

**Oklahoma Society of CPAs Peer Review Program  
Annual Report on Oversight for the 2015 Calendar Year  
Date Issued – August 18, 2016**

## **Summary of Program**

The Oklahoma Society of CPAs (OSCPA) serves as the administering entity for the American Institute of CPAs (AICPA) Peer Review Program for the states of Oklahoma and South Dakota. The OSCPAs also administers the OSCPAs Peer Review Program for firms in Oklahoma and South Dakota that are not members of the AICPA. These programs operate the same; however there is a distinction between the two programs in that at least one owner of the firm must be a member of the AICPA to enroll in the AICPA Peer Review Program. AICPA bylaws require that members in a firm engaging in the practice of public accounting and issuing accounting and auditing reports have their firm enrolled in an approved practice monitoring program.

The AICPA administers a peer review program through the National Peer Review Committee (NPRC) for firms required to be registered with and inspected by the Public Company Accounting Oversight Board (PCAOB). The NPRC prepares their own annual oversight report; therefore, their statistics are not included in this report. Also, the AICPA Peer Review Board prepares an annual report covering the oversight of all administering entities on a national basis. This report is available in the peer review section of [www.aicpa.org](http://www.aicpa.org).

Both the Oklahoma and South Dakota Boards of Accountancy require enrollment in a peer review program as a condition of firm licensure. While the South Dakota Board of Accountancy requires all firms who issue accounting and auditing reports to be peer reviewed; the Oklahoma Accountancy Board only requires firms performing audit and review engagements to be peer reviewed. The AICPA Peer Review Program is a recognized peer review program provider by both accountancy boards.

Peer review is a triennial systematic review of a firm's accounting and auditing services performed by a peer reviewer who is unaffiliated with the firm being reviewed to ensure work performed conforms to professional standards. There are two types of peer reviews. System reviews are designed for firms that perform audits or other similar engagements. Engagement reviews are for firms that do not perform audits but perform other accounting work such as compilations and/or reviews. Firms can receive a rating of Pass, Pass with Deficiencies or Fail. Firms that receive ratings of Pass with Deficiency or Fail usually must perform follow up actions. Further explanation of peer review is available at <http://www.aicpa.org/Research/Standards/PeerReview/DownloadableDocuments/PRSummary.pdf>

## **Administering Entity Oversight Process and Procedures**

The Oklahoma Society of CPAs Peer Review Committee has established an Oversight Program approved by the AICPA Peer Review Board which includes the following policies and procedures to assure the consistency and quality of the reviews under their administration.

### Oversight of Peer Reviews and Reviewers

As part of its oversight process, the peer review committee oversees both firms being reviewed as well as reviewers performing reviews. The committee uses a risk based approach in determining the number of oversights performed, but at least the minimum oversight requirements imposed by the AICPA Peer Review Board are met.

At a minimum, the committee will conduct oversight on 2 percent of all reviews performed in a 12 month period of time, and within the 2 percent selected there must be at least 2 of each type of peer review evaluated (System and Engagement Reviews). The overall selections will be reflective of reviews performed in Oklahoma and South Dakota. The oversight involves doing a full working paper review and may be performed on-site in conjunction with the peer review or off-site after the review has been performed by calling in the work papers. At a minimum of the reviews administered by the OSCP, two system review oversights are required to be performed on-site.

At least two engagement oversights must be performed by the committee on an annual basis. An engagement oversight is the review of the “must select” engagements and includes all peer reviewer materials and the reviewed firm’s financial statements and working papers on the engagement. The two engagement oversights must include audits of employee benefits plans under ERISA, engagements performed under GAGAS, audits of insured depository institutions subject to FDICIA, audits of carrying broker dealers, or examinations of service organizations (SOC 1 and 2 engagements.)

