

# NEW ENGLAND PEER REVIEW

## 2015 ANNUAL REPORT ON OVERSIGHT

### DATE ISSUED – OCTOBER 31, 2016

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## ADMINISTERING ENTITY OVERSIGHT POLICIES AND PROCEDURES

### ***OVERSIGHT OBJECTIVES***

The oversight objectives of the NEPR Executive Committee (EC) are to ensure that:

- Reviews are being conducted and reported upon in accordance with the Standards for Performing and Reporting on Peer Reviews (standards).
- Results of reviews, and the performance of peer reviewers, are being evaluated and accepted on a timely and consistent basis.
- 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 Administrative Manual.
- Information disseminated by NEPR is accurate and timely.
- Reviewer resumes reflect applicable and appropriate experience.

### ***TYPES OF NEPR OVERSIGHTS***

- On-site oversight of firms and/or peer reviewers – system reviews (may include firm “must-select” engagement oversight)
- Off-site oversight of firms and/or peer reviewers – both system (may include firm “must-select” engagement oversight) and engagement reviews
- Administrative oversight – performed in the year there is no AICPA on-site oversight.
- Reviewer resume verification – each resume verified every three years.

### ***OVERSIGHT POLICIES AND PROCEDURES***

#### **On-site and Off-site Oversight of Firms and Peer Reviewers**

1. The EC and Executive Director (ED) will be responsible for selection of all oversight reviews. The criteria will be as outlined in the AICPA Peer Review Program Oversight Handbook, Chapter 2, Section V.
2. At the beginning of the peer review year a report will be prepared for the EC, listing the peer reviews to be performed that year. From that list, using the criteria stated above, the EC & ED will discuss and target potential reviewers and firms for oversight. The target list is preliminary and the ED is authorized to modify the list throughout the peer review process.
3. At a minimum, NEPR is required to conduct oversight on 2% of all reviews performed in a twelve month period of time, and within the 2% selected, there must be at least two of each type of peer review evaluated (system and engagement reviews) and at least two “must-select” engagement oversights. The two engagement oversights will include audits of employee benefits plans under ERISA, engagements performed under GAGAS (specifically A-133 audits), or audits of insured depository institutions subject to FDICIA. NEPR will select a minimum of 2 to 4% of the reviews (approximately 5-7) to be performed annually.
4. The EC may decide to combine the requirement of the oversight of a “must-select” engagement with a system review on-site or off-site oversight. If the committee elects this option, then the member performing the engagement oversight should have recent experience in the engagement type being reviewed. The definition of recent experience is having experience within the last two years in the industry for which engagements are reviewed.
5. NEPR EC members will perform oversights on a rotational basis with consideration given to required industry experience when applicable. For system review and must-select engagement oversights, the EC member must be system review qualified.
6. Off-site oversights will be performed after the technical review is completed, but prior to Report Acceptance Body/EC presentation.
7. If an EC member believes there is a conflict or lack of independence, or appearance of such, with a firm or the reviewer, they will recuse themselves from involvement with that particular review, including the oversight.
8. The EC will not consider a waiver from an oversight unless a firm or a reviewer is able to substantiate extreme and/or justifiable circumstances.

9. Oversight reports and checklists should be submitted to NEPR within 45-60 days of receiving the workpapers or attending the exit conference, unless there are extenuating circumstances which should then be communicated to NEPR. Informal interim reports should be provided to the EC on the progress of the oversight. Non-cooperation procedures will commence for reviewers or firms that are delaying the completion of the oversight.
10. Issues/questions that arise during an oversight (on or off-site) should be directed to the reviewer. Reviewers should be given the opportunity to correct issues, such as incorrect workpapers or reports, ascertained by the oversight member or defend their position in their response to the oversight report.

After the initial contact has been made by the oversight member to resolve any issue(s) and the reviewer has been given 21 days to respond, whether either the reviewer has or has not resolved the issue(s), the oversight member should submit the oversight report, on the oversight member's letterhead, to the reviewer and a copy to NEPR. The reviewer should be given 21 days to respond to the report.

The report and the reviewer response, if submitted, should be presented at the next Committee meeting and the review should be submitted at the next RAB meeting – this may occur at separate meetings. If there is an outstanding issue(s) from the oversight member, and the RAB agrees, they will communicate this to the assigned technical reviewer via a RAB Action Request Form. The technical reviewer will communicate with the reviewer on resolving the outstanding issues and will consult with the oversight member as applicable before resubmitting to the RAB.

The Committee will review the oversight member's report, the reviewer's response, if applicable and any outstanding issue(s) and will then vote on the acceptance of the report. The Committee will make the determination of any further action to be taken on the reviewer as a result of the oversight.

