

**The Georgia Society of CPAs  
Annual Report on Oversight**

**Issued on November 15, 2016**

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**I. Administering Entity Oversight Processes and Procedures**

**Oversight of Peer Reviews and Reviewers**

The Georgia Society of CPAs Peer Review Committee selects various peer reviews for oversight. The selections are made randomly or are based on suggestions from the Report Acceptance Bodies due to some concerns with a reviewer or a firm.

**Firms**

The selection of firms to be reviewed is based on a number of factors including, but not limited to the types of peer review reports the firm has previously received, whether it is the firm's first system review (after previously having an engagement), and whether the firm conducts engagements in high risk industries.

**Reviewers**

All peer reviewers are subject to oversight and they may be selected based on a number of factors, including random selection, frequent submission of pass reports, conducting a significant number of reviews for firms with audits in high risk industries, performance of their first peer review, or performing high volumes of reviews. Oversight of a reviewer can also occur due to performance deficiencies or a history of performance deficiencies, such as issuance of an inappropriate peer review report, not considering matters that turn out to be significant, or failure to select an appropriate number of engagements.

**Oversight Process**

A Georgia Society of CPAs Peer Review Executive Committee member performs all oversight engagements. For a system review and must-select engagement oversights, committee members must have team captain experience. Selection of the oversight reviewer is on a volunteer basis. If there are no volunteers, The Georgia Society of CPAs Peer Review Executive Committee will appoint a committee member to complete the oversight.

All oversight reviewers are paid by The Georgia Society of CPAs at the maximum technical reviewer administrative rate, currently \$120 per hour. For on-site reviews, the rate is applied from door-to-door. The current IRS mileage rate and other incidental expenses are reimbursed in addition to the hourly rate.

The AICPA Peer Review Program Oversight checklists are posted on Sharefile for committee members to use and are utilized on all oversight engagements. Oversight reports are electronically filed at The Georgia Society of CPAs office for AICPA oversight visits. Reports are not sent to the AICPA unless remedial action must be ratified by the AICPA. The final report is prepared on the reviewer's letterhead and submitted to The Georgia Society of CPAs Peer Review Executive Committee. The reviewer may respond within 14 days of the date of the final report.

### **Minimum Requirements**

At a minimum, The Georgia Society of CPAs is required to conduct oversight on 2% of all reviews performed in a twelve 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).

The Georgia Society of CPAs Peer Review Executive Committee will select a minimum of 2 system reviews with must selects and a minimum of 2 engagement reviews.

### **Administrative Oversight**

In those years when there is no on-site oversight by the AICPA, an administrative oversight is performed on The Georgia Society of CPAs by the Society's Peer Review Executive Committee chair. Procedures performed cover the administrative requirements of administering the AICPA PRP. The administrative oversight reports are submitted to the AICPA as part of the Plan of Administration and are reviewed by The Georgia Society of CPAs Peer Review Executive Committee and, before an on-site oversight, an OTF member for any potential issues to be aware of.

### **Annual Verification of Reviewer's 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 accounting and auditing functions. The firm the member is associated with should have received a pass rating 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 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 up to justify why he or she should be permitted to review engagements in that industry. The Georgia Society of CPAs has the authority to decide whether a reviewer's or review team's experience is sufficient to perform a particular review.

Ensuring that 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. In accordance with Oversight Enhancement No. 4, The Georgia Society of CPAs must verify information within a sample of reviewers' resumes on an annual basis. All reviewer resumes are verified over a three year period.

Verification procedures include:

- The reviewer providing specific information such as the number of engagements they are specifically involved with and in what capacity. The Georgia Society staff and designated committee members then compare the information provided by the reviewers to the reviewer resume on file in the AICPA 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.
- Determining the reviewers' qualifications and experience related to engagements performed under GAGAS, audits of employee benefit plans under ERISA, broker-dealer engagements and audits of insured depository institutions subject to FDICIA.
- Which state the reviewer has a license to practice as a CPA
- A list of continuing professional education (CPE) courses taken over a three year period, to document the required 48 CPE credits related to accounting and auditing to be obtained every three years with at least 8 hours in one year, including CPE from a qualified reviewer

training course; and CPE certificates to document qualifications to perform Yellow Book audits, if applicable. Reviewers may also be requested to provide CPE certificates.

- Determining whether the reviewer is a partner or manager in a firm enrolled in a practice monitoring program.
- Verifying that the reviewer’s firm received a pass report on its most recently completed peer review.

## II. Summary of Peer Review Programs

The Georgia Society of CPAs administers the AICPA Peer Review Program and The Georgia Society of CPAs program.

The Georgia State Board of Accountancy (BOA) requires all firms in Georgia, who provide attestation or compilation services as part of their public accounting process, to be enrolled in a practice monitoring program. The BOA has designated The Georgia Society of CPAs as an authorized report acceptance body to approve peer review reports issued for firms enrolled in peer review programs administered by The Georgia Society of CPAs.

