



**STATE OF OKLAHOMA  
OKLAHOMA ACCOUNTANCY BOARD  
PEER REVIEW OVERSIGHT COMMITTEE**

**Peer Review Oversight Committee Annual Report for Calendar Year 2015**

**3/4/2016**

Pursuant to the Oklahoma Accountancy Act (The Act), §15.30, the Oklahoma Accountancy Board (OAB) establishes a peer review program to monitor firms' compliance with applicable accounting and auditing standards adopted by generally recognized standard setting bodies, the program emphasizes education, including appropriate remedial procedures, which may be recommended or required when financial statement reports do not comply with professional standards. In the event a firm does not comply with established professional standards, or a firm's professional work is so inadequate as to warrant disciplinary actions, the OAB shall take appropriate action to protect the public interest.

The OAB, pursuant to Title 10 of the Oklahoma Administrative Code; Subchapter 33; Section 10:15-33-3 adopts the "*Standards for Performing and Reporting on Peer Reviews*," as promulgated by the American Institute of Certified Public Accountants (AICPA) or other standards approved by the OAB as its minimum standards for peer review of registrants.

Oversight of the minimum standards for peer review of registrants is established through the OAB's Peer Review Oversight Committee (PROC) which is provided for in 10:15-33-7 of the Oklahoma Administrative Code.

The purpose of the PROC is to monitor Sponsoring Organizations and provide the OAB with a reasonable assurance that peer reviews are being conducted and reported on in accordance with the OAB's minimum standards for peer review, review the policies and procedures of sponsoring organization applicants as to their conformity with the peer review minimum standards, and report to the OAB on the conclusions and recommendations reached as a result of performing the aforementioned functions.

The PROC operating statement is:

*"To evaluate and monitor the Peer Review Program established by the Oklahoma Accountancy Board to provide reasonable assurance that the American Institute of Certified Public Accountant's Peer Review Program Standards are being properly administered in the State of Oklahoma making referrals to the Oklahoma Accountancy Board as needed for further action."*

Oversight procedures have been established to ensure that the peer reviews being administered to OAB registrants are being conducted and reported in accordance with peer review minimum standards (PROC Operating Summary attached). The procedures include:

- A. At least one PROC member is scheduled to attend in person, all Oklahoma Society of Certified Public Accountant's (OSCPA) Peer Review Committee meetings to consider the acceptance bodies' deliberations in accepting peer reviews. In the event no PROC member is able to attend an OSCPAs Peer Review Committee meeting, the OAB Executive Director or Deputy Director is to attend in their place;

- B. On an annual basis, the PROC reviews the qualifications of each entity approved by the OAB to administer peer reviews. The PROC shall first seek to rely on the NASBA Compliance Assurance Committee's list of approved Peer Review Oversight Committees as oversight to ensure peer reviews are being performed in accordance with AICPA Minimum Standards. In the event this list is not available for the PROC to review, it will then seek to rely on the administering entity's AICPA Oversight Report;
- C. A detailed review of all Pass with Deficiency and Fail peer review reports are performed by the PROC. When necessary, prescribe actions designed to assure correction of the deficiencies in the reviewed firm's system of quality control;
- D. Monitor remedial and corrective actions as prescribed by the PROC and/or the administering entity to determine compliance by the firm;
- E. Accept all pass system and engagement peer review reports submitted to the OAB; and
- F. As deemed appropriate, refer firms to the OAB's Enforcement Committee for failing to comply with the OAB's peer review program or performing work that is so inadequate as to warrant disciplinary action. Files referred to the Enforcement Committee by the PROC may include commentary and/or suggestions for potential corrective actions. Firms will be referred to the Enforcement Committee for:
  - o Receiving consecutive substandard reports. Firms shall automatically be sent to the Enforcement Committee for further scrutiny unless the PROC determines the firm to have complied to the extent this action is not warranted (NASBA Compliance Assurance Committee Guidelines and Peer Review Committee Directive);
  - o Failing to submit required reports (10:15-33-6);
  - o Peer Review reports requiring continued oversight following deficient reports as described in 10:15-33-5; and
  - o Others as deemed appropriate by the PROC

Based on the aforementioned procedures, the following is a summary of the PROC activity during calendar year 2015.

At least one PROC member or Board staff member attended the following OSCP A Peer Review Committee meetings during calendar year 2015:

Thursday, February 5, 2015 - Autin  
Thursday, August 13, 2015 - Autin  
Thursday, October 21, 2015 - Williamson  
Thursday, December 10, 2015 - Vaughn

As of December 31, 2015, there were 123 Sole Proprietorships and 450 registered firms which have reported to the OAB the performance of engagements requiring peer review.

