



State of Florida
Florida Institute of Certified Public Accountants

2011 Annual Report on Oversight

Date Issued – November 1, 2012

I. Administering Entity Oversight Process and Procedures

Florida Institute of Certified Public Accountants
Peer Review Committee Oversight Policy

The Florida Institute of CPAs (FICPA) Peer Review Committee has instituted a regular oversight program of team captains/reviewers (hereinafter referred to as “reviewers”) and firms in order to ensure the consistency and quality of reviewers’ work in Florida. All reviewers and firms are subject to this program.

General Policy

The FICPA Peer Review policy on oversight procedures to ensure peer reviews are carried out in compliance with Standards for Performing and Reporting on Peer Reviews includes selecting oversight on at least 2% of all reviews performed on a calendar year basis. The oversight procedures on these reviews should be conducted by FICPA Peer Review Committee (PRC) members or those individuals appointed by the PRC to perform oversight procedures. The 2% approximates 10-11 reviews per year based on the number of reviews currently administered by the FICPA in a one year period. Within the 2% selection, there should be at least two (2) of each type of review (system and engagement), and at least two (2) engagement oversights must include either audits of employee benefit plans under ERISA, engagements performed under the Government Auditing Standards or FDIC Improvement Act engagements. Oversight procedures can also be performed routinely by technical staff on a judgmental basis in addition to the 2% selection described above. The Peer Review Executive Committee is to review the overall selection plan for each year at its first meeting of each calendar year.

The selection criteria for peer reviews selected for oversight should be risk-based. Examples of possible risk factors that might be considered in the selection criteria may include:

Firm Oriented

- Firms that received a fail opinion on their last review
- Firms with more than 50+ professional staff
- Firms who have had a significant firm structure change since its last peer review.
- Firms that received consecutive pass with deficiencies and/or fail peer review reports.
- Firms with sanctioning requirements from regulatory bodies.
- Firms with a number of engagements in high-risk or public interest entities
- Firms of new team/review captains.
- Firms of team/review captains that perform a significant number of reviews.

Team/Review Captain Oriented

- Based on past performance
 - Reviewers on the Problem Reviewer List approved by the PRC
 - Team/review captains who fail to select an appropriate number of, or all of the appropriate types of engagements to review (scope issues).
 - Team captains that appear to have difficulty in determining peer review risk.
 - Team/review captains who have continuously caused the technical reviewer to obtain significant clarifications on matters in the peer review working papers or documents
 - Team/review captains who have had to continuously reissue corrected peer review document as requested by the RAB or technical reviewer
 - Team/review captains who have received feedback for significant issues
 - Team/review captains who have had previous problems with the RAB or PRC.
- New team/review captains who have performed reviews for less than 3 years.
- Team/review captains who have performed less than 3 reviews a year.
- Team/review captains who frequently submit pass reports without FFCs or MFCs and/or seldom, if ever, submit pass with deficiencies or fail reports.
- Team/review captains who list numerous areas of experience on their resume
- Team/review captains who perform a significant number of reviews.
- Team captains who have not had oversight performed within the last 3 years.

Oversight

The oversight procedures will consist of the following:

Committee Oversight

- System Reviews – On-site Oversight - The oversight will take place while the peer review is in process. A committee member will perform the on-site oversight of the review. The committee member must have qualifications required of a system review team captain. Oversight procedures should encompass the items contained in the checklist in Exhibit 2-14 of the Oversight Handbook. Exhibit 2-14 “*AICPA Peer Review Program Peer Review Committee On-Site Oversight Checklist*” mentioned above should be used to document the procedures

performed and a report should be issued to the Committee on the results using the sample oversight report contained in Exhibit 2-15 of the Oversight Handbook. A minimum of two (2) reviews shall be selected for on-site oversight in a given period.

