

Virginia Society of CPAs Annual Report on Oversight

Date Issued — Oct. 9, 2020
Period covered Jan. 1, 2019 — Dec. 31, 2019
As of Oct. 13, 2020

Administering Entity Oversight Process and Procedures

Summary of Peer Review Programs

Overview of Virginia Society of CPAs Peer Review Program

The Virginia Society of CPAs (VSCPA) serves as the administering entity for the AICPA Peer Review Program in Virginia.

The Virginia Board of Accountancy (VBOA) requires all firms licensed in Virginia providing attestation services to be enrolled in a practice monitoring program. The VBOA has designated the VSCPA Peer Review Committee as an authorized report acceptance body to approve peer review reports issued for firms enrolled in the peer review program administered by VSCPA Peer Review Program.

The VSCPA has agreed to follow the AICPA “Standards for Performing and Reporting on Peer Reviews” and related guidance when administering the AICPA Peer Review Program in Virginia.

Oversight of Peer Reviews and Reviewers

Oversight Selection

The VSCPA Peer Review Committee has established Oversight Policies for the selection of peer reviews and reviewers for oversight. The selections are based on the criterion as outlined in the AICPA Peer Review Program Oversight Handbook, Chapter 2, and the VSCPA Oversight Policies.

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 disposition 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 VSCPA 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.

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 VSCPA Peer Review Program is required to conduct oversight on 2% of all reviews performed in a 12-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' Résumés

To qualify as a peer 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 eight 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 résumé 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 VSCPA Peer Review Committee has the authority to determine whether a reviewer's or review team's experience is sufficient to perform a particular review.

Ensuring that reviewers' résumés 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 VSCPA Peer Review Program must verify information within a sample of reviewers' résumés 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 résumé 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 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).
- 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 eight hours in one year, including CPE from a qualified reviewer training course, annual update course, and annually they must select training in ERISA and 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.
- Determining if their firm is a member of audit quality center if governmental or employee benefit plans are included on the résumé.
- Verifying 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	331
2-5	217
6-10	54
11-19	16
20-49	14
50-99	2
100+	1
Total of Enrolled Firms	635

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	83
Pass with deficiency(ies)	5
Fail	12
Subtotal — System	100
Engagement Reviews:	
Pass	64
Pass with deficiency(ies)	10
Fail	6
Subtotal — Engagement	80
Total	180

The above data reflects peer review results as of Oct. 13, 2020. Approximately 1.64% of 2019 reviews are in process and their results are not included in the totals above.

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	14
Relevant ethical requirements	3
Human resources	5
Acceptance & continuance of clients & engagements	4
Monitoring	10
Totals	36

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 Engagement	Number of Engagements Performed	
	Reviewed # of ENGs	Non-Conforming ENGs
Level of Service		
Agreed-upon Procedures Engagements	22	2
Agreed-upon Procedures Engagements (SSAE)	7	3
All others subject to GAS	16	2
Attestation Engagements (Examination, Review, or Agreed-upon Procedures under GAS)	11	0
Compilations of financial statements that omit substantially all disclosures	83	10
Compilations of financial statements with disclosures	36	1
Compilations Omit Disclosures	63	1
Compilations with Disclosures	54	2
Employee Retirement Income Security Act (ERISA): Defined Contribution Plans	2	0
Employee Retirement Income Security Act (ERISA): Defined Contribution Plans (403(b) plans only)	2	2
Employee Retirement Income Security Act (ERISA): Defined Contribution Plans (excluding 403(b) plans)	33	8
Employee Retirement Income Security Act (ERISA): Employee Stock Ownership Plans (ESOP)	4	0
Employee Retirement Income Security Act (ERISA): Health and Welfare	3	1
Examination Engagements	6	1
Examination of Service Organization Control Reports (SOC Reports):SOC 1	4	0
Examination of Service Organization Control Reports (SOC Reports):SOC 2	3	0
Examination of Service Organization Control Reports (SOC Reports):SOC 3	1	0
OMB Single Audit Engagements	24	3
Other Audits Under Statements on Auditing Standards	139	34
Performance Audits	3	0
Preparation Engagements Omit Disclosures	30	1
Preparation Engagements with Disclosures	4	1
Preparation of financial statements that omit substantially all Disclosures (with or without disclaimer reports)	10	1
Reviews	76	3
Reviews of financial statements	40	6
TOTAL	676	82

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 that 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 2019, the following represents the type of follow-up actions required.

Type of Follow-up Action	AICPA Peer Review Program
Agree to Hire TC/Outside Party to Perform Inspection	0
Agree to Pre-issuance Review by TC/Outside Party	20
Other	14
Join EBPAQC	1
Join GAQC	1
Submit Monitoring Report to Committee	13
Submit Proof of Certain CPE Taken	54
Submit to TC/Outside Party Post-Issuance Review of Subsequent Engagements w/o wp's	3
Submit to TC/Outside Party Post-Issuance Review of Subsequent Engagements w/ wp's	2
Submit to TC/Outside Party Revisit — General	0
TC/Outside Party Review Correction of Non-Conforming Engagements	9
TC/Outside Party to Review Firm's Remedial Actions in its response on the FFC	1
TC/Outside Party to Review Firm's Remedial Actions in LOR	3
TOTAL	121

Summary of Required Follow Up Actions Reports

III. Oversight Results

a. Peer reviews

AICPA Member Firms

Type of Peer Review (SYS, ENG)	Total Number of Oversight Performed	Oversight Included Must Select Engagement (ERISA, GAGAS, FDICA, NONE)
System	2	2
Engagement	4	

b. Verification of reviewer's résumés

Total Number of Peer Reviewers	Total Number of Resumes Verified for Year	% of Total Verified
56	21	38%

c. Administrative oversights

Date of Last On-site Oversight Performed by the AICPA Oversight Task Force (covers only the AICPA Peer Review Program)	Dec. 4–5, 2019
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