### Selection of Peer Review Firms for Oversight

The selection of peer reviews may be random or targeted. The peer review committee may have concerns about the firm to be reviewed, and therefore decide to perform oversight on the review. Other examples of these instances may include firms that consecutively received Pass with Deficiencies or Fail reports, conduct engagements that have a number of high-risk industries, or firms that previously had an engagement review and now are having a system review.

### Selection of Peer Reviewers for Oversight

The purpose of placing oversight on a peer reviewer is to determine whether the reviewer has performed a peer review in accordance with standards and has reached appropriate conclusions. Oversight may serve as an educational tool for the reviewer. It promotes consistency and proficiency by all parties involved in the process. It can also be used to resolve a difference of opinion between the firm and a reviewer. Some examples resulting in the need for reviewer oversight may include poor reviewer performance in repeatedly having to reissue corrected documents, inappropriate engagement selection, or a reviewer performing his first review for the committee.

### System Review Committee Oversight

The oversight of a system review is normally performed by a qualified Peer Review Committee member and will take place on-site while the review is in process. Documentation of the oversight includes use of the oversight checklists and sample reports from the AICPA Peer Review Program Oversight Handbook.

### Engagement Review Committee Oversight

Oversight of an engagement review is normally performed by one of the committee’s technical reviewers. The reviewer is requested to submit all review working papers to the OSCP, including the reports and financial statements from the firm. Documentation of oversight also includes the use of oversight checklists and sample reports from the AICPA Peer Review Program Oversight Handbook.

### Other Committee Oversight Measures

AICPA Peer Review Board Oversight - Biennially the AICPA Peer Review Board performs oversight of the Oklahoma Society of CPAs Peer Review Program. A member from the AICPA Peer Review Board Oversight Task Force reviews files, interviews administrative staff and observes the report acceptance process of the committee members. A report on the oversight is issued and approved by the AICPA Peer Review Board.

Oklahoma Accountancy Board (OAB) Oversight – The OAB's Peer Review Oversight Committee (PROC) monitors the Peer Review Program administered by the OSCP to provide reasonable assurance to the board that peer reviews are being conducted and reported in accordance with the Standards. In order to accomplish its mission, the OAB's PROC attends all OSCP Peer Review Committee meetings in an observation capacity and reports its findings to the Accountancy Board.

Administrative Oversight - In those years when there is no on-site AICPA Oversight Task Force visit, a designated committee member will perform oversight of the administrative process utilizing the guidance and checklists provided in the AICPA Oversight Handbook. Procedures performed cover the administrative requirements of administering the AICPA Peer Review Program. The administrative oversight report is submitted to the AICPA as part of the administering entity's Plan of Administration.

Annual Verification of Reviewers' Resumes - 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 the AICPA Oversight Handbook, a sample of reviewers' resumes are verified on an annual basis with all reviewer resumes including CPE obtained and proof of current experience being verified over a three-year period.

## Peer Review Program Statistics

### Number of Enrolled Firms by Number of Professionals\*

	As of December 31, 2013					As of December 31, 2014					As of December 31, 2015				
	AICPA Peer Review Program**			OSCPA Peer Review Program (Non AICPA Members)	Total Firms	AICPA Peer Review Program**			OSCPA Peer Review Program (Non AICPA Members)	Total Firms	AICPA Peer Review Program**			OSCPA Peer Review Program (Non AICPA Members)	Total Firms
	OK	SD	Total AICPA			OK	SD	Total AICPA			OK	SD	Total AICPA		
Sole Practitioners	90	11	101	33	134	77	10	87	32	119	71	7	78	32	110
2 to 5	157	32	189	24	213	156	31	187	23	210	143	33	176	20	196
6 to 10	70	15	85	3	88	72	12	84	2	86	79	8	87	1	88
11 to 19	20	9	29	1	30	20	8	28	1	29	21	10	31	2	33
20 to 49	7	2	9	1	10	8	4	12	0	12	8	4	12	0	12
50 to 99	1	1	2	0	2	1	1	2	0	2	1	0	1	0	1
100+	0	0	0	0	0	0	0	0	0	0	0	1	1	0	1
<b>Total Enrolled Firms</b>	<b>345</b>	<b>70</b>	<b>415</b>	<b>62</b>	<b>477</b>	<b>334</b>	<b>66</b>	<b>400</b>	<b>58</b>	<b>458</b>	<b>323</b>	<b>63</b>	<b>386</b>	<b>55</b>	<b>441</b>