There were 10 peer review referrals to the Enforcement Committee in calendar year 2015.

The PROC has concluded that for calendar year 2015:

1. Technical reviews are being performed and reviewed in a timely manner by the OSCP A;
2. Technical reviewers appear knowledgeable about their function;
3. Technical reviewers resolve inconsistencies and disagreements before accepting reports;
4. Technical reviewers make the OSCP A Peer Review Committee aware of matters needed to properly evaluate the review.
5. The technical reviewers are available during the meetings to answer questions; and

6. During its oversight of the OSCPA Report Acceptance Bodies (RAB), the PROC specifically noted the various RABs consistently held open and thorough discussions of reviews. While attending 2015 meetings, the PROC also observed the RABs address every issue with purpose and in a thoughtful and meaningful discussion. Finally, the PROC concludes the vast knowledge collectively shared by RAB members regarding acceptance procedures and corrective or monitoring actions to be excellent.

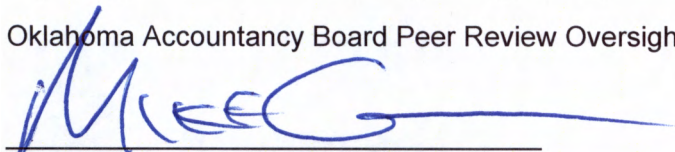
At December 31, 2015, the following entities' are approved as sponsoring organizations:

- AICPA Center For Public Company Audit Firms
- Alabama Society of Certified Public Accountants
- Arkansas Society of Certified Public Accountants
- California Society of Certified Public Accountants
- Colorado Society of Certified Public Accountants
- Connecticut Society of Certified Public Accountants
- Florida Institute of Certified Public Accountants
- Georgia Society of Certified Public Accountants
- Illinois Society of Certified Public Accountants
- Indiana Certified Public Accountant Society
- Iowa Society of Certified Public Accountants
- Kansas Society of Certified Public Accountants
- Michigan Society of Certified Public Accountants
- Minnesota Society of Certified Public Accountants
- Mississippi Society of Certified Public Accountants
- Missouri Society of Certified Public Accountants
- Montana Society of Certified Public Accountants
- National Peer Review Committee
- Nevada Society of Certified Public Accountants
- New York State Society of Certified Public Accountants
- Ohio Society of Certified Public Accountants
- Oklahoma Society of Certified Public Accountants
- Oregon Society of Certified Public Accountants
- Pennsylvania Society of Certified Public Accountants
- Society of Louisiana Certified Public Accountants
- Tennessee Society of Certified Public Accountants
- Texas Society of Certified Public Accountants
- Virginia Society of Certified Public Accountants
- Washington Society of Certified Public Accountant

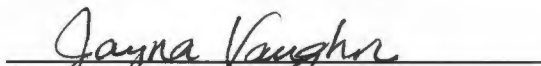
Nothing came to the PROC's attention that would lead them to believe that, these administering entities were not administering peer reviews in accordance with "*Standards for Performing and Reporting on Peer Reviews*," as promulgated by the AICPA.

Finally, the PROC concludes that peer reviews administered by the OSCP are being performed for Oklahoma registrants in accordance with the "*Standards for Performing and Reporting on Peer Reviews*," as promulgated by the AICPA.

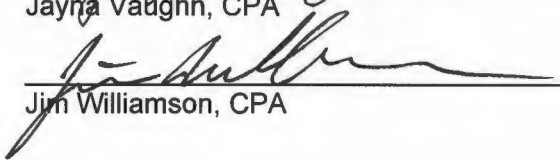
Oklahoma Accountancy Board Peer Review Oversight Committee



Mike Gibson, CPA, PROC Chair



Jayna Vaughn, CPA



Jim Williamson, CPA

**Oklahoma Accountancy Board  
Peer Review Oversight Committee (PROC)**

**OPERATING SUMMARY**

Purpose

**To evaluate and monitor the peer review program established by the Board to provide reasonable assurance that the AICPA Peer Review Program standards are being properly administered in the state of Oklahoma making referrals to the Board for further action as needed. (10:15-33-7)**

Objectives and Procedures

**Ensure that peer reviews are conducted in accordance with AICPA Standards for Performing and Reporting on Peer Reviews. (10:15-33-7e3)**