11. The AICPA Peer Review Program Oversight Checklists are utilized on all oversights. After the oversight, a report is prepared on the Committee member's letterhead and mailed to the reviewer for his/her response. The report, the checklist and any response are then submitted to the NEPR EC at its next meeting for its information as well as discussion of further actions as warranted.
12. Oversight reports are retained on file at the NEPR office until the next AICPA Peer Review Board oversight visit is completed and accepted, unless the oversight results in a reviewer performance issue, in which case it will be retained for seven years for future assessment of reviewer performance, as is within compliance with AICPA retention guidelines.
13. Committee members are compensated by NEPR at the maximum technical reviewer rate. For on-site reviews, the hourly rate is applied from door-to-door. The current IRS mileage rate and other incidental expenses are reimbursed in addition to the hourly rate.
14. The EC may appoint a technical reviewer to perform an informal oversight on a review-by-review basis. This oversight will not, however, be included in the minimum oversight requirement. The technical reviewer should submit a memo to the EC, listing any findings, comments and conclusions on the results of the oversight.

### **Administrative Oversight of NEPR**

1. An administrative oversight will be performed in those years when there is no AICPA Peer Review Board oversight. The NEPR EC will appoint a designee, pre-approved by the AICPA, to perform oversight on NEPR's administrative procedures. A member of the EC will perform those portions of the oversight that the designee may be unqualified to perform.
2. An administrative oversight checklist from the Oversight Handbook (exhibit 2-1) will be used to document the procedures performed.
3. Upon conclusion of the administrative oversight, letters of procedures and observations (Oversight Handbook - exhibit 2-2) will be prepared, from the designee and the EC member, as applicable, using the oversight individual's firm letterhead and addressed to the chair of the EC.
4. The results of the oversight will be presented at the next EC meeting and any findings and comments will be discussed with the ED, with recommended revisions to the NEPR administration as may be appropriate based on oversight findings.

### **Reviewer Resume Verification**

1. In accordance with Oversight Enhancement No. 4, NEPR will verify a proportion of reviewer's resumes and CPE on an annual basis. All reviewers 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.

2. The verification will include all active reviewers (team captains, team members, and committee members) with a home office located in the state(s) of Maine, New Hampshire, Rhode Island & Vermont. An active reviewer is defined as one who has updated his/her resume and/or has performed peer reviews within the last three years. Individuals who perform peer reviews only administered by the National Peer Review Committee will be subject to resume verification by the National PRC.
3. The ED will perform the verifications, consulting with NEPR's technical reviewers as necessary, using the control documents available in the Oversight Handbook to track the verification process.
4. The verification procedures will include those outlined in Chapter IV, section C, including requesting reviewers to provide specific information such as the number of engagements the reviewer is specifically involved with and in what capacity. The ED will then compare the information provided by the reviewer 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.
5. At the conclusion of the process, the ED will provide the results of the verification to the Chair for review and approval. A report will be provided to the EC on the results of the verification.

## SUMMARY OF PEER REVIEW PROGRAMS

### Overview of New England Peer Review

New England Peer Review (NEPR) was formed in 1989, by the four state societies of Maine, New Hampshire, Rhode Island and Vermont to operate the AICPA Peer Review Program for firms with AICPA members and the New England Peer Review Program for firms that do not have AICPA members.

As of May 1, 2016 the New Hampshire Society of Certified Public Accountants officially withdrew as a member of NEPR. NEPR has continued to administer the peer reviews of New Hampshire CPA firms that elect to retain NEPR for this purpose.

The Maine, New Hampshire, Rhode Island & Vermont Boards of Accountancy require all firms in their states 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 aforementioned BOAs have approved NEPR as an authorized report acceptance body to approve peer review reports issued for firms enrolled in peer review programs administered by NEPR.

**Number of Enrolled Firms by Number of Professionals\*  
as of October 31, 2016**

	^AICPA Peer Review Program				New England Peer Review Program			
	ME	NH	RI	VT	ME	NH	RI	VT
Sole Practitioners	22	39	31	16	6	10	12	10
2-5 Professionals	36	55	67	32	3	7	10	3
6-10 Professionals	19	18	21	15	1	0	1	0
11-19 Professionals	7	4	8	8	0	0	0	0
20-49 Professionals	8	2	5	3	0	0	0	0
50+ Professionals	1	1	1	0	0	0	0	0
<b>Total Enrolled Firms</b>	<b>93</b>	<b>119</b>	<b>133</b>	<b>74</b>	<b>10</b>	<b>17</b>	<b>23</b>	<b>13</b>
<b>Grand Totals</b>	<b>419</b>				<b>63</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

