

Missouri Society of CPAs **2016 Annual Report on Oversight**

*Report covers 2015 Reviews

Oversight of Peer Reviews and Reviewers

The Peer Review Committee is required by AICPA guidelines to perform oversight on reviews of AICPA member firms and will do so as part of a regular process to assure the consistency and quality of the program. The Report Acceptance Body (RAB) will identify reviews for oversight where a concern arises about the quality of a review or reviewer, where there is an irresolvable disagreement between the reviewer and the reviewed firm or for any reason deemed appropriate by the committee. The chair of the executive committee or individual RAB chair will approve all AICPA members' reviews selected for oversight and any non-AICPA members' reviews as recommended by the RABs.

Minimum Requirements

Each year, at a minimum, the administering entity will conduct oversight on 2% of all AICPA members' reviews performed in a twelve-month period and, within the 2% selected, there must be at least two of each type of peer review (system and engagement reviews). Whenever possible, system reviews containing ERISA engagements, engagements under Government Auditing Standards or FDICIA engagements will be considered first for on-site oversight; otherwise, two engagement oversights of "must select" engagements will be performed to meet the minimum oversight requirement for the year.

Oversight Process

All oversight reviews will be performed by reviewers who qualify as system review team captains. The MSCPA administrative staff will advise the reviewed firm and its original peer reviewer of the upcoming oversight. The team captain of the original peer review will inform the MSCPA staff and the oversight reviewer of scheduled dates. For a system review, if at all possible, the oversight will be performed on-site at the firm's location. If the oversight is conducted after the review was completed, the original reviewer can, if desired, at his or her own expense, attend the oversight review as it is being performed. Oversight reviews may result in a change of a previously issued report or FFCs, based on the findings of the oversight reviewer. The reviewed firm or the original reviewer may appeal any of these changes through the normal process.

Oversight reviews will be performed using the appropriate AICPA checklists. Reviewers performing oversight will submit a letter and all checklists to the committee detailing their findings. Reviewers undergoing oversight will receive a copy of the memo and will have an opportunity to respond. In addition to possibly causing a change in the report or FFCs, the results of the oversight may also be used as documentation of problem reviewers and can be the basis for further action. All changes will be considered and approved of by the RAB.

Administrative Oversight

Oversight will also be performed on the MSCPA Peer Review Program to ensure that the MSCPA program is being administered in accordance with guidance as issued by the AICPA Peer Review Board. A member of one of the MSCPA peer review committees will perform administrative oversight in years when the AICPA Peer Review Board Oversight does not oversight the program.

MSCPA Peer Review Program

Administered in Missouri

By the Missouri Society of CPAs

Annual Verification of Reviewers' 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 the accounting or auditing functions. The firm with which the member is associated should have received a pass report 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 eight in any one year.

A reviewer of high risk engagements is required to currently be performing audits within those industries, possess current knowledge of professional standards and industry specific standards, and have completed the required CPE in accordance with AICPA Standards to perform high risk reviews. MSCPA 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, MSCPA must verify information within a sample of reviewers' resumes on an annual basis. All reviewer resumes are verified over a three-year period. The verification is completed in accordance with all AICPA Guidance and Standards.

Summary of Peer Review Programs

The Missouri Society of CPAs (MSCPA) serves as the administering entity for the AICPA Peer Review Program in the State of Missouri, and also administers the Missouri Society of CPAs Peer Review Program (which operates following AICPA Standards) for firms not enrolled in the AICPA Peer Review Program. The Missouri State Board of Accountancy (MOSBA) requires all firms in the state who provide attest, review or compilation services as part of their public accounting process be enrolled in a practice monitoring program. MOSBA has designated MSCPA as an authorized report acceptance body to approve peer review reports issued for firms enrolled in peer review programs administered by MSCPA.

Number of Enrolled Firms by Number of Personnel as of September 2016.

	Non-AICPA Peer Review Program	AICPA Peer Review Program	Total Peer Review Programs
No A & A	22	12	34
Sole Practitioners	80	67	147
2-5 Personnel	105	185	290
6-10 Personnel	19	94	113
11-19 Personnel	3	30	33
20-49 Personnel	0	20	20
50+ Personnel	0	3	3
Totals	229	411	640

Results of Peer Reviews Performed During the Year 2015

	Non-AICPA Peer Review Program	AICPA Peer Review Program
System Reviews:		
Pass	7	64
Pass with deficiency (ies)	4	9
Fail	0	7
Subtotal – System	11	80
Engagement Reviews:		
Pass	91	71
Pass with deficiency (ies)	15	7
Fail	7	3
Subtotal – Engagement	113	81
Totals	124	161

Note: The above data reflects peer review results as of September 2016.
Some reviews are still in corrective action.