- Review applications from entities requesting approval as a sponsoring organization (10:15-33-7a2)
- Annually obtain and review the list of NASBA Compliance and Assurance Committee approved Peer Review Oversight Committees, or if not available, the most recent sponsoring organization AICPA oversight report (10:15-33-7a1)
- At least one member of the PROC will attend each OSCPA Peer Review Committee meeting (10:15-33-7e3). OAB staff may attend if a PROC member is not available
- At least one member of the PROC will attend the AICPA Oversight visit exit conference for the OSCPA (10:15-33-7e3). The PROC shall use its discretion when determining the need to be present for more of the oversight process beyond attending the oversight exit conference. (Peer Review Committee Directive)
- Annually recommend sponsoring organizations to the Board for approval (10:15-33-7d)

**Ensure firms undergo peer reviews as required and recommend appropriate remedial actions if necessary. (10:15-33-4 and 10:15-33-7e2)**

- Ensure firms submit required reports (10:15-33-6)
- Accept all Pass reports submitted to the Board without review by PROC (10:15-33-7e4)
- Review and discuss all Pass with Deficiencies and Fail reports (10:15-33-7e4)
- Assess remedial action prescribed by the sponsoring organization for appropriateness and prescribe additional remedial action if deemed necessary (10:15-33-7e1)
- Monitor firm compliance with prescribed remedial action (10:15-33-7e2)
- Firms may be referred to the Enforcement Committee based on the judgement of the PROC: (10:15-37-1a)
  - o Firms not submitting required reports (10:15-33-6)
  - o Firms requiring continued oversight following deficient reports as described in 10:15-33-5

- Firms with consecutive substandard reports shall automatically be sent to the Enforcement Committee for further scrutiny unless the PROC determines the firm to have complied to the extent this action is not warranted (Peer Review Committee Directive)
- Files referred to the Enforcement Committee by the PROC may include commentary and/or suggestions for potential corrective actions (Peer Review Committee Directive)
- Others as deemed appropriate by the PROC

**Regularly communicate results of PROC operations. (10:15-33-7a3)**

- PROC will meet and report activities to the Board at least quarterly (March, June, September, and November) (10:15-33-7e4)
- Annually report conclusions and recommendations regarding evaluation and monitoring of peer review program to Board during the April Board meeting (10:15-33-7a3)
- Communicate problems encountered to sponsoring organizations as needed (10:15-33-7e5)

# Oklahoma Accountancy Board

## BOARD OVERSIGHT COMMITTEE

### Summary of Oversight Visit - Peer Review Committee

Oversight Committee Member  
Performing This Review

\_\_\_\_\_

Date Performed

\_\_\_\_\_

RAB # \_\_\_\_\_

Attend the program's Peer Review Committee meeting as an observer. Do not advise or otherwise attempt to influence the report acceptance process.

1. Are technical reviews being performed within a reasonable time period after review documents are submitted to the Peer Review Program?

Yes \_\_\_\_\_ No \_\_\_\_\_

2. Do technical reviewers appear knowledgeable about their function?

Yes \_\_\_\_\_ No \_\_\_\_\_

3. Do the technical reviewers attempt to resolve inconsistencies and disagreements before recommending the reviews for acceptance to the RAB?

Yes \_\_\_\_\_ No \_\_\_\_\_

4. Do the technical reviewers make the RABs aware of matters needed to properly evaluate the review?

Yes \_\_\_\_\_ No \_\_\_\_\_

5. Is the technical reviewer available during the meeting to answer questions that arise?

Yes \_\_\_\_\_ No \_\_\_\_\_

6. Are the technical reviewers knowledgeable about the treatment of:

Engagements not performed and reported on in	Yes _____	No _____	N/A _____
Monitoring issues?	Yes _____	No _____	N/A _____
Governmental issues?	Yes _____	No _____	N/A _____
Review scope?	Yes _____	No _____	N/A _____
Appropriate format for report and letter of response, if applicable?	Yes _____	No _____	N/A _____
Revisions to review documents?	Yes _____	No _____	N/A _____
Corrective or monitoring actions?	Yes _____	No _____	N/A _____

**Summary of Oversight Visit - Peer Review Committee**

Date \_\_\_\_\_

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7. Were any specific solutions to problems discussed?

Yes \_\_\_\_\_ No \_\_\_\_\_

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8. Do technical reviewers believe sufficient guidance is provided by their program?

Yes \_\_\_\_\_ No \_\_\_\_\_

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9. Have the technical reviewers demonstrated improvement from any prior oversight visit report?

