



**State of Florida  
Florida Institute of Certified Public Accountants**

**2016 Annual Report on Oversight**

**Date Issued: February 4, 2018**

**Florida Institute of Certified Public Accountants  
Peer Review Committee Oversight Policy**

The following outlines the policies and procedures used by the Florida Institute of CPAs (FICPA) Peer Review Committee (committee) in fulfilling its oversight responsibilities.

**Types of Oversight:** There are three types of oversights performed.

- Oversight of Peer Reviews
- Oversight of Reviewers
- Administrative Entity Oversight

- I. **Oversight of Peer Reviews** – Annually, the FICPA will perform random and targeted oversights on reviews and reviewers. The selections are based on the criterion for selection as outlined in the AICPA Peer Review Program Oversight Handbook (“Handbook”), Chapter 2. At least 2% of all reviews performed in a calendar year are subject to oversight and will include at least two system and two engagement reviews. At a minimum, two system review oversights will be performed on-site. The Committee and any Report Acceptance Body (RAB) may also recommend oversight on a particular review, or reviewer, at any of their meetings. Recommendations on oversights are considered and approved by the full committee or its designee.

Each committee member, as part of his or her committee service, is expected to participate on at least one on-site oversight during his or her three-year committee term.

- **State Society Firm Policy (Non AICPA firms)** – Non-AICPA firms are not required to be included in the minimums noted above. However, the FICPA has determined that a minimum of one and not more than 2% of such reviews be selected for oversight. Non-AICPA firms and reviews will be selected for oversight, as deemed necessary, using the selection criteria described above.

**Peer Review Oversight Policies and Procedures**

1. Priorities for oversight:
  - a. Problem reviews or reviewers
  - b. Problem firms
  - c. Frequent reviewers or reviewers with excessive experience listed on their resume

- d. Firms of frequent reviewers
  - e. New reviewers
  - f. Random or risk-based selection using the risk criteria described in Chapter 2 of the Handbook
2. Process for recommending oversight:
- a. On an annual basis, FICPA staff and the executive committee will make recommendations to the full committee regarding reviewers and firms to be considered for oversight.
  - b. The committee or a RAB may approve a specific review for oversight, or recommend that a particular reviewer be subject to oversight on a future review.
3. Frequency of selection:
- a. Reevaluated at each full committee meeting, as needed, using a risk-based approach considering the number of reviews administered by FICPA.
  - b. For each state, in which the program is administered by the FICPA, reviews selected for oversight will include the following minimum selections, unless otherwise approved by the AICPA OTF:
    - i. At least two percent of total reviews
    - ii. At least two of each type of review (system and engagement)
    - iii. At least two on-site system reviews
  - c. As permitted by the Handbook, the committee may annually request a waiver of these minimum selections from AICPA's OTF for those states where fewer than 100 reviews are administered annually by FICPA.
4. Individuals performing oversight:
- a. System review on-site oversights – performed by committee members who meet the requirements of a team captain. FICPA technical staff may also participate in an unofficial capacity.
  - b. Engagement review oversights – performed by committee members, FICPA technical staff, or other designee.
  - c. For system review on-site or full working paper (off-site) engagement oversights of “must select” engagements, the individual performing the oversight should have recent experience (within the last two years) in the “must-select” engagement's industry.
  - d. Individuals who oversight a peer review, at the request of the committee, can participate in or be present during any discussion related to the acceptance of the peer review of the firm subject to oversight but is not able to vote on any motion related to the review.
5. Materials reviewed during oversight:
- a. All oversights will encompass all steps included on the oversight checklists provided by the AICPA OTF.
  - b. Engagement review oversights will also include a review of the related firm's report and financial statements.

- c. Engagement oversights of “must select” engagements, , will include all working papers included on the appropriate AICPA working paper oversight list, as well as the report, financial statements and related working papers of the firm that was reviewed during the peer review.
6. Expense reimbursement:
- a. Committee members who perform oversight will be reimbursed as follows:
    - i. System review performed on-site - \$500 honorarium plus \$100 for each hour of travel time over 2 hours
    - ii. System review full working paper (off-site) - \$500 honorarium
    - iii. Engagement review - \$250 honorarium for committee members or assignees of the committee other than technical reviewers.
  - b. Reviewers subject to oversight due to inadequate performance may be required to reimburse the committee and/or committee participant(s) for time and expenses. In such situations, the peer reviewer will be notified in writing prior to the review.
  - c. All costs associated with the oversight visit will be borne by the Florida Institute of CPA’s.