- System Reviews – Desk Oversight - Desk oversight procedures can be performed at the PRC or RAB’s discretion and are to consist of reviewing the peer review working papers, reports, letter of comments, and letter of response to determine whether the peer review was performed according to standards. The oversight reviewer is to document the oversight and issue a report to the PRC on the results.
- System Reviews – Engagement Oversights – As noted in the general policy above, at least two engagement oversights be performed on either audits of employee benefit plans under ERISA, engagements performed under the Governmental Auditing Standards or FDICIA engagements. The two oversights selected should not be of the same types of audits. These engagements oversights can be performed as part of the system on-site oversight or desk oversight process or can be selected after submission of the team captain’s working papers to the FICPA. The oversight includes all peer review materials and the reviewed firm’s financial statements and working papers on the engagement.

Exhibit 2-22 “*AICPA Peer Review Program – Peer Review Committee Must Select Engagement Oversight Checklist*” should be completed for each of the engagements selected for oversight and a report should be issued to the PRC using the sample report contained in Exhibit 2-23. If performed as part of the on-site oversight, the checklist and report mentioned above must be completed in addition to Exhibit 2-14 and 2-15.

- Engagement/Report Reviews - Submission of all working papers and the financial statements and reports for the engagements selected during the review to a previously selected committee member or designee of the PRC. The committee member or its designee will document his/her oversight procedures on the “*AICPA Peer Review Program – Peer Review Committee Engagement/Report Review Oversight Checklist*” (Exhibit 2-29) in the Oversight Handbook and issue a report to the Committee on the results based on a sample letter to be provided in Exhibit 2-30.

Technical Staff Oversight

- System Reviews - Submission of all working papers to the FICPA technical reviewer for review. The technical reviewer will document his oversight procedures using the *AICPA System Review Oversight Checklist* used by AICPA monitoring staff as presented in Exhibit 1-22 of the Oversight Handbook. The technical reviewer will report on the results to the Committee upon completion.
- Engagement/Report Reviews - Submission of all working papers and the financial statements and reports for the engagements selected during the review to the

FICPA technical reviewer. The technical reviewer will document his oversight procedures using the *AICPA Engagement/Report Review Oversight Checklist* used by AICPA monitoring staff as presented in Exhibit 1-23 of the Oversight Handbook. The technical reviewer will report on the results to the Committee upon completion.

Administrative Review

Self-oversight of internal matters is performed once a year, except for any year in which there is AICPA Peer Review Board administrative oversight. It is recommended that the Chair or Vice Chair of the Peer Review Committee perform the oversight. The administrative oversight is performed to obtain reasonable assurance that the peer review program in Florida is being administered according to the guidelines established by the AICPA PRB as set forth in the *AICPA Oversight Handbook*. The oversight procedures will be performed using Exhibit 2-1 of the Oversight Handbook. A report will be prepared using Exhibit 2-2 of the Oversight Handbook and presented to the FICPA Peer Review Committee for approval.

Reviewer Resume and CPE Verification

In accordance with Chapter 2, Part IV.D. of the *AICPA Oversight Handbook*, the FICPA will verify approximately one-third (1/3) of reviewers' 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 engagement they are specifically involved with and in what capacity. FICPA staff will then compare the information provided by the reviewers to the reviewer resume on file in the AICPA system and to the reviewer's firm 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 Florida Institute of CPAs (FICPA) serves as the administering entity for the administering entity for the AICPA Peer Review Program in the State of Florida, and also administers the FICPA's Peer Review Program (which operates exactly the same as the AICPA Peer Review Program) for firms not enrolled in the AICPA Peer Review Program. The Florida Board of Accountancy currently has no requirement for firms to be enrolled in a practice monitoring [aka peer review] program.
- 2) Number of Enrolled Firms by Number of Professionals* as of October 31, 2012.

	AE Peer Review Program	^AICPA Peer Review Program
Sole Practitioners	7	358
2 to 5	14	657
6 - 10	0	207
11 - 19	1	78
20-49	0	29
50-99	0	3
100+	0	0
Total Enrolled Firms	22	1332

* 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 10/31/2012.