Yes \_\_\_\_\_ No \_\_\_\_\_

10. Were the following manuals available during the meeting:

Peer Review Program Manual?	Yes _____	No _____
Peer Review Administrative Manual?	Yes _____	No _____
RAB Handbook?	Yes _____	No _____

11. Is the RAB meeting comprised of at least three members?

Yes \_\_\_\_\_ No \_\_\_\_\_

12. Does the extent of the RAB's review appear appropriate?

Yes \_\_\_\_\_ No \_\_\_\_\_

13. Were the appropriate decisions made by the RAB regarding:

conformity with professional standards?	Yes _____	No _____	N/A _____
Monitoring issues?	Yes _____	No _____	N/A _____
Governmental issues?	Yes _____	No _____	N/A _____
Review scope?	Yes _____	No _____	N/A _____
Revisions to review documents?	Yes _____	No _____	N/A _____
The issuance of team captain feedback forms?	Yes _____	No _____	N/A _____
Requests for extensions?	Yes _____	No _____	N/A _____
Handling problem reviews?	Yes _____	No _____	N/A _____
Corrective or monitoring actions?	Yes _____	No _____	N/A _____



**Summary of Oversight Visit - Peer Review Committee**

Date \_\_\_\_\_

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14. Were any specific solutions to problems discussed?

Yes \_\_\_\_\_ No \_\_\_\_\_