## Results of Peer Reviews Performed During the Year 2015

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

	^AICPA Peer Review Program											
	2015				2014				2013			
	ME	NH	RI	VT	ME	NH	RI	VT	ME	NH	RI	VT
<b>System Reviews:</b>												
Pass	20	16	17	8	17	21	21	11	12	20	12	13
Pass with deficiency (ies)	1	1	2	1	1	3	2	0	1	3	2	0
Fail	1	2	0	1	2	1	1	0	0	2	0	1
<b>Subtotal – System</b>	<b>22</b>	<b>19</b>	<b>19</b>	<b>10</b>	<b>20</b>	<b>25</b>	<b>24</b>	<b>11</b>	<b>13</b>	<b>25</b>	<b>14</b>	<b>14</b>
<b>Engagement Reviews:</b>												
Pass	14	14	19	11	14	21	28	10	8	26	24	13
Pass with deficiency (ies)	0	4	0	1	3	2	1	0	3	3	1	1
Fail	0	0	0	1	0	2	1	1	0	1	3	0
<b>4 Subtotal – Engagement</b>	<b>14</b>	<b>18</b>	<b>19</b>	<b>13</b>	<b>17</b>	<b>25</b>	<b>30</b>	<b>11</b>	<b>11</b>	<b>30</b>	<b>28</b>	<b>14</b>
<b>Totals</b>	<b>36</b>	<b>37</b>	<b>38</b>	<b>23</b>	<b>37</b>	<b>50</b>	<b>54</b>	<b>22</b>	<b>24</b>	<b>55</b>	<b>42</b>	<b>28</b>

Note: The above data reflects peer review results as of October 31, 2016. 3.7% of 2015 reviews in the AICPA Peer Review Program are in process. All data has been acquired from the AICPA's Peer Review Information Systems Manager (PRISM)

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

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

	New England Peer Review Program											
	2015				2014				2013			
	ME	NH	RI	VT	ME	NH	RI	VT	ME	NH	RI	VT
<b>System Reviews:</b>												
Pass	0	0	2	2	1	0	0	1	0	3	2	0
Pass with deficiency (ies)	0	0	1	0	0	1	0	0	0	0	0	0
Fail	0	0	1	0	0	0	0	0	0	0	0	0
<b>Subtotal – System</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>2</b>	<b>0</b>
<b>Engagement Reviews:</b>												
Pass	1	4	9	2	4	8	7	4	2	1	0	2
Pass with deficiency (ies)	0	0	0	1	0	0	0	0	2	2	0	2
Fail	0	0	1	0	0	0	0	0	0	1	0	0
<b>Subtotal – Engagement</b>	<b>1</b>	<b>4</b>	<b>10</b>	<b>3</b>	<b>8</b>	<b>8</b>	<b>7</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>0</b>	<b>4</b>
<b>Totals</b>	<b>1</b>	<b>4</b>	<b>14</b>	<b>5</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>4</b>	<b>4</b>	<b>8</b>	<b>2</b>	<b>4</b>

Note: The above data reflects peer review results as of October 31, 2016 0% of 2015 reviews in the New England Peer Review Program are in process. All data has been acquired from the AICPA's Peer Review Information Systems Manager (PRISM)

**Reasons for Pass with Deficiencies and Fail Report Grade**

Reasons for Pass with Deficiency and Fail Report Grade	^AICPA Peer Review Program											
	2015				2014				2013			
	ME	NH	RI	VT	ME	NH	RI	VT	ME	NH	RI	VT
Leadership Responsibilities for Quality Within the Firm (“the tone at the top”)					2					2		1
Relevant Ethical Requirements				1	1	1				2		
Acceptance and Continuance of Client Relationships & Specific Engagements						1						
Human Resources						1						
Engagement Performance	2	2	2	2	2	3	3			4	2	1
Monitoring	1	1	2		1		1		1	1	1	1
<b>Totals</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>6</b>	<b>6</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>9</b>	<b>3</b>	<b>3</b>

Note: The above data reflects peer review results as of October 31, 2016. 3.7% of 2015 reviews in the AICPA Peer Review Program are in process. All data has been acquired from the AICPA’s Peer Review Information Systems Manager (PRISM)

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

**Reasons for Pass with Deficiencies and Fail Report Grade**

Reasons for Pass with Deficiency and Fail Report Grade	New England Peer Review Program											
	2015				2014				2013			
	ME	NH	RI	VT	ME	NH	RI	VT	ME	NH	RI	VT
Leadership Responsibilities for Quality Within the Firm (“the tone at the top”)												
Relevant Ethical Requirements												
Acceptance and Continuance of Client Relationships & Specific Engagements												
Human Resources			1									
Engagement Performance			2			1						
Monitoring			2			1						
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Note: The above data reflects peer review results as of October 31, 2016 0% of 2015 reviews in the New England Peer Review Program are in process. All data has been acquired from the AICPA’s Peer Review Information Systems Manager (PRISM)

**Engagements Not Performed or Reported