

Society of Louisiana CPAs Annual Report on Oversight

**Date Issued – October 3, 2018
Period covered January 1, 2017– December 31, 2017
As of October 3, 2018**

Administering Entity Oversight Process and Procedures

Summary of Peer Review Programs

Overview of Society of Louisiana CPAs Peer Review Program

The Society of Louisiana CPAs Peer Review Program was formed in 1989, to administer the AICPA Peer Review Program. Society of Louisiana CPA member firms are also enrolled in the AICPA Peer Review Program.

The Society of Louisiana CPAs serves as the administering entity for the AICPA Peer Review Program in Louisiana.

The Louisiana State Board of Accountancy (BOA) requires all firms permitted in Louisiana, who provide attestation services, to be enrolled in a practice monitoring program. The BOA has designated the Society of Louisiana CPAs Peer Review Committee as an authorized report acceptance body to approve peer review reports issued for firms enrolled in peer review program administered by Society of Louisiana CPAs Peer Review Program.

The Society of Louisiana CPAs agrees to follow the AICPA “Standards for Performing and Reporting on Peer Reviews” and related guidance when administering the AICPA Peer Review Program in Louisiana.

Oversight of Peer Reviews and Reviewers

Oversight Selection

The Society of Louisiana CPAs Peer Review Committee established Oversight Policies for the selection of peer reviews and reviewers for oversight. The selections based on the criterion as outlined in the AICPA Peer Review Program Oversight Handbook, Chapter 2 and the LCPA PRC Policies, Oversight Policies section.

Both firms and peer reviewers are subject to oversight. Oversight on system reviews may include visiting the firm as part of the peer review process (on--site oversight) or reviewing specific engagement(s) (engagement oversight). Engagement oversight is generally performed after a system review is complete. Oversight on engagement reviews include a review of the reports and financial statements as well as certain workpapers generally performed after the review is complete.

Firms may be selected based on a number of factors including but not limited to the types of peer review reports previously received, a member of the firm performs multiple peer reviews, high risk engagements or the fact that it's the firm's first peer review.

Reviewers may be selected randomly or due to other factors including but not limited to frequent submission of pass reports, conducting 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 such as issuance of an inappropriate peer review report or failure to properly reach the appropriate conclusion during a review.

Oversight Process

A member of the Society of Louisiana CPAs Peer Review Committee or other approved qualified individual will perform the oversight. For system reviews and must-select engagement oversights, the individual must meet the requirements for serving as a team captain and have the appropriate industry experience.

Committee members or other qualified and approved individuals assigned to perform oversight of a peer review will be reimbursed at a rate of \$200 per hour for engagement review oversights and \$200 per hour plus expenses for system review on-site oversights.

The AICPA Peer Review Program Oversight Checklists are utilized on all oversight engagements. Oversight reports are tracked and maintained in an electronic file in the AICPA Peer Review Information Application (PRIMA). The reviewer is expected to respond to the oversight comments within 14 days of receiving the report via PRIMA.

Minimum Requirements

At a minimum, the Society of Louisiana CPAs Peer Review Program 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 reviews evaluated (system and engagement reviews).

Also, at least two system reviews must be conducted on-site and include a review of the complete peer review process, including attendance at the exit conference. An engagement oversight (performed either off-site or on-site) is the review of all peer reviewer workpapers and the reviewed firm's financial statements and working papers on the engagement. Oversight of engagement reviews includes a review of the complete working papers reviewed by the review captain as well as the complete peer review working papers.

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 that the member is associated with 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 8 in any one year. All review captains must meet the ongoing training requirements including must-select update training. All reviewers with governmental or employee benefit plan industries included on their resume must also be a member of the requisite audit quality center.

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 upon to justify why he or she should be permitted to review engagements in that industry. The Society of Louisiana CPAs Peer Review Committee 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 AICPA Oversight Handbook, Chapter 2, the Society of Louisiana CPAs Peer Review Program must verify information within a sample of reviewers' resumes on an annual basis.

Verification procedures include:

- The reviewer providing specific information such as the number of engagements they are specifically involved with and in what capacity. The information is compared with the information on the reviewer resume located in PRIMA 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 plan under ERISA, and audits of insured depository institutions subject to FDICIA.
- Which state(s) the reviewer has a license to practice as a certified public accountant in (this may include requesting copies of their license)
- 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 hour in one year, including CPE from a qualified reviewer training course;; annual update course;; annual must select training 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.
- Determine if firm is a member of audit quality center if governmental or employee benefit plans are included on the resume.
- Verifying that the reviewer's firm received a pass report on its most recently completed peer review.

1. Number of Enrolled Firms by Number of Professionals*

	AICPA Peer Review Program
Sole Practitioners w/o Audits	97
Sole Practitioners w/ Audits	47
2to 5w/o Audits	140
2to5 w/Audits	68
6to10 w/o Audits	62
6 to 10 w/ Audits	42
11 to 19 w/o Audits	12
11to19w/Audits	29
20 to 49 w/o Audits	1
20to49w/Audits	12
50 to 99 w/o Audits	0
50 to 99 w/Audits	3
100+w/o Audits	0
100+ w/Audits	0
Total Enrolled Firms	513

PRIMA Firm Listing Report

* Professionals are considered all personnel who perform professional services, for which the firm is responsible, whether or not they are CPAs.