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15. Has the RAB agreed to take any action on problems?

Yes \_\_\_\_\_ No \_\_\_\_\_

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16. Do the RAB members believe sufficient guidance is provided by the program?

Yes \_\_\_\_\_ No \_\_\_\_\_

17. Does the RAB consider technical reviewers' recommendations and then come to its own decision?

Yes \_\_\_\_\_ No \_\_\_\_\_

18. Has the RAB demonstrated improvement from any prior oversight visit report?

Yes \_\_\_\_\_ No \_\_\_\_\_

19. Please rate the RAB's knowledge of acceptance procedures and corrective/monitoring actions?

- \_\_\_\_\_ Poor
- \_\_\_\_\_ Adequate; needs some improvement
- \_\_\_\_\_ Excellent

20. List any items discussed with the OSCP A Peer Review Chairperson.

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**Summary of Oversight Visit - Peer Review Committee**

Date \_\_\_\_\_

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21. List the number of each type of peer review presented:

\_\_\_\_\_ Pass System Reports

\_\_\_\_\_ Pass Engagement Reports

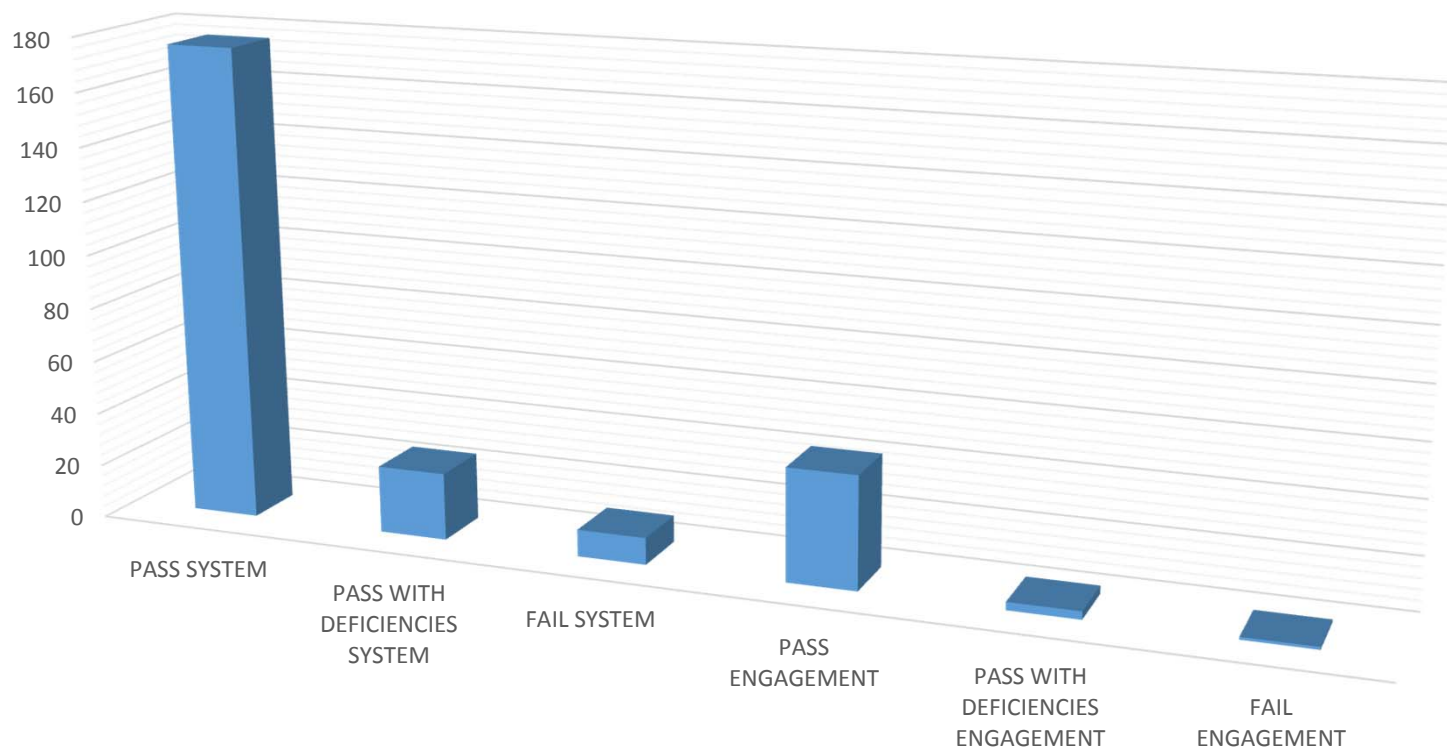
\_\_\_\_\_ Pass with Deficiencies System Reports

