

**North Dakota CPA Society
Annual Report on Oversight for 2014
Date Issued – December 22, 2015**

I. Administering Entity Oversight Process and Procedures

1. The Administrative Entity and the Chair are responsible for selection of all oversight reviews. The criteria is outlined in the AICPA Peer Review Program Oversight Handbook, Chapter 2, Section IV, Items A, B and C.
2. At the beginning of the peer review year, using the criteria stated above, the AE and Chair select at least one system review performed onsite and one engagement review for oversight. We also do two “Must Select Engagements” that include an ERISA, government or banking engagement. (We request and usually receive a waiver of the required two each of system and engagement review oversights, due to the small number of reviews and reviewers we have.)
3. A Peer Review Committee member or the Technical Reviewer will perform all oversight engagements. They must have team captain requirements and experience.
4. Selection of the oversight reviewer depends on the number of reviews they are doing that year and when we did oversight on them in prior years. They usually end up being reviewed about every three years.
5. All reviewers will be paid from the Peer Review Committee budget at a maximum of \$150 per hour and any additional expenses incurred such as travel and meals. We usually try to find a committee member that is qualified in the same city as the reviewed firm.
6. The AICPA Peer Review Program Oversight Checklist is utilized on all oversight engagements. Oversight reports are kept on file at the Society office for AICPA oversight visits. The final report is submitted to the Peer Review Committee.
7. A member of the Peer Review Committee or the Chair performs an administrative oversight in the year when there is no AICPA Peer Review Board oversight.
8. In accordance with Oversight Enhancement No. 4, the North Dakota CPA Society will verify one-third (1/3) of reviewer’s 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 engagements they are specifically involved with and in what capacity. Staff will then compare the information provided by the reviewers to the reviewer resume on file in the ACIPA 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.

II. Summary of Peer Review Programs

1. The North Dakota CPA Society (NDCPAS) serves as the administering entity for the AICPA Peer Review Program in the State of North Dakota, and also administers the Peer Review Program for the North Dakota State Board of Accountancy (which operates exactly the same as the AICPA Peer Review Program) for firms not enrolled in the AICPA Peer Review Program. The North Dakota State Board of Accountancy requires all firms in the state who provide attestation or compilation services as part of their public accounting process to participate in a practice monitoring [aka peer review] program.

2. Number of Enrolled Firms by Number of Professionals* as of December 22, 2015.

	SB Peer Review Program	Peer Review Program
Sole Practitioners	24	21
2 to 5	21	32
6 - 10	6	9
11 - 19	2	2
20-49	0	1
50-99	0	0
100+	0	0
Total Enrolled Firms	53	65

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

^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 2014

a. Results by Type of Peer Review and Report Issued

	SB Peer Review Program	AICPA Peer Review Program
System Reviews		
Pass	2	6
Pass w/Deficiency(ies)	0	4
Fail	2	1
Subtotal-System	4	1
Engagement Review		
Pass	17	15
Pass w/Deficiency(ies)	2	1
Fail	1	1
Subtotal-Engagement	20	17
Total	24	28

b. Pass with Deficiencies and Fail Report Grade – 2014

Reasons for Report Modifications	SB Peer Reviews	AICPA Peer Review Program
Engagement Performance	2	2
Human Resources		1
Monitoring		
Totals	2	3

c) Number of Engagements Not Performed or Reported On in Accordance with Professional Standards

The following shows the total number of engagements reviewed and the number identified as “substandard” from peer reviews performed during 2014. The Standards state that an engagement is ordinarily considered substandard 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.

The following is information on AICPA reviews:

Eng Desc	No.of Reviews	Total Engs. Reviewed	No. Not Perf. in Conf. with Prof. Stan.	% Not Perf. in Conf. with Prof. Stan.
Single Audit Act (A-133) Engagements	4	4	1	25
All others subject to GAS	4	4	2	50
Other SAS Engagements	7	7	0	0
Reviews	10	10	0	0
Compilations with Disclosures	12	12	0	0
Compilations omit Disclosures	18	23	0	0
Agreed-Upon Procedures	2	2	0	0
Def Contrib Plans Ltd and Full Scope (excluding 403(b) plans)	1	1	0	0
Def Contrib Plans Ltd and Full Scope (403(b) plans only)	1	1	0	0
Total	59	64	3	5

The following is information on Non-AICPA reviews:

Eng Desc	No.of Reviews	Total Engs. Reviewed	No. Not Perf. in Conf. with Prof. Stan.	% Not Perf. in Conf. with Prof. Stan.
Single Audit Act (A-133) Engagements	0	0	0	0
All others subject to GAS	0	0	0	0
Other SAS Engagements	1	1	0	0
Reviews	5	5	0	0
Compilations with Disclosures	12	6	0	0
Compilations omit Disclosures	6	17	0	0
Agreed-Upon Procedures	0	0	0	0
Def Contrib Plans Ltd and Full Scope (excluding 403(b) plans)	0	0	0	0
Def Contrib Plans Ltd and Full Scope (403(b) plans only)	0	0	0	0
Total	25	29	0	2

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. For 2014, the following represents the type of follow-up actions required.

	SB Peer Review Program	AICPA Peer Review Program
Type of Follow-up Action		
TC revision of workpapers		
Agree to take certain Continuing Prof. Education (CPE)	2	
Agree to hire consultant for inspection		
Agree to hire consultant for preissuance reviews		1
Submit proof of CPE taken		
Team Captain to review QCD		
Submit to team captain (TC) Planning documents		
Submit to TC review of sub engagement without workpapers		
Submit to TC review of sub engagement with workpapers		
Submit monitoring report to Committee	1	
Oversight of Monitoring by Team Captain		
Submit proof of purchase of manuals		
Receiving revised report	1	
Totals	4	4

III. Oversight Results

a) Peer reviews – we usually get a waiver for one of each review from the AICPA.

AICPA Member Firms

Type of Peer Review (Sys, Eng)	Oversight Included Must Select Engagement (ERISA, GAGAS, FDICA)
System	1 2 (Must Selects)
Engagement	1

b) Verification of reviewer's resumes

Total Number of Peer Reviewers	Total Number of Resume's Verified for Year	% of Total Verified
3	1	33%

Two of the above reviewers did only one review.

c) Administrative oversights

Date of Last Administrative Oversight Performed by the Administering Entity	January 5 , 2016
Date of Last On-site Oversight Performed by the AICPA Oversight Task Force (covers only the AICPA Peer Review Program)	September 11-12, 2014 November 16, 2015