II. **Oversight of Reviewers**– Reviewer resumes of all active reviewers, with a home office in Florida, will be selected for verification a minimum of once every three years (approx. one third of the active reviewer resumes are covered each year). In addition, the FICPA may elect to oversight a reviewer’s resume at any time because of inconsistencies noted in the resume or the reviewing firm’s industries, as part of its responsibility in determining a reviewer’s qualifications.

Oversight will include the verification of qualification and experience related to engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker dealers, and examinations of service organizations (Service Organization Control (SOC) 1 and 2 engagements), as well as verifying the reviewer’s license to practice and other items specified in Chapter 2 of the Handbook. Procedures will include written requests for specific information, including the number and nature of audit engagements performed, as well as the individual’s CPE records. Information obtained from PRISM including the firm’s most recent peer review, will be compared against reviewer responses, and any inconsistencies will be investigated and resolved. Reviewers failing to respond to multiple requests for the information, or deemed not meeting the minimum requirements to perform peer reviews, will be subject to administrative restrictions with respect to the scheduling of future reviews.

III. **Administrative Entity Oversight** – The committee provides ongoing oversight of the administering entity (FICPA). Statistics pertaining to the status of open reviews and the processing turnaround time for reviews is presented at each full committee meeting. Additionally, an on-site oversight is performed annually, alternating between AICPA’s Oversight Taskforce (OTF) and the FICPA Peer Review Committee Chair. The following items are considered in connection with this review, in addition to the items specified in Chapter 2 of AICPA’s Oversight Handbook (handbook),

- Administrative procedures:

- Policies & procedures for granting extensions
- Timeliness of scheduling and technical review processes, and the preparation of acceptance and follow-up letters
- Appropriate and timely follow-up on assigned corrective actions
- Cross-training procedures
- Content of web site includes accurate and timely information
- Work paper retention policies are being followed
- Technical review procedures
- Presentation and acceptance of reviews on a timely and consistent basis
- Reviewer feedback and deficiency letters policies
- Formal and well-documented oversight program

The FICPA shall also compile an annual oversight report, based on current AICPA guidance. The annual report shall be presented to the full committee for approval and posted to the web site upon approval.

**Monitoring & Administration** - The oversight program will be coordinated and scheduled by the FICPA staff as the administering entity under the direction of the FICPA Peer Review Committee. The Peer Review Executive Committee monitors the oversight program; evaluating reviews for consistency in the treatment of identified matters and findings, and other duties, as specified by the committee.

## 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 State of Florida currently requires firms to enroll in an approved practice monitoring program [aka peer review] if it performs audits and/or attestation engagements.
- 2) Number of Enrolled Firms by Number of Professionals\* as of February 4, 2018.

|                             | AE Peer Review Program | ^AICPA Peer Review Program |
|-----------------------------|------------------------|----------------------------|
| Sole Practitioners          | 54                     | 232                        |
| 2 to 5                      | 46                     | 565                        |
| 6 - 10                      | 15                     | 247                        |
| 11 - 19                     | 3                      | 98                         |
| 20-49                       | 1                      | 42                         |
| 50-99                       | 0                      | 7                          |
| 100+                        | 0                      | 0                          |
| <b>Total Enrolled Firms</b> | <b>119</b>             | <b>1191</b>                |

\* 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 2/4/2018. Enrolled firms do not include firms enrolled with no A & A practice.

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^ 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) 2016

a) Results by Type of Peer Review and Report Issued

|                           | AE Peer Review Program | <sup>^</sup> AICPA Peer Review Program |
|---------------------------|------------------------|--|
|                           |                        |  |
| System Reviews:           |                        |  |
| Pass                      | 33                     | 169                                    |
| Pass with deficiency(ies) | 6                      | 26                                     |
| Fail                      | 16                     | 12                                     |
| Subtotal – System         | 55                     | 207                                    |
|                           |                        |  |
| Engagement Reviews:       |                        |  |
| Pass                      | 2                      | 158                                    |
| Pass with deficiency(ies) | 1                      | 19                                     |
| Fail                      | 0                      | 17                                     |
| Subtotal - Engagement     | 3                      | 194                                    |
|                           |                        |  |
|                           |                        |  |
| Totals                    | 58                     | 401                                    |

Note: The above data reflects peer review results as of 2/4/2018. Approximately 100% of 2016 reviews have been completed and are included in the totals above.