\_\_\_\_\_ Pass with Deficiencies Engagement Reports

\_\_\_\_\_ Fail System Reports

\_\_\_\_\_ Fail Engagement Reports

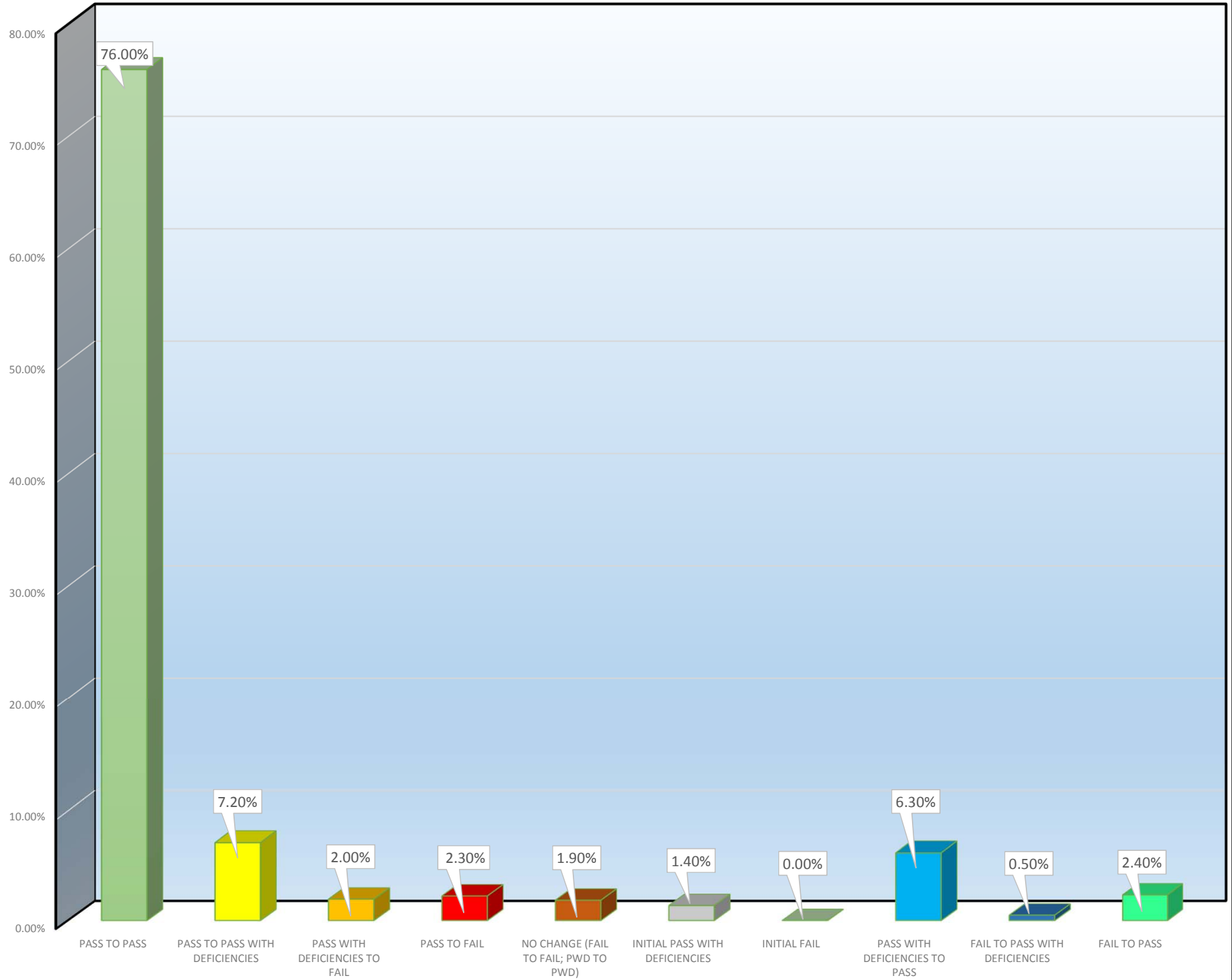
2015 Peer Reviews by Type



<b>SYSTEM PEER REVIEWS</b>	<b>2010 TOTALS</b>	<b>2011 TOTALS</b>	<b>2012 TOTALS</b>	<b>2013 TOTALS</b>	<b>2014 TOTALS</b>	<b>MARCH 2015</b>	<b>JUNE 2015</b>	<b>OCTOBER 2015</b>	<b>DECEMBER 2015</b>	<b>2015 TOTALS</b>
PASS	175	240	108	161	87	71	40	43	22	176
PASS WITH DEFICIENCIES	24	23	13	16	10	4	7	6	8	25
FAIL	4	4	4	2	2	4	3	2	1	10
<b>SYSTEM TOTALS</b>	<b>203</b>	<b>267</b>	<b>125</b>	<b>179</b>	<b>99</b>	<b>79</b>	<b>50</b>	<b>51</b>	<b>31</b>	<b>211</b>
<b>ENGAGEMENT PEER REVIEWS</b>	<b>2010 TOTALS</b>	<b>2011 TOTALS</b>	<b>2012 TOTALS</b>	<b>2013 TOTALS</b>	<b>2014 TOTALS</b>	<b>MARCH 2015</b>	<b>JUNE 2015</b>	<b>OCTOBER 2015</b>	<b>DECEMBER 2015</b>	<b>2015 TOTALS</b>
PASS	39	58	13	29	18	14	8	18	2	42
PASS WITH DEFICIENCIES	2	4	2	10	1	0	0	2	1	3
FAIL	0	0	1	2	1	0	1	0	0	1
<b>ENGAGEMENT TOTALS</b>	<b>41</b>	<b>62</b>	<b>16</b>	<b>41</b>	<b>20</b>	<b>14</b>	<b>9</b>	<b>20</b>	<b>3</b>	<b>46</b>