Reasons for Pass with Deficiencies and Fail Reports from 2015

The following lists the reasons, summarized by elements of quality control as defined by Statement on Quality Control Standards, for reports with a Pass with Deficiencies or Fail Report is issued and shows the number of firms that received these related reports from system reviews performed for 2015. There may be more than one element per review causing report modifications.

Reasons for Pass with Deficiencies and Fail Reports	Non-AICPA Peer Review Program	AICPA Peer Review Program
352- Engagement Performance	3	11
353- Human Resources	0	2
354-Acceptance & Continuance of Client Relation	0	1
355-Monitoring	1	9
TOAL	4	23

Note: The above data reflects peer review results as of September 2016.

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Number of Engagements Reviewed & Number of Engagements not in Accordance w/Professional Standards

The following shows the total number of engagements reviewed and the number identified as “not performed and/or reported on in conformity with applicable professional standards” from peer reviews performed during 2015. The standards state that an engagement is ordinarily considered to fall into this category 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	Non-AICPA Peer Review Program		AICPA Peer Review Program	
	Number of Engagements		Number of Engagements	
	Reviewed	Substandard	Reviewed	Substandard
13 Audits – Single Audit Act (A-133)	5	1	49	6
15 Audits – Governmental – All Others	4	0	44	6
20 Other SAS Engagements	8	1	95	2
25 Reviews	39	2	93	2
31 Compilations with Disclosures	17	1	50	3
32 Compilations without Disclosures	182	16	315	8
33 Financial Forecast and Projections	1	0	1	0
34 Financial Forecast and Projections Other	0	0	2	0
35 Other SSAEs	0	0	2	0
36 SOC 1 Reports	1	1	6	0
37 SOC 2 Reports	0	0	2	0
40 Agreed Upon Procedures	3	0	29	0
50 Carrying Broker Dealers	0	0	1	1
70-75 ERISA	2	1	47	8
79 Compiled Financial Forecast & Projections	0	0	2	0
81 Preparation Engagements Omit Disclosures	0	0	3	0
Totals	262	23	741	36

Note: The above data reflects peer review results as of September 2016.

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Summary of Required Follow-up Actions

The Peer Review Committee is authorized by AICPA 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 2015, the following represents the type of follow-up actions required.

Type of Follow-up Action	Non-AICPA Peer Review Program	AICPA Peer Review Program
009-Agree to take certain CPE	20	16
012-Agree to hire consultant for pre-issuance reviews	5	9
013-Agree to strengthen staff	0	2
014-Submit proof of CPE taken	0	2
016-Submit impaction completion letter	1	0
017-Submit report on consultant	0	1
019-Submit to TC revisit	0	1
020-Submit to TC review of subsequent engagements w/wp	11	5
033-TC to review QCD	1	0
041-Submit to TC review of subsequent engagements w/o wp	1	1
043-TC review correction of substandard engagements	1	1
045- Does not perform any auditing engagements	1	3
051- Submit Monitoring report to TC	0	4
060- Submit Proof of purchase of Manuals	1	0
800- Join EBPAQC	0	1
Totals	42	46

Note: The above data reflects peer review results as of September 2016.

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Oversight on Peer Reviews

Non-AICPA Member Firms			AICPA Member Firms		
Type of Peer Review (Sys, Eng)	Must Select Engagement (ERISA, GAGAS, FDICA, NONE)	Total Oversight	Type of Peer Review (Sys, Eng)	Must Select Engagement (ERISA, GAGAS, FDICA, NONE)	Total Oversight
System	GAGAS & ERISA	0	System	GAGAS & ERISA	2
	NONE	0		NONE	0
	GAGAS only	0		GAGAS only	1
	ERISA only	0		ERISA only	0
Engagement	N/A	0	Engagement	N/A	2

Verification of reviewer's resumes

Total Number of Peer Reviewers (non-NPRC)	Total Number of Resumes Verified for Year	% of Total Verified
33	16	50%

Administrative oversights

Date of Last Administrative Oversight Performed by the Administering Entity	November 19, 2015
Date of Last On-site Oversight Performed by the AICPA Oversight Task Force (covers only the AICPA Peer Review Program)	November 3, 2014