2. Results of Peer Reviews Performed

a. Results by Type of Peer Review and Report Issued

	AICPA Peer Review Program
System Reviews:	
Pass	48
Pass with deficiency(ies)	8
Fail	5
Subtotal –System	61
Engagement Reviews:	
Pass	65
Pass with deficiency(ies)	9
Fail	18
Subtotal – Engagement	92
Total	153

Results of Peer Reviews Performed During Year

b. Number and Reasons for Report Modifications

The following lists the reasons for report modifications (that is, pass with deficiency(ies) or fail reports) from system reviews performed for the period covered summarized by elements of quality control as defined by QC section 10. A system review includes determining whether the firm's system of quality control for its accounting and auditing practice is designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards, including QC section 10, in all material respects. QC section 10 states that the quality control policies and procedures applicable to a professional service provided by the firm should encompass the following elements: leadership responsibilities for quality within the firm ("the tone at the top"); relevant ethical requirements; acceptance and continuance of client relationships and specific engagements; human resources; engagement performance; and monitoring. Because pass with deficiency(ies) or fail reports can have multiple reasons identified, the numbers contained in this exhibit will exceed the number of pass with deficiency(ies) or fail system reviews listed in other areas of the report.

Reasons for Report Modifications	AICPA Peer Review Program
Engagement Performance	11
Relevant ethical requirements	0
Human Resources	2
Acceptance & Continuance of Clients & Engagements	0
Monitoring	5
Leadership Responsibilities for Quality	0
Totals	18

c. Number of Engagements Not Performed or Reported on in Accordance with Professional Standards

The following shows the total number of engagements reviewed (system reviews and engagement reviews) and the number identified as Not Performed in Accordance with Professional Standards in all material respects. The Standards state that an engagement is ordinarily considered not performed or reported in accordance with applicable professional standards in all material respects when issues, 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.

Summary of Non-Conforming Engagements	Number of Engagements Performed	
	Reviewed Number of Engagements	Non-Conforming Engagements
Level of Service		
Agreed-upon procedures	2	2
Agreed-Upon Procedures	20	0
Agreed-upon Procedures Engagements	10	0
All others subject to GAS	42	7
Attestation Engagements (Examination, Review, or Agreed-upon Procedures under GAS)	6	1
Attestation Engagements (Examination, Review, or Agreed-upon Procedures under GAS)	3	0
Compilations of financial statements that omit substantially all disclosures	141	34
Compilations of financial statements with disclosures	16	3
Compilations of Prospective Financial Statements	0	0
Compilations Omit Disclosures	73	1
Compilations with Disclosures	26	1
Compiled Financial Forecast and Projection	2	0
Employee Retirement Income Security Act (ERISA): Defined Benefit Plans	3	1
Employee Retirement Income Security Act (ERISA): Defined Contribution Plans (403(b) plans only)	4	0
Employee Retirement Income Security Act (ERISA): Defined Contribution Plans (excluding 403(b) plans)	21	3
Employee Retirement Income Security Act (ERISA): Employee Stock Ownership Plans (ESOP)	2	0
Employee Retirement Income Security Act (ERISA): Health and Welfare	1	2
Examination of Service Organization Control Reports (SOC Reports): SOC 2	1	0
Federal Deposit Insurance Corporation Improvement Act (FDICIA)	1	0
OMB Single Audit Engagements	31	10
Other	0	0
Other agreed-upon procedures	1	0
Other Audits Under Statements on Auditing Standards	47	2
Preparation Engagements Omit Disclosures	10	0
Preparation Engagements with Disclosures	1	0
Preparation of financial statements that omit substantially all disclosures (with or without disclaimer reports)	7	1
Review Engagements	0	0
Reviews	48	2
Reviews of financial statements	21	5
Single Audit Act (A-133) Engagements	1	0
TOTALS	541	75

d) Summary of Required Follow--up Actions

The Peer Review Committee is authorized by the 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 2017, the following represents the type of follow--up actions required.

Type of Follow--up Action	AICPA Peer Review Program
Agree to Pre-issuance Review by TC/Outside	46
Join EBPAQC	1
Other	2
Submit Monitoring Report to Committee	1
Submit Monitoring Report to Team	1
Submit Proof of Certain CPE Taken	46
Submit to TC/Outside Party Post-Issuance Review	1
TC/Outside Party to Review Firm's Remedial	1
Totals	99

Summary of Required Follow Up Actions Reports

III. Oversight Results

a) Peer reviews

AICPA Member Firms

Type of Peer Review (Sys, Eng, Engagement)	Total Number of Oversight Performed	Oversight Included Must Select Engagement
System	3	3
Engagement	8	

b) Verification of reviewer's resumes (verified every 3 years last verified 2016)

Total Number of Peer Reviewers	Total Number of Resumes Verified for Year	% of Total Verified
22	22	100%

c) Administrative oversights

Date of Last Administrative Oversight Performed by the Administering Entity	September 12, 2016
Date of Last On--site Oversight Performed by the AICPA Oversight Task Force (covers only the AICPA Peer Review Program)	August 22-23, 2017