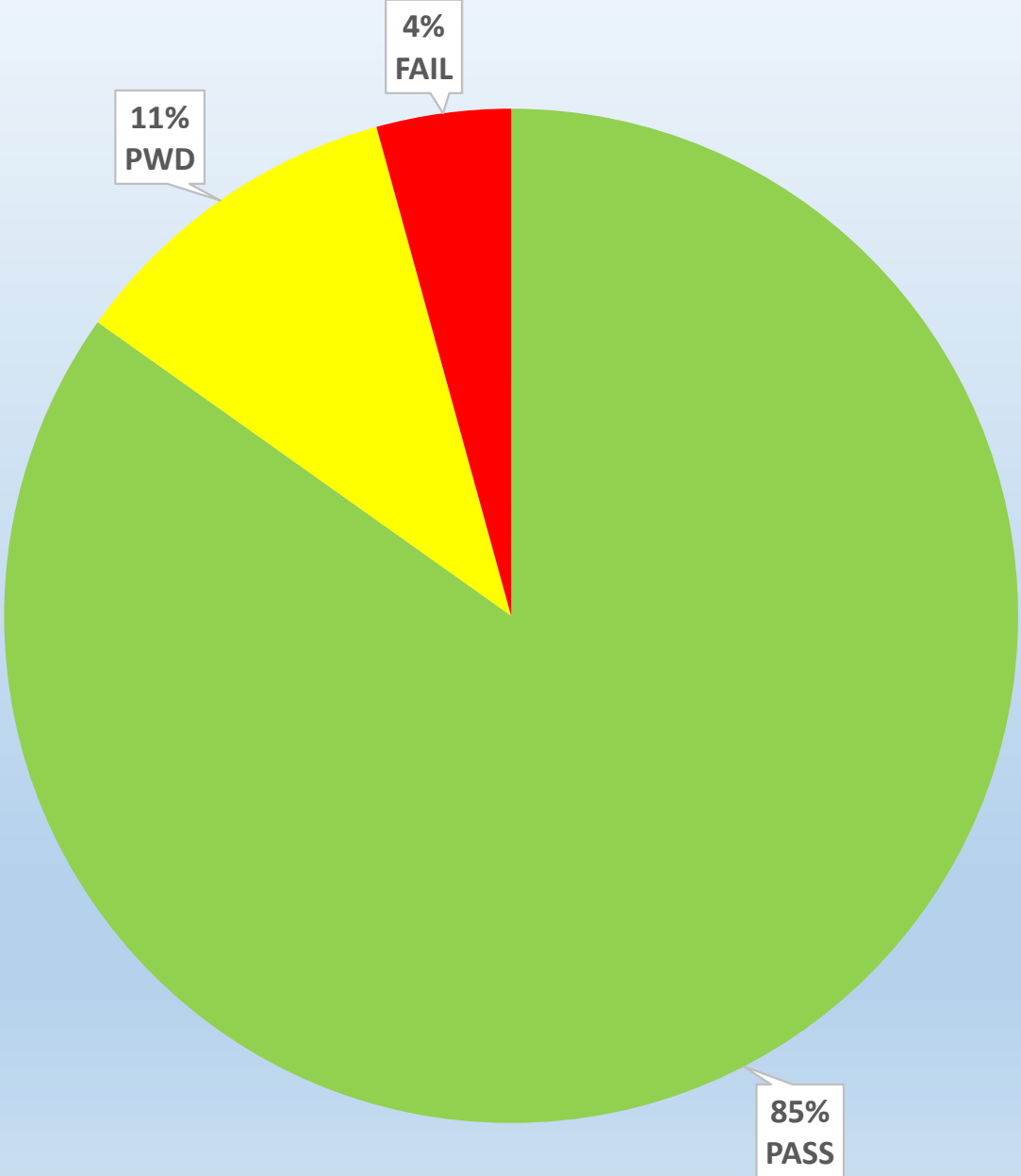
# 2015 PEER REVIEW REPORT TRENDS

\*Reports submitted in 2015 as compared to the firm's prior report.



# 2015 Peer Reviews Submitted to the OAB

\*System and Engagement Reports



<b>SYSTEM PEER REVIEWS</b>	<b>OKLAHOMA PERCENTAGE</b>	<b>NATIONAL PERCENTAGE</b>
<b>PASS</b>	<b>83%</b>	<b>85%</b>
<b>PASS WITH DEFICIENCIES</b>	<b>12%</b>	<b>11%</b>
<b>FAIL</b>	<b>5%</b>	<b>4%</b>

<b>ENGAGEMENT PEER REVIEWS</b>	<b>OKLAHOMA PERCENTAGE</b>	<b>NATIONAL PERCENTAGE</b>
<b>PASS</b>	<b>91%</b>	<b>79%</b>
<b>PASS WITH DEFICIENCIES</b>	<b>7%</b>	<b>16%</b>
<b>FAIL</b>	<b>2%</b>	<b>5%</b>

\*Results of AICPA PRP Overall Results From 2012 – 2014, approximately 26,000 peer reviews were performed in the AICPA PRP. For system reviews performed during that three-year period, approximately 85 percent of the reviews resulted in pass reports, 11 percent were pass with deficiencies and 4 percent were fail. For engagement reviews performed during that three-year period, approximately 79 percent of the reviews resulted in pass reports, 16 percent were pass with deficiencies and 5 percent were fail.

\*AICPA Peer Review Program Annual Report on Oversight, Issued September 18, 2015.