^ 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(s) 2011

a) Results by Type of Peer Review and Report Issued

	AE Peer Review Program	^AICPA Peer Review Program
System Reviews:		
Pass	3	177
Pass with deficiency(ies)	1	21
Fail	2	2
Subtotal – System	6	200
Engagement Reviews:		
Pass	1	192
Pass with deficiency(ies)	0	38
Fail	0	5
Subtotal - Engagement	1	235
Totals	7	435

Note: The above data reflects peer review results as of 10/31/2012. Approximately 99.3% of 2011 reviews have been completed and are 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	AE Peer Review Program	^AICPA Peer Review Program
Leadership responsibilities for quality within the firm ("the tone at the top")	0	0
Relevant Ethical Requirements	0	0
Engagement Performance	3	17
Acceptance & Continuance of Client Relationships and specific engagements	0	1
Human Resources	1	4
Monitoring	2	8

Note: The above data reflects peer review results as of 10/31/2012. Approximately 99.3% of 2011 reviews have been completed and are 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

Engagement Type	AE 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)	3	0	57	6
Audits – Governmental – All Other	2	1	69	2
Audits – ERISA	2	0	82	3
Audits – FDICIA	0	0	1	0
Audits – Other	4	0	206	14
Reviews	3	1	214	14
Compilations with Disclosures	2	0	127	5
Compilations without Disclosures	5	0	600	88
Financial Forecast & Projections	0	0	7	0
Other SSAEs	1	0	54	0
Examination of Service Organization	0	0	2	0
Non-Carrying Broker-Dealers	0	0	3	1
Totals	22	2	1422	133

Note: The above data reflects peer review results as of 10/31/2012. Approximately 99.3% of 2011 reviews have been completed and are included in the totals above.

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d) Summary of Required Follow-up Actions

Type of Follow-up Action	AE Peer Review Program	^AICPA Peer Review Program
Agree to take certain Continuing Prof. Education (CPE)	1	33
Agree to comprehensive inspection		
Agree to hire consultant for inspection		
Agree to hire consultant for preissuance reviews		1
Submit proof of CPE taken		2
Submit copy of inspection report		
Submit inspection completion letter		
Submit report on consultant		1
Submit to team captain (TC) revisit – general	2	11
Submit to TC review of sub engagements with workpapers		7
Agree to have accelerated review		0
Oversight of Inspection – Review		
Oversight of Inspection – Visitation		
Submit Inspection Report to Team Captain		
Team captain to review Quality Control Document		
Review of formal CPE plan by outsider		
Submit a CPE plan to the committee		
Outside Party to Review Inspection		
Outside Party to Visit During Inspection		
Submit to TC review of sub engagement without workpapers		11
Submit inspection report to outside party		
Team captain review correction of substandard engagement		
Outside party review substandard correction		
Submit additional information regarding repeat findings		
Submit monitoring report to Committee		4
Submit monitoring report to Team Captain		
Oversight of monitoring by Team Captain		
Submit proof of purchase of manuals		
Submit evidence of proper firm licensure		
Agree to hire consultant – preissuance reviews		
Totals	3	70

Note: The above data reflects peer review results as of 10/31/2012. Approximately 99.3% of 2011 reviews have been completed and are 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, Rpt)	Oversight Included Must Select Engagement (ERISA, GAGAS, FDIC, NONE)
System	9 (Included 1 ERISA and 1 GAGAS engagement oversight)
Engagement	6

AICPA Non-Member Firms

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

b) Verification of reviewer's resumes

Total Number of Peer Reviewers	Total Number of Resume's Verified for Year	% of Total Verified
126	40	31.5%

c) Administrative oversights

Date of Last Administrative Oversight Performed by the Administering Entity	7/28/2011
Date of Last On-site Oversight Performed by the AICPA Oversight Task Force (covers only the AICPA Peer Review Program)	9/11 - 9/12/2012