### Number of enrolled firms by number of professionals as of November 15, 2016.

	<b>AE Peer Review Program</b>	<b>AICPA Peer Review Program</b>
Sole Practitioners	77	180
2 to 5	72	378
6-10	19	154
11-19		65
20-49		18
50-99		3
100+		1
<b>Total enrolled firms</b>	163	799

\*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 11/15/2016.

### Results of Peer Review Performed During the Year 2015

#### a) Results by Type of Peer Review and Report Issued

	<b>AE Peer Review Program</b>	<b>AICPA Peer Review Program</b>
<b>System Reviews</b>		
Pass	9	132
Pass with deficiency(ies)	0	11
Fail	2	4
Subtotal - System	11	147
<b>Engagement Reviews</b>		
Pass	39	157
Pass with deficiency(ies)	2	3
Fail	3	7
Subtotal - Engagement	44	167
<b>Totals</b>	55	314

Note: The above data reflects peer review results as of 11/15/2016. Approximately 2% of 2015 reviews are in process and their results are not included in the totals above.

b) Number and Reasons for Report Modifications

<b>Reasons for Report Modifications</b>	<b>AE Peer Review Program</b>	<b>AICPA Peer Review Program</b>
Leadership responsibilities for quality with the firm (“the tone at the top”)	1	3
Relevant Ethical requirements		
Acceptance and Continuance of Client Relationships and specific engagements		1
Human Resources		1
Engagement Performance	2	10
Monitoring		4

Note: The above data reflects peer review results as of 11/15/2016. Approximately 2% of 2015 reviews are in process and their results are not included in the totals above. Reasons for Report Modifications are only noted for System reviews only.

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

<b>Engagement Type</b>	<b>AE Peer Review Program</b>		<b>AICPA Peer Review Program</b>	
	<b>Number of Engagements</b>		<b>Number of Engagements</b>	
	<b>Reviewed</b>	<b>Not Performed in Accordance with Standards</b>	<b>Reviewed</b>	<b>Not Performed in Accordance with Standards</b>
Audits – Single Audit Act (A-133)			52	8
Audits – Governmental – All other	7	3	209	2
Audits – ERISA			2	
Audits – FDICIA				
Audits – Other			302	12
Reviews	12	1	219	4
Compilations with Disclosures	12		152	37
Compilations without Disclosures	100	5	1260	22
Financial Forecast & Projection				
Defined Contribution Plans – Limited and Full Scope (excluding 403(b) plans)	1		58	6
Defined Benefit Plans – Limited and Full Scope			5	
Defined Benefit Plans – Limited and Full Scope (403(B) plans only)	1		4	1
ESOP Plans			4	
Non-carrying Broker Dealers			1	
Agreed Upon Procedures				
Other SAS Engagements	7	3		
SOC 1 Reports			3	

<b>Totals</b>	<b>140</b>	<b>12</b>	<b>2267</b>	<b>92</b>

Note: The above data reflects peer review results as of 11/15/2016. Approximately 2% of 2015 reviews are in process and their results are not included in the totals above.

#### d) Summary of Required Follow Up Actions

<b>Type of Follow Up Action</b>	<b>AE Peer Review Program</b>	<b>AICPA Peer Review Program</b>
Receiving Revised Report		3
TC revision of working papers		2
Clarification of one or more issues	1	5
Receipt of additional information		4
Resolution of open questions	1	3
Receiving revised SRM		1
Agree to take certain CPE	3	22
Agree to hire consultant – preissuance reviews	2	8
Agree to hire consultant for inspection	2	4
Does not perform auditing engagement	1	
Submit monitoring report to committee		4
Join EBPAQC		1
Submit to TC review of subsequent engs with w/ps	3	11
<b>Totals</b>	<b>13</b>	<b>68</b>

Note: The above data reflects peer review results as of 11/15/2016. Approximately 2% of 2015 reviews are in process and their results are not included in the totals above.

### III. Oversight Process

#### Oversight Results

<b>AICPA Member Firms</b>			<b>Non-AICPA Member Firms</b>		
Type of Peer Review (Sys or Eng)	Must Select Engagement (ERISA, GAGAS, FDICA, None)	Total Oversights	Type of Peer Review (Sys or Eng)	Must Select Engagement (ERISA, GAGAS, FDICA, None)	Total Oversights
System	ERISA	3	System	0	
	GAGAS				
Engagement*		2	Engagement*	0	

#### Verification of reviewer's resumes

<b>Total Number of Peer Reviewers</b>	<b>Total Number of Resume's Verified for the Year</b>	<b>% of Total Verified</b>
42	17	40%

### **Administrative Oversight**

<b>Date of Last Administrative Oversight Performed by the Administering Entity</b>	October 28, 2014
<b>Date of Last On-site Oversight Performed by the AICPA Oversight Task Force</b>	October 27 - 28, 2015