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b) Number and Reasons for Pass with Deficiencies and Fail report grades

|   | AE Peer Review Program | ^AICPA Peer Review Program |
|---|------------------------|----------------------------|
| Reasons for Report Modifications  |                        |                            |
| Leadership responsibilities for quality within the firm ("the tone at the top") | 4                      | 4                          |
| Relevant Ethical Requirements   | 1                      | 1                          |
| Engagement Performance  | 23                     | 33                         |
| Acceptance & Continuance of Client Relationships and specific engagements       | 3                      | 3                          |
| Human Resources   | 8                      | 6                          |
| Monitoring  | 14                     | 17                         |
| Totals  | 53                     | 64                         |

Note: The above data reflects peer review results as of 2/4/2018. Approximately 100% of 2016 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         | 2                      | 1   | 40                         | 7   |
| Audits – Governmental – All Other | 8                      | 6   | 64                         | 12  |
| Audits – ERISA                    | 15                     | 9   | 81                         | 14  |
| Audits – FDICIA                   |                        |   |                            |   |
| Audits – Other                    | 59                     | 17  | 168                        | 14  |
| Audits - Broker-Dealers           |                        |   |                            |   |
| Reviews                           | 44                     | 12  | 191                        | 17  |
| Compilations with Disclosures     | 21                     | 3   | 433                        | 45  |
| Compilations without Disclosures  | 37                     | 10  | 117                        | 12  |
| Preparation with Disclosures      |                        |   |                            |   |
| Preparation without Disclosures   | 1                      | 1   | 23                         | 6   |
| Financial Forecast & Projections  |                        |   |                            |   |
| Other SSAEs                       | 7                      | 3   | 33                         | 2   |
| Examinations/Service Organization | 1                      |   | 17                         | 2   |
|                                   |                        |   |                            |   |
| Totals                            | 195                    | 62  | 1167                       | 131   |

Note: The above data reflects peer review results as of 3/15/18. Approximately 100% of 2016 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)   | 14                     | 50                         |
| Agree to comprehensive inspection                        |                        |                            |
| Agree to hire consultant for inspection                  |                        |                            |
| Agree to hire consultant for preissuance reviews         | 3                      | 5                          |
| Submit proof of CPE taken                                | 1                      | 1                          |
| Submit copy of inspection report                         |                        |                            |
| Submit inspection completion letter                      |                        |                            |
| Submit report on consultant                              |                        |                            |
| Submit to team captain (TC) revisit – general            | 15                     | 10                         |
| Submit to TC review of sub engagements with workpapers   | 6                      | 25                         |
| Agree to have accelerated review                         |                        |                            |
| Oversight of Inspection – Review                         |                        |                            |
| Oversight of Inspection – Visitation                     |                        |                            |
| Submit Inspection Report to Team Captain                 |                        |                            |
| Team captain to review Quality Control Document          | 1                      |                            |
| 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 | 2                      | 4                          |
| Submit inspection report to outside party                |                        |                            |
| Team captain review correction of substandard engagement |                        | 3                          |
| Outside party review substandard correction              |                        | 2                          |
| Submit additional information regarding repeat findings  |                        |                            |
| Does not perform Auditing engagements any longer         |                        |                            |
| Submit monitoring report to Committee                    | 8                      | 6                          |
| Submit monitoring report to Team Captain                 |                        |                            |
| Oversight of monitoring by Team Captain                  |                        |                            |
| Submit proof of purchase of manuals                      | 2                      | 3                          |
| Submit evidence of proper firm licensure                 |                        |                            |
| Agree to hire consultant – preissuance reviews           |                        |                            |
| Join Audit Quality Center                                |                        | 1                          |
| Totals   | 52                     | 110                        |

Note: The above data reflects peer review results as of 2/4/2018. Approximately 100% of 2016 reviews have been completed and are included in the totals above.

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### III. Oversight Process

#### Oversight Results

##### a) Peer reviews

##### AICPA Member Firms

| Type of Peer Review<br>(Sys, Eng, Rpt) | Oversight   |
|--|---|
| System                                 | 7 (Included 2 ERISA and 3 GAGAS/Single Audit engagement oversights) |
| Engagement                             | 4   |
|  |   |
|  |   |
|  |   |
|  |   |
|  |   |
|  |   |

##### AICPA Non-Member Firms

| Type of Peer Review<br>(Sys, Eng, Rpt) | Oversight Included Must Select Engagement<br>(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 |
|--------------------------------|--|---------------------|
| 122                            | 27   | 22%                 |

Note: Approximately 16 reviewers associated with the AICPA National Peer Review Committee with firms greater than 400 professionals are to be verified by the AICPA. There are approximately 138 active reviewers in Florida in either the NPRC or FICPA Peer Review Programs as of 10/12/2016.

c) Administrative oversights

|  |           |
|--|-----------|
| Date of Last Administrative Oversight Performed by the Administering Entity  | 8/19/2015 |
| Date of Last On-site Oversight Performed by the AICPA Oversight Task Force (covers only the AICPA Peer Review Program) | 9/8/2016  |