

**Alabama Society of Certified Public Accountants
Peer Review Annual Report on Oversight
2017**

I. Administering Entity Oversight Process and Procedures

Description of Oversight of Peer Reviewers

Oversight Selection

Throughout the year, the Alabama Society of CPAs (ASCPA) Peer Review selects various peer reviews for oversight. The selections may be random or targeted and are based on the criterion for selection as outlined in the AICPA Peer Review Program Oversight Handbook.

Firms

The selection of firms to be reviewed is based on a number of factors, including but not limited to the following: reviewing firms with a history of nonconforming engagements, reviewing firms with its first system review (after previously having an engagement review), reviewing firms who perform engagements in high risk industries, and reviewing firms at random selection.

Reviewers

All peer reviewers are subject to oversight and they may be selected based on a number of factors, including random selection, frequent submission of pass/unmodified reports without Findings for Consideration (FFC), conducting of a significant number of reviews for firms with audits in high risk industries, performance of their first peer review, performance of a high volumes of reviews, . Oversight of a reviewer can also occur due to the performance deficiencies or a history of performance deficiencies, such as an issuance of an inappropriate peer review report, not considering matters that turn out to be significant, or failure to select an appropriate number of engagements.

Oversight Process

The AICPA Peer Review Committee member(s) perform all oversight engagements. For system review and must-select engagement oversights, the committee member must have team captain experience and all related training requirements. Selection of the oversight reviewer is on a volunteer basis. The AICPA Peer Review Program Oversight checklists are utilized on all oversight engagements. Oversight reports are kept on file at the ASCPA office for AICPA oversight visits. Reports are not sent to the AICPA unless remedial action must be ratified by the AICPA. The final report is prepared on the reviewer's letterhead and submitted to the ASPCA Peer Review Committee. The reviewer may respond within 14 days of the date of the final report.

Minimum Requirements

At a minimum, the ASCPA 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 review evaluated (system and engagement reviews). The minimum requirement covers the following:

- At least two on-site system review oversights ("must selects" engagement oversights may be combined with the system oversights
- At least two engagement review oversights

Also, "must-select" engagement oversights must be performed by ASCPA's committee or by its designee from a national list of qualified reviewers, on an annual basis. An engagement oversight

(performed either off-site or on-site) is the review of all peer reviewer materials and the reviewed firm's financial statements and working papers on the engagement. The two engagement oversights can include (but not limited to) audits of employee benefits plans under ERISA, engagements performed under GAGAS, or audits of insured depository institutions subject to FDICIA. Also, the two oversights selected should not be of the same types of audits.

Administrative Oversight

In the years when there was no Oversight Task Force (OTF) oversight, an administrative oversight is performed on the ASCPA by an individual approved by the ASCPA Peer Review Committee or the Peer Review Committee or the Peer Review Committee Chair. Procedures performed cover the the administrative requirements of administering the AICPA PRP. The administrative oversight reports are submitted to the AICPA as part of the Plan of Administration and are reviewed by the ASCPA Peer Review Committee and, before an on-site oversight, an OTF member for any potential issues to be aware of.

Annual Verification of Reviewer 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 an unmodified or a Pass report on either a 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 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 ASCPA 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 the Oversight Enhancement No. 4, the ASCPA must verify information within a sample of reviewers' resumes on an annual basis. All reviewer resumes are verified over a three-year period.

Verification Procedures

- The reviewer providing specific information such as the number of engagements they are specifically involved with and in what capacity. The ASCPA Staff then compares the information provided by the reviewers to the reviewer resume on file in the AICPA system 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 reviewer's qualifications and experience related to engagements performed under GAGAS, audits of employee benefits plans 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(s).)
- 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 3 years with at least 8 hours of in one year, including the annual reviewer training course and any additional annual must-select training courses to reflect current qualifications to perform

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Yellow Book and ERISA audits, if applicable. Reviewers may also be requested to provide certificates. All required training courses should be current in PRIMA on the reviewer's resume.

- Determining whether the reviewer is a partner or manager in a firm enrolled in a practice monitoring program.
- Verifying that the reviewer's firm received a pass/unmodified report on its most recently completed peer review.

II. Summary of Peer Review Programs

Overview of ASCPA Peer Review

The ASCPA Peer Review was formed in 1989, to operate the AICPA Peer Review Programs, for AICPA and non-AICPA firms located in our state.

The ASCPA serves as the administering entity for the AICPA Peer review Program. As of May 1, 2017, AICPA membership is no longer required for firms to enroll in the AICPA Program; as a result, ASCPA has discontinued separate administration of non-AICPA member firms. All non-AICPA member firms automatically enrolled in the AICPA Peer Review Program for consistency in administration.

The Alabama State Board of Public Accountancy (BOA) requires all firms in our state, who provide attestation or compilation services as part of their public accounting process, to be enrolled in a practice-monitoring program. The BOA has designated the ASCPA as an authorized report acceptance body to approve peer review reports issued for the firms enrolled in peer review programs administered by Alabama.

Number of Enrolled Firms by Number of Professionals* as of 03/01/2018

	AL Peer Review Program	AICPA Peer Review Program
Sole Practitioners	0	145
2 to 5	0	259
6 to 10	0	74
11 to 19	0	26
20 to 49	0	13
50 to 99	0	6
100+	0	0
Total of Enrolled Firms	0	523

- "No A&A Firms" not included in firm totals.
- Professionals are considered all personnel who perform professional services, for which the firm is responsible, whether or not they are CPAs.
- This report reflects total number of firms as of 3/1/2018.

