



Indiana CPA Society

Annual Report on Oversight

Date Issued – September 19, 2011

I. Administering Entity Oversight Process and Procedures

1. An Oversight Subcommittee is comprised of the committee chair and vice chair.
2. Each Oversight Subcommittee member must have team captain reviewer experience.
3. The Oversight Subcommittee will be responsible for selection of all oversight reviews. The Oversight Subcommittee will then assign the selected reviews only to Peer Review committee members who are qualified to perform oversights. The criteria will be outlined in the AICPA Peer Review Program Oversight Handbook, Chapter 2, Section IV, Items B and C.
4. At the beginning of the peer review year, using the criteria stated above, the Oversight Subcommittee selects a minimum of 2 to 4% of the reviews (approximately 4-8) to be performed each year. At least two system reviews will be performed onsite and two engagement reviews will be subject to oversight. The selection must include an ERISA and GAGAS engagement.
5. The Oversight Subcommittee makes their selection on the following criteria. Peer reviews performed by reviewers who repeatedly are required to issue corrected documents, reviewers with unsatisfactory performance, new peer reviewers and a random selection of reviews are made by the Oversight Subcommittee.
6. A Peer Review Committee member will perform all oversight engagements for System reviews and must have team captain requirements and experience. A Technical Reviewer is eligible to perform all oversight engagements for Engagement reviews.
7. Selection of the oversight reviewer will be on a volunteer basis. If there are no volunteers, the Peer Review Subcommittee will appoint a Peer Review Committee member to perform the oversight.
8. All reviewers will be paid from the Peer Review Committee budget at a maximum of \$105 per hour plus travel expenses. They are responsible for submitting a written report on the activities of the oversight and make a presentation of findings to the next scheduled full Peer Review Committee meeting. Checklists and reports are prepared in accordance with AICPA guidelines.

[^] At least one partner of the firm must be a member of the AICPA to enroll in the AICPA Peer Review Program

9. The AICPA Peer Review Program Checklist should be utilized on all oversight engagements. Oversight reports are kept on file at the Society office for AICPA oversight visits. Reports should not be sent to the AICPA unless remedial action must be ratified by the AICPA.
10. The chair and vice chair of the Peer Review Committee or a designee pre-approved by the AICPA will perform an administrative oversight in those years when there is no AICPA Peer Review Board oversight.
11. In accordance with Oversight Enhancement No. 4, the Indiana 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 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.

II. Summary of Peer Review Programs

1. The Indiana CPA Society (INCPAS) serves as the administering entity for the AICPA Peer Review Program in the State of Indiana, and also administers the Indiana CPA Society 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 Indiana Board of Accountancy (BOA) requires all firms in the state who provide attestation or compilation services as part of their public accounting process to be enrolled in a practice monitoring [aka peer review] program. The BOA has designated INCPAS as an authorized report acceptance body to approve peer review reports issued for firms enrolled in peer review programs administered by INCPAS.

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2. Number of Enrolled Firms by Number of Professionals* as of September 19, 2011

	Indiana Peer Review Program	^AICPA Peer Review Program
Sole Practitioners	75	103
2 to 5	76	218
6 - 10	10	77
11 - 19	3	36
20-49	0	19
50-99	0	2
100+	0	1
Total Enrolled Firms	164	456

* 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 September 19, 2011.

3. Results of Peer Reviews Performed During the Year(s) 2010

a) Results by Type of Peer Review and Report Issued

	Indiana Peer Review Program	^AICPA Peer Review Program
System Reviews:		
Pass	2	36
Pass with deficiency(ies)	1	3
Fail	0	0
Subtotal – System	3	39
Engagement Reviews:		
Pass	9	94
Pass with deficiency(ies)	2	12
Fail	2	1
Subtotal - Engagement	13	107
Totals	16	146

Note: The above data reflects peer review results as of September 19, 2011. Approximately 0.011% of 2010 (yr.) reviews are in process and their results are not included in the totals above.

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b) Number and Reasons for Report Modifications

The following lists the reasons, summarized by elements of quality control as defined by Statement on Quality Control Standards, for report modifications (when a pass with deficiency or fail report is issued) and shows the number of firms that received modified reports from system reviews performed for 2010.

Reasons for Report Modifications	Indiana Peer Review Program	^AICPA Peer Review Program
Independence, Integrity & Objectivity	0	0
Engagement Performance	1	3
Personnel Management	0	0
Acceptance & Continuance of Clients & Engagements	0	0
Monitoring	0	0
Totals	1	3

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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 2010. The Standards state that an engagement is ordinarily considered not performed in accordance with professional standards 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	Indiana 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 (A-133)	1	0	19	2
Audits – Governmental – All Other	0	0	8	0
Audits – ERISA	0	0	26	0
Audits – FDICIA	0	0	0	0
Audits – Other	2	0	46	0
Reviews	12	3	101	3
Compilations with Disclosures	6	1	73	1
Compilations without Disclosures	18	5	190	10
Financial Forecast & Projections	0	0	4	1
Other SSAEs	1	1	11	1
Agreed-Upon Procedures	0	0	14	0
Totals	40	10	492	18

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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. 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 2010, the following represents the type of follow-up actions required.

Type of Follow-up Action	Indiana Peer Review Program	^AICPA Peer Review Program
Receiving Revised Report	1	1
Receiving Revised LOC	0	2
Resolution of matter under dispute	1	1
TC revision of working papers	0	1
Agree to take certain Continuing Prof. Education (CPE)	3	8
Agree to hire consultant for pre-issuance reviews	1	2
Submit proof of CPE taken	2	0
Submit to TC review of Sub. Eng. w/ w/p	1	1
Agree to have accelerated review	1	0
Team Captain to review QCD	0	2
Submit evidence of proper firm licensure	1	0
Resolution of open questions	0	1
Totals	11	19

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III. Oversight Process

Oversight Results

b) Peer reviews-2010 Committee Oversight and AICPA Oversight

AICPA Member Firms

Type of Peer Review (Sys, Eng, Rpt)	Oversight Included Must Select Engagement (ERISA, GAGAS, FDIC, NONE)
System	3 (ERISA, GAGAS)
System	1 (None)
Engagement	3

AICPA Non-Member Firms

Type of Peer Review (Sys, Eng, Rpt)	Oversight Included Must Select Engagement (ERISA, GAGAS, FDIC, NONE)
System	0
Engagement	0

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b) Verification of reviewer's resumes

Total Number of Peer Reviewers	Total Number of Resume's Verified for Year	% of Total Verified
35	11	31%

c) Administrative oversights

Date of Last Administrative Oversight Performed by the Administering Entity	October 4, 2010
Date of Last On-site Oversight Performed by the AICPA Oversight Task Force (covers only the AICPA Peer Review Program)	July 27, 2011

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