

**Georgia Society of CPAs  
Annual Report on Oversight  
Date Issued – April 29, 2011  
Period covered January 1, 2009 – December 31, 2009**

**Administering Entity Oversight Process and Procedures**

The Georgia Society of CPAs Peer Review Oversight Program's objective is to establish oversight policies and procedures to ensure that reviews are administered in compliance with the administrative procedures established by the AICPA Peer Review Board as set forth in the *AICPA Peer Review Program Oversight Handbook*, Chapter 2. The purpose of the GSCPA Oversight Program is to provide assurance that reviews are performed in accordance with the *Standards for Performing and Reporting on Peer Reviews*.

Oversight Selection

1. At least 2% of all reviews will be subject to oversight, including four system reviews, two engagement reviews.
2. At least two engagement oversights will be performed by members of the Peer Review Committee, or their designee from a national list of qualified reviewers, on an annual basis. The two engagement oversights will include either Audits of Employee Benefit Plans under ERISA, engagements under the Government Auditing Standards, or FDICIA engagements.

Reviewed Firms

1. Firms selected for oversight:
  - a. The managing owner and/or several owners are peer reviewers that perform a significant number of reviews.
  - b. The prior review report of a firm was fail.
  - c. The firm received consecutive pass with deficiencies or fail peer reviews prior to the current review.
  - d. The review has been completed and the RAB questioned the appropriateness of the report and could not resolve its questions without an independent look at the reviewed firm.
2. The oversight may consist of a full working paper review performed by the technical reviewer or a committee member after the review has been completed and presented to the committee.
3. The oversight may consist of a peer review committee member visiting the firm while the reviewer is performing the review, or after the review, but prior to final committee acceptance.
4. There is no additional cost to the reviewed firm or the peer review team for the oversight.

Peer Reviewers

1. Perform their first peer review that contains high risk industries.
2. Frequently submit reports with a peer review rating of pass and no Finding for Further Consideration Forms (FFC) forms.
3. The review period was changed without approval from the administering entity.
4. Serve as members of the Peer Review Committee.
5. Performing a significant number of reviews.
6. Serve as Technical Reviewers.
7. List numerous areas of experience on their resume.

## Administration

The Peer Review Executive Committee Chair performs an administrative oversight review during the interim following the Peer Review Board Oversight. The date of the last administrative oversight: January 20, 2011. The initial date was scheduled for December 16, 2010; however due to inclement weather it was rescheduled twice.

## Location of Oversight

1. Oversight Reviews Performed On-Site
  - a. A peer review committee member, or designee, performs on-site oversight to ensure that reviews are performed in accordance with Standards.
  - b. The committee member will be compensated \$120 per hour to perform the oversight. (16 hours maximum per oversight).
  - c. The committee member will be selected based on his/her areas of experience to match the reviewed firms' areas of practice and industries.
2. Oversight Reviews Performed Off-Site

The Technical Reviewer will perform a full working paper oversight on reviews selected randomly.

## Reviewer Resume Verification Procedures

A sample of 100% of reviewers' resumes will be verified every three years. All reviewer resumes will 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 include, but are not limited to:

1. Writing peer reviewers and requesting that they provide specific information such as the number of engagements they are specifically involved with and in what capacity.
2. Determine from PRISM whether the peer reviewer's firm actually performed those engagements during its last peer review.
3. Verification of CPE.
4. A second letter is sent to reviewers when discrepancies are found in the information they submitted to us. The reviewer is required to reconcile any differences found.

## Summary of Peer Review Programs

### Overview of Georgia Society of CPAs Peer Review Program

The Georgia Society of CPAs serves as the administering entity for the AICPA Peer Review Program and the Georgia Society of CPAs 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 Georgia State Board of Accountancy requires all firms in Georgia, who provide attestation services, to be enrolled in a practice monitoring program. The SBA has designated the Georgia Society of CPAs Peer Review Committee as an authorized report acceptance body to approve peer review reports issued for firms enrolled in peer review programs administered by the Georgia Society of CPAs Peer Review Program.

#### 1. Number of Enrolled Firms by Number of Professionals\* as of March 25, 2011:

	<b>GSCPA Peer Review Program</b>	<b>^AICPA Peer Review Program</b>
Sole Practitioners w/o Audits	95	245
Sole Practitioners w/ Audits	20	98
2 to 5 w/o Audits	68	275
2 to 5 w/ Audits	17	167
6 to 10 w/o Audits	7	44
6 to 10 w/ Audits	1	90
11 to 19 w/o Audits	0	8
11 to 19 w/ Audits	0	45
20 to 49 w/o Audits	0	0
20 to 49 w/ Audits	1	28
50 to 99 w/o Audits	0	0
50 to 99 w/ Audits	0	4
100+ w/o Audits	0	0
100+ w/ Audits	0	0
No A & A Firms	70	151
<b>Total Enrolled Firms</b>	<b>279</b>	<b>1155</b>

\* 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

2. Results of Peer Reviews Performed During the Year 2009.

a. Results by Type of Peer Review and Report Issued.