Results of Peer Reviews Performed During the Year(s) 1/1/2017 to 12/31/2017

Review Type	Report Rating Reason	Count
Engagement Review	Fail	12
Engagement Review	Pass	73
Engagement Review	Pass with deficiencies	6
Engagement Review	In Process	3
Engagement Review Total		94
System Review	Fail	2
System Review	Pass	71
System Review	Pass with deficiencies	6
System Review	In Process	1
System Review Total		80
Total Reviews Performed		174

- % in process : 4/174 = 2.29%
- Report pulled 3/2/2018

Reason for Pass with Deficiencies & Fail Report Grade

Minor Code Description	AICPA Peer Review Program	
	Count	
Acceptance and continuance of client relationships and specific engagements		1
Engagement performance		5
Human resources		2
Monitoring		2
Relevant ethical requirements		1
Total		11

- The above data reflects peer review results from 1/1/2017 to 12/31/2017.
- Approximately 2.29% of 2017 (yr.) reviews are in process and their results are not included in the totals above.

Number of Engagements Not Performed or Reported on in Accordance with Professional Standards in All Material Respects

Level of Service	Reviewed No Of Engagements	Non Conforming Engagements
Agreed-upon procedures	1	0
Agreed-Upon Procedures	35	0
Agreed-upon Procedures Engagements	2	0
All others subject to GAS	46	9
Attestation Engagements (Examination, Review, or Agreed-upon Procedures under GAS)	3	0
Attestation Engagements (Examination, Review, or Agreed-upon Procedures under GAS)	1	0
Compilations of financial statements that omit substantially all disclosures	113	19
Compilations of financial statements with disclosures	14	1
Compilations of prospective financial statements	1	1
Compilations Omit Disclosures	84	4
Compilations with Disclosures	50	0
Compiled Financial Forecast and Projection	1	0
Defined Benefit Plans Limited and Full Scope	1	0
Audits - ERISA	40	4
Engagements	2	1
Entities subject to Securities and Exchange Commission (SEC) Independence Rules:Non-Carrying Broker-Dealers	1	0
Examination of Service Organization Control Reports (SOC Reports):SOC 1	3	0
Examination of Service Organization Control Reports (SOC Reports):SOC 2	2	0
Examinations of Written Assertions	2	1
OMB Single Audit Engagements	29	8
Other Audits Under Statements on Auditing Standards	84	2
Other SSAE	1	0
Preparation Engagements Omit Disclosures	20	2
Preparation Engagements with Disclosures	2	0
disclaimer reports)	3	2
Preparation of financial statements with disclosures (with or without disclaimer reports)	3	1
Reviews	61	0
Reviews of financial statements	32	1
Single Audit Act (A-133) Engagements	4	1
Total	641	57

- Report was pulled 3/2/2018 and reflects data from 1/1/2017 to 12/31/2017.

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 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 offered by the reviewer and the firm response as 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 action. 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. The Peer Review Committee determines a due date by which follow-up action should be completed.

Summary of Required Follow-up Actions

Follow Up Description	AICPA Peer Review Program Count
Agree to Pre-issuance Review by TC/Outside Party	5
Does Not Perform Any Auditing Engagements	1
Other	6
Submit Inspection Report to TC/Outside Party for Review	2
Submit Monitoring Report to Team Captain/Outside Party for Review	3
Submit Proof of Certain CPE Taken	14
Submit to TC/Outside Party Post-issuance Review of Subsequent Engagements w/ wp's	2
Submit to TC review of subsequent engs w/ w/p	1
TC/Outside Party Review Correction of Non-Conforming Engagements	3
Total	37

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**Oversight Process:
Oversight Results**

State	Type	Status	Date Performed	Location	Engagement Type (if applicable)
AL	Engagment	Completed	6/30/2017	Off-site	n/a
AL	Engagment	Completed	8/25/2017	Off-site	n/a
AL	Engagment	Completed	6/13/2017	Off-site	n/a
AL	System	In Process	6/16/2017	Off-site	GAGAS
AL	System	Completed	6/15/2017	On-site	
AL	System	Completed	6/13/2017	On-site	GAGAS; Single Audit
AL	System	Completed	11/3/2017	On-site	ERISA

Reviewer Verification Listing

Total active reviewers with a main or home office located in the state(s) administered			38
Total resumes verified, this cycle (from below)			14
Percentage of resumes of active reviewers verified this cycle			37%
	Member Number	First Name	Last Name
1	1554279	Sherry	Tatum
2	1109728	Patrick	Smith
3	1707373	Pamela	Rice
4	1188104	Ed	Wetherington
5	1611428	Charles	Wilson
6	1035248	Kerry	Weatherford
7	41253	William	Wilkinson
8	1666141	David	Stephens
9	8250	Cindy	Savage
10	1166681	Jeffrey	White
11	1170017	Derrel	Curry
12	1568255	Tracy	Sams
13	111096	Dennis	Norton
14	1002891	Herb	Weeks

Note: 3 SOC Specialists are on the list of reviewers; however, AICPA communicated that these would not be in our required pool of reviewers to verify. They are verified by AICPA currently. I did not include them in our total.

Administrative Oversights

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