\* 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

## Peer Reviews Performed

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

Review Type	2013					2014					2015				
	AICPA Peer Review Program			OSCPA Peer Review Program (Non-AICPA)	Total Firms	AICPA Peer Review Program			OSCPA Peer Review Program (Non-AICPA)	Total Firms	AICPA Peer Review Program			OSCPA Peer Review Program (Non-AICPA)	Total Firms
	OK	SD	Total AICPA			OK	SD	Total AICPA			OK	SD	Total AICPA		
<b>System Reviews:</b>															
Pass	40	7	47	5	52	29	14	43	6	49	44	10	54	6	60
Pass with Deficiencies	10	0	10	5	15	5	1	6	1	7	14	0	14	3	17
Fail	1	0	1	0	1	3	0	3	2	5	0	0	0	2	2
<b>Subtotal–System</b>	51	7	58	10	68	37	15	52	9	61	58	10	68	11	79
<b>Engagement Reviews:</b>															
Pass	53	10	63	6	69	52	6	58	8	66	51	14	65	10	75
Pass with Deficiencies	12	2	14	2	16	8	0	8	0	8	7	1	8	1	9
Fail	4	0	4	0	4	2	0	2	1	3	3	1	4	0	4
<b>Subtotal–Engagement</b>	69	12	81	8	89	62	6	68	9	77	61	16	77	11	88
<b>Total</b>	<b>120</b>	<b>19</b>	<b>139</b>	<b>18</b>	<b>157</b>	<b>99</b>	<b>21</b>	<b>120</b>	<b>18</b>	<b>138</b>	<b>119</b>	<b>26</b>	<b>145</b>	<b>22</b>	<b>167</b>

**Note:** The above data reflects peer review results as of July 31, 2016. Approximately 1.2% of the 2015 year reviews are still in process and their results are not included in the totals.

## Reason for Pass with Deficiencies and Fail Report Grades

Summarized by elements of quality control as defined by Statement on Quality Control Standards, the following lists the reasons for report modifications (when a Pass with Deficiencies or Fail report was issued) and shows the number of firms that received modified reports from system reviews performed during each calendar year.

Reasons for Pass with Deficiencies and Fail Reports	2013					2014					2015				
	AICPA Peer Review Program			OSCPA Peer Review Program (Non-AICPA)	Total Firms	AICPA Peer Review Program			OSCPA Peer Review Program (Non-AICPA)	Total Firms	AICPA Peer Review Program			OSCPA Peer Review Program (Non-AICPA)	Total Firms
	OK	SD	Total AICPA			OK	SD	Total AICPA			OK	SD	Total AICPA		
Acceptance & Continuance of Clients & Engagements	0	0	0	0	0	1	0	1	1	2	1	0	1	0	1
Engagement Performance	9	0	9	5	14	7	1	8	3	11	14	0	14	5	19
Ethical Requirements	0	0	0	0	0	1	0	1	0	1	0	0	0	0	0
Human Resources	2	0	2	0	2	1	0	1	1	2	3	0	3	0	3
Leadership responsibilities for quality within the firm	0	0	0	0	0	1	0	1	0	1	0	0	0	1	1
Monitoring	5	0	5	0	5	5	0	5	1	6	6	0	6	1	7
<b>Totals</b>	<b>16</b>	<b>0</b>	<b>16</b>	<b>5</b>	<b>21</b>	<b>16</b>	<b>1</b>	<b>17</b>	<b>6</b>	<b>23</b>	<b>24</b>	<b>0</b>	<b>24</b>	<b>7</b>	<b>31</b>