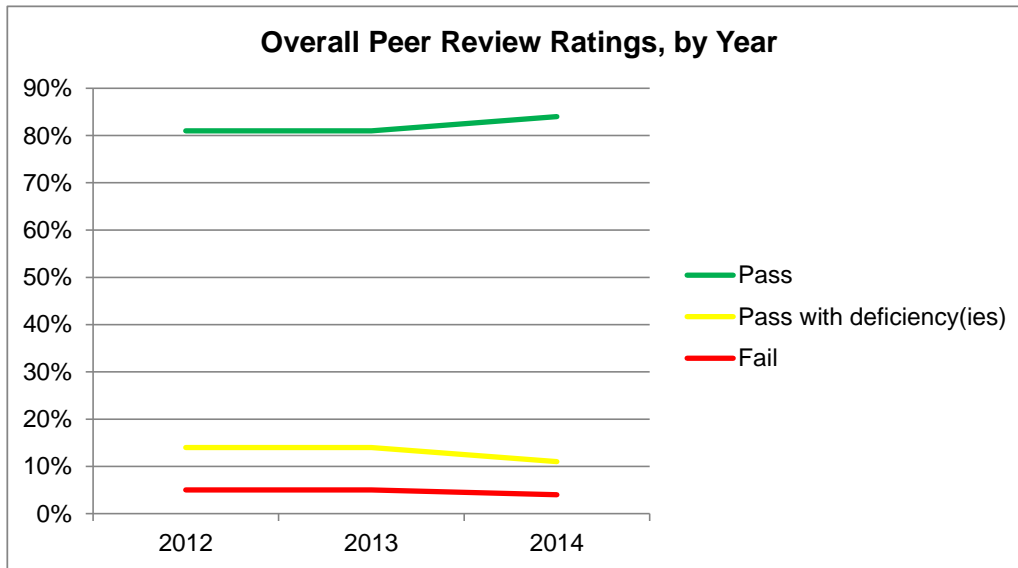
## Exhibit 4

### Results by Type of Peer Review and Report Issued

The following shows the results of the AICPA PRP from 2012–2014 by type of peer review and report issued.

	2012		2013		2014		Total	
	#	%	#	%	#	%	#	%
<u>System reviews</u>								
Pass	3,957	88	3,023	84	3,249	81	10,229	85
Pass with deficiency(ies)	416	9	435	12	508	13	1,359	11
Fail	127	3	134	4	232	6	493	4
Subtotal	<u>4,500</u>	<u>100</u>	<u>3,592</u>	<u>100</u>	<u>3,989</u>	<u>100</u>	<u>12,081</u>	<u>100</u>

	2012		2013		2014		Total	
	#	%	#	%	#	%	#	%
<u>Engagement reviews</u>								
Pass	3,771	74	3,673	78	3,968	87	11,412	79
Pass with deficiency(ies)	949	19	765	16	468	10	2,182	16
Fail	345	7	265	6	151	3	761	5
Subtotal	<u>5,065</u>	<u>100</u>	<u>4,703</u>	<u>100</u>	<u>4,587</u>	<u>100</u>	<u>14,355</u>	<u>100</u>



Note: The preceding data reflects peer review results as of July 20, 2015. Approximately 3 percent of 2014 reviews are in process and their results are not included in the preceding totals.

## Exhibit 6

### Type and Number of Reasons for Report Modifications

The following is a list of items noted as matters in engagements with year-ends between March 31, 2014 and June 30, 2015. This list contains examples of noncompliance (both material and immaterial) with professional standards. Although this list is not all-inclusive and is not representative of all peer reviews, it does note some examples of matters that were identified during the peer review process. The most recent examples of matters noted in peer review can be found on the [AICPA's website](#).

#### Professional Standards

##### *Clarified Auditing Standards*

Matters included failure to do the following:

- Conform the auditor's report to the clarified auditing standards requirements
- Date the auditor's report appropriately, such as dating the report significantly earlier than the date of the review of the working papers and the release date
- Appropriately document planning procedures, including the following:
  - Risk assessment (and linkage of risks to procedures performed)
  - Planning analytics
  - Understanding of IT environment
  - Internal control testing
- Appropriately address fraud considerations
- Obtain appropriate management representation letters and include failures to do the following:
  - Update the letter in conformity with the clarified auditing standards requirements
  - Date the letter appropriately
  - Include appropriate financial statement periods
  - Include required representations
- Communicate or document required communications with those charged with governance
- Include audit documentation that contains sufficient competent evidence to support the firm's opinion on the financial statements
- Address the reason(s) accounts receivable were not confirmed
- Adequately document sampling methodology
- Document consideration of the group audit standard when a component unit was audited by another auditor
- Appropriately report on supplemental information, such as follows:
  - Not identifying all supplemental information presented
  - Use of outdated language

##### *Accounting and Review Services*

##### Compilations

Matters included failure to do the following:

- Prepare reports in accordance with professional standards. The following matters were noted:
  - Not updated for SSARS 19
  - No headings on the report
  - Inappropriate titles or lack of a title