	<b>GSCPA Peer Review Program</b>	<b>^AICPA Peer Review Program</b>
<b>System Reviews:</b>		
Pass	8	128
Pass with deficiency(ies)	2	12
Fail	1	3
<b>Subtotal – System</b>	11	143
<b>Engagement Reviews:</b>		
Pass	50	164
Pass with deficiency(ies)	7	14
Fail	1	1
<b>Subtotal – Engagement</b>	58	179
<b>Total</b>	69	322

Note: The above data reflects peer review results as of April 28, 2011.

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

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 (SQCS#7), for report modifications (when a pass with deficiencies or fail report is issued) and shows the number of firms that received modified reports from system reviews performed for 2009. 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 SQCS#7. Since Pass with Deficiencies or Fail reports may have multiple reasons identified, the numbers contained in this table may exceed the number of Pass with Deficiencies or Fail System Reviews identified in 3 a).

	<b>GSCPA Peer Review Program</b>	<b>^AICPA Peer Review Program</b>	<b>^^Total Administered by GSCPA</b>
Leadership responsibilities for quality within the firm ("tone at the top")	1	1	2
Relevant Ethical Requirements	0	1	1
Acceptance & Continuance of Client Relationships and specific engagements	0	0	0
Human Resources	0	3	3
Engagement Performance	3	11	14
Monitoring	0	6	6
Other	1		1
<b>Totals</b>	<b>5</b>	<b>22</b>	<b>27</b>

Note: The above data reflects peer review results as of April 28, 2011. This includes 100% of 2009 reviews.

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

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 2009. 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.

Engagement Type	GSCPA 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	45	1
Audits – Government – All Other	6	0	65	3
Audits – ERISA	3	0	59	4
Audits - FDICIA	0	0	0	0
Audits – Other	10	0	156	7
Reviews	17	0	164	5
Compilations with Disclosures	13	3	100	1
Compilations without Disclosures	116	1	655	6
Financial Forecast & Projections			2	0
Other SSAEs			11	0
Agreed-Upon Procedures	3	0	19	1
<b>Totals</b>	<b>169</b>	<b>4</b>	<b>1276</b>	<b>28</b>

Note: The above data reflects peer review results as of April 28, 2011.

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

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 2009, the following represents the type of follow-up actions required.

Type of Follow-up Action	GSCPA Peer Review Program	^ AICPA Peer Review Program
Receiving revised LOR	2	5
Agree to take certain Continuing Proof of Education (CPE)	5	20
Agree to hire consultant for preissuance reviews	5	5
Submit proof of CPE taken	1	3
Submit to team captain (TC) revisit – general	1	3
Submit to TC review of subsequent engagement with workpapers	7	15
Agree to have accelerated review	0	0
Submit to TC review of subsequent engagement without workpapers	0	0
TC review correction of substandard engagement	0	0
Clarification of one or more issues	23	76
Receipt of additional information	15	32
Submit Monitoring Report to Committee	0	12
Submit Monitoring Report to Team Captain	0	1
Team Captain to review QCD	1	4
<b>Totals</b>	<b>60</b>	<b>176</b>

Note: The above data reflects peer review results as of April 28, 2011.

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

### 3. Oversight results

#### a. Peer Reviews

##### AICPA Member Firms

Type of Peer Review (Sys, Eng, Rpt)	Total Number of Oversights Performed	Oversight Included Must Select Engagement (ERISA, GAGAS, FDICA, NONE)
System	6	ERISA, GAGAS
Engagement (includes 1 Report review)	7	

#### b. Verification of Reviewers' resumes

Total Number of Peer Reviewers	Total Number of Resumes Verified for Year	% of Total Verified
49	49	100%

#### c. Administrative oversights

Date of Last Administrative Oversight Performed by the Administering Entity	January 20, 2011 <sup>1</sup>
Date of Last On-site Oversight Performed by the AICPA Oversight Task Force (covers only the AICPA Peer Review Program)	October 12, 2009

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<sup>1</sup> The date of the last administrative oversight was January 20, 2011. The initial date was scheduled for December 16, 2010; however due to inclement weather it was rescheduled twice.