## Number of Engagements Not Performed in Accordance with Professional Standards

The following shows the total number of engagements reviewed and the number identified as “Not Performed in Accordance with Professional Standards.” The Standards state that an engagement is ordinarily considered Not Performed in Accordance with Professional Standards 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	2013								2014								2015							
	Number of Engagements								Number of Engagements								Number of Engagements							
	Oklahoma		South Dakota		OSCPA Peer Review Program (Non-AICPA)		Total Firms		Oklahoma		South Dakota		OSCPA Peer Review Program (Non-AICPA)		Total Firms		Oklahoma		South Dakota		OSCPA Peer Review Program (Non-AICPA)		Total Firms	
	Rev'd	Not Performed in Accord. with Prof. Stds.	Rev'd	Not Performed in Accord. with Prof. Stds.	Rev'd	Not Performed in Accord. with Prof. Stds.	Rev'd	Not Performed in Accord. With Prof. Stds.	Rev'd	Not Performed in Accord. with Prof. Stds.	Rev'd	Not Performed in Accord. with Prof. Stds.	Rev'd	Not Performed in Accord. with Prof. Stds.	Rev'd	Not Performed in Accord. With Prof. Stds.	Rev'd	Not Performed in Accord. with Prof. Stds.	Rev'd	Not Performed in Accord. with Prof. Stds.	Rev'd	Not Performed in Accord. with Prof. Stds.	Rev'd	Not Performed in Accord. With Prof. Stds.
	Rev'd	Not Performed in Accord. with Prof. Stds.	Rev'd	Not Performed in Accord. with Prof. Stds.	Rev'd	Not Performed in Accord. with Prof. Stds.	Rev'd	Not Performed in Accord. With Prof. Stds.	Rev'd	Not Performed in Accord. with Prof. Stds.	Rev'd	Not Performed in Accord. with Prof. Stds.	Rev'd	Not Performed in Accord. with Prof. Stds.	Rev'd	Not Performed in Accord. With Prof. Stds.	Rev'd	Not Performed in Accord. with Prof. Stds.	Rev'd	Not Performed in Accord. with Prof. Stds.	Rev'd	Not Performed in Accord. with Prof. Stds.	Rev'd	Not Performed in Accord. With Prof. Stds.
Audits – Single Audit Act (A-133)	26	2	1	0	2	0	29	2	14	1	14	1	1	0	29	2	35	10	9	0	4	0	48	10
Audits– Gov’t-Other	47	4	6	1	6	0	59	5	28	4	9	3	5	3	42	10	69	11	1	0	7	1	77	12
Audits – ERISA	22	2	4	0	3	2	29	4	19	4	8	2	2	2	29	8	21	8	3	0	1	0	25	8
Audits - FDICIA	3	0	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-Carrying Broker-Dealers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SOC 1	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	1	0	0	0	0	0	1	0
SOC 2	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0
Audits – Other	41	5	12	0	9	2	62	7	38	2	7	1	9	0	54	3	45	4	9	0	11	7	65	11
Reviews	48	7	12	0	7	0	67	7	44	2	17	0	8	1	69	3	63	3	11	1	11	0	85	4
Compilations with Disclosures	31	8	12	0	2	0	45	8	22	1	16	0	4	0	42	1	34	2	13	0	5	0	52	2
Compilations without Disclosures	180	28	32	3	19	4	231	35	158	17	39	0	13	1	210	18	177	17	35	3	14	1	226	21
Financial Forecasts & Projections	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Agreed Upon Procedures	20	1	4	0	1	0	25	1	18	0	6	0	1	0	25	0	31	3	8	0	5	1	44	4
Other SSAEs	6	0	1	0	0	0	7	0	5	0	4	0	0	0	9	0	1	0	2	0	0	0	3	0
<b>Total</b>	<b>425</b>	<b>57</b>	<b>84</b>	<b>4</b>	<b>49</b>	<b>8</b>	<b>558</b>	<b>69</b>	<b>348</b>	<b>31</b>	<b>120</b>	<b>7</b>	<b>43</b>	<b>7</b>	<b>511</b>	<b>45</b>	<b>477</b>	<b>58</b>	<b>91</b>	<b>4</b>	<b>58</b>	<b>10</b>	<b>626</b>	<b>72</b>

