the oversight process follows the guidance in the RAB Handbook regarding reviewer performance.

3.2.2. Number of overdue oversight reports developed from status report and reported to the committee at each committee meeting.

4. Policy regarding fees and out-of-pocket expenses:

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

5. AICPA recommended checklists, letters and memoranda utilized in the oversight process

5.1. AICPA Peer Review Program Oversight Handbook, Eighth Edition (November 2008), Exhibits 2–12 through 2–31.

6. Administration of AICPA Oversight Program:

6.1. Compliance with administrative procedures established by the AICPA Peer Review Board. Effective June 30, 2003, annually a committee member will make an on-site visit to check oversight files for completeness, documentation, and conclusions. Committee member also checks that technical reviewers have participated in at least one on-site review and meet sufficient YB and NYS minimum CPE requirements

6.2. Information is entered into the computer system correctly.

6.3. Maintenance of website information with accurate and timely guidance. Periodically review website and update for new developments.

6.4. Conform to AICPA suggested selection criteria for oversight of peer reviewers; see procedures regarding oversights discussion on preceding pages.

7. Administrative Procedures

7.1. Working paper retention policies. All work papers retained for 90 days from date of final acceptance letter. For peer reviews commencing on or after January 1, 2009, retention period will be 120 days. Thereafter, only the report, Finding for Further Consideration forms, (Pre 2009 LOC), LOR and acceptance letter retained until 120 days from date of acceptance of subsequent review. (Int. 25-1). Annually, committee member tests retention and disposition of files procedures to determine compliance with AICPA provisions.

7.2. Appropriate acceptance and “closing” letters are issued.

8. A member of the Peer Review Committee or a designee pre-approved by the AICPA will perform an administrative oversight annually

9. In accordance with Oversight Enhancement No. 4, the Sample CPA Society will verify one-third (1/3) of reviewer’s resumes and CPE on an annual basis. All reviewers should be verified over a three year period. Verification will include 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. The verification procedures must include providing specific information such as the number of engagements they are specifically involved with and in what capacity. Staff will then compare the information provided by the reviewers to the reviewer resume on file in the ACIPA system and to the reviewer firm’s most recent background information to determine if the reviewer’s firm actually performed those engagements during its last peer review.

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 exactly the same as the AICPA Peer Review Program) for firms not enrolled in the AICPA Peer Review Program.
2. Number of Enrolled Firms by Number of Professionals* as of December 31, 2009.

	NYSSCPA Peer Review Program	AICPA Peer Review Program[^]
Sole Practitioners	8	597
2 to 5	13	653
6 - 10	2	239
11 - 19	2	130
20 - 49	0	52
50 - 99	0	15
100+	0	5
Total Enrolled Firms	25	1691

* 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 12/31/2009.

[^]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 2009

a. Results by Type of Peer Review and Report Issued

	NYSSCPA Peer Review Program	^AICPA Peer Review Program
System Reviews:		
Pass/Unmodified without LOC	7	284
Pass with deficiency(ies)/Modified	1	28
Fail/Adverse	0	7
Subtotal – System	8	319
Engagement Reviews:		
Pass/Unmodified without LOC	0	161
Pass with deficiency(ies)/Modified	0	18
Fail/Adverse	0	4
Subtotal - Engagement	0	183
Totals	8	502

Note: The above data reflects peer review results as of December 31, 2009. Approximately 1.59% of 2009 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

The following lists the reasons, summarized by elements of quality control as defined by Statement on Quality Control Standards, for report modifications (when a modified or 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")	0	0
Relevant Ethical Requirements		1
Acceptance & Continuance of Client Relationships and specific engagements		1
Human Resources		12
Monitoring	1	29
Engagement Performance	1	29
Totals	2	72

Note: The above data reflects peer review results as of December 31, 2009. Approximately 1.59% of 2009 reviews are in process and their results are not included in the totals above.

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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 2009. 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	
	Number of Engagements		Number of Engagements	
	Reviewed	Not Performed in Accordance with Professional Standards	Reviewed	Not Performed in Accordance with Professional Standards
Audits – Single Audit Act (A-133)	2	0	104	5
Audits – Governmental – All Other	2	0	79	3
Audits – ERISA	3	0	133	7
Audits – FDICIA	0	0	1	0
Audits – Other	10	0	397	28
Reviews	5	0	396	14
Compilations with Disclosures	4	0	194	8
Compilations without Disclosures	3	0	376	18
Financial Forecast & Projections	0	0	15	0
Other SSAEs	0	0	12	0
Totals	29	0	1707	83

Note: The above data reflects peer review results as of December 31, 2009. Approximately 1.59% of 2009 reviews are in process and their results are not included in the totals above.

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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 2009, the following represents the type of follow-up actions required.

Type of Follow-up Action	NYSSCPA Peer Review Program	^AICPA Peer Review Program
Agree to take certain Continuing Prof. Education (CPE)	0	17
Agree to comprehensive inspection	0	0
Agree to hire consultant for inspection	0	0
Agree to hire consultant for preissuance reviews	0	12
Agree to strengthen staff	0	0
Submit proof of CPE taken	0	5
Submit copy of inspection report	0	3
Submit inspection completion letter	0	2
Submit report on consultant	0	0
Submit quarterly progress reports	0	0
Submit to team captain (TC) revisit – general	0	3
Submit to TC review of sub engagements with workpapers	0	7
Submit to committee member visit	0	0
Agree to have accelerated review	0	1
Oversight of Inspection – Review	0	0
Oversight of Inspection – Visitation	0	0
Submit Inspection Report to Team Captain	1	9
Team captain to review Quality Control Document	0	1
Review of formal CPE plan by outsider	0	0
Submit a CPE plan to the committee	0	0
Outside Party to Review Inspection	0	3
Outside Party to Visit During Inspection	0	0
Submit to TC review of sub engagement without workpapers	0	1
Submit inspection report to outside party	0	2
Team captain review correction of substandard engagement	0	2
Outside party review substandard correction	0	3
Does not perform any auditing engagements	0	1
Submit additional information regarding repeat findings	0	0
Submit monitoring report to Committee	0	0
Submit monitoring report to Team Captain	0	20
Oversight of monitoring by Team Captain	0	0
Submit proof of purchase of manuals	0	1
Submit evidence of proper firm licensure	0	0
Agree to hire consultant – preissuance reviews	0	0
Submit to TC review of sub engagement with workpapers	0	1

Note: The above data reflects peer review results as of December 31, 2009. Approximately 1.59% of 2009 reviews are in process and their results are not included in the totals above.

b) Verification of reviewer's resumes

Total Number of Peer Reviewers	Total Number of Resume's Verified for Year	% of Total Verified
66	27	41%

c) Administrative oversights

Date of Last Administrative Oversight Performed by the Administering Entity	August 31, 2010
Date of Last On-site Oversight Performed by the AICPA Oversight Task Force (covers only the AICPA Peer Review Program)	September 29, 2010