## Summary of Required Follow-up Actions

The Peer Review Committee decides the need and nature of any 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. It also considers the comments noted by the reviewer and the firm's response. If the firm's response contains remedial actions which are comprehensive, genuine, and feasible, then the committee may decide no further follow-up actions are necessary. Follow-up actions are remedial and educational in nature and are imposed in an attempt to strengthen the firm's performance. A review may have multiple follow-up actions. The following represents the type of follow-up actions required.

Type of Follow-up Action	2013					2014					2015				
	AICPA Peer Review Program			OSCPA Peer Review Program (Non-AICPA)	Total Firms	AICPA Peer Review Program			OSCPA Peer Review Program (Non-AICPA)	Total Firms	AICPA Peer Review Program			OSCPA Peer Review Program (Non-AICPA)	Total Firms
	OK	SD	Total AICPA			OK	SD	Total AICPA			OK	SD	Total AICPA		
Agree to submit proof of CPE taken	14	1	15	2	17	10	0	10	2	12	14	2	16	4	20
Agree to hire consultant for pre-issuance reviews	9	0	9	3	12	10	0	10	3	13	13	1	14	1	15
Submit to team captain revisit – general	0	0	0	0	0	0	1	1	0	1	1	1	2	0	2
Submit to TC review of subsequent engagement	10	1	11	2	13	8	0	8	2	10	13	1	14	0	14
Agree to have accelerated review	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Does not perform any auditing engagements	0	0	0	0	0	0	0	0	0	0	1	0	1	0	1
Submit additional information regarding repeat findings	1	0	1	0	1	0	0	0	0	0	1	0	1	0	1
Submit proof of purchase of manuals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Submit monitoring report to committee	3	0	3	0	3	1	0	1	0	1	0	0	0	1	1
<b>Total</b>	<b>37</b>	<b>2</b>	<b>39</b>	<b>7</b>	<b>46</b>	<b>29</b>	<b>1</b>	<b>30</b>	<b>7</b>	<b>37</b>	<b>43</b>	<b>5</b>	<b>48</b>	<b>6</b>	<b>54</b>



## Oversight Process Results

### 2015 Oversight of Peer Reviews of AICPA Member Firms

Type of Peer Review	Oklahoma		South Dakota		Total Oversights	
	Must Select Engagement (ERISA, GAGAS, FDICA)	# of Oversights Performed	Must Select Engagement (ERISA, GAGAS, FDICA)	# of Oversights Performed	Must Select Engagement (ERISA, GAGAS, FDICA)	# of Oversights Performed
System	ERISA – 1 GAGAS - 1	2		0	ERISA – 1 GAGAS – 1	2
Engagement		2		0		2
<b>Total</b>		<b>4</b>		<b>0</b>		<b>4</b>

### 2015 Verification of Reviewers' Resumes

Total Number of Peer Reviewers		Total Number of Resumes Verified for 2015		% of Total Verified in 2015		
Oklahoma	South Dakota	Oklahoma	South Dakota	Total Reviewers	Total Verified	% Verified
30	5	9	5	35	14	40%

\*Verification of Reviewers' Resumes is performed in the year of the reviewer's firm peer review.

### Administrative Oversights

Date of Last Administrative Oversight Performed by the Administering Entity	December 15, 2014
Date of Last On-site Oversight Performed by the AICPA Oversight Task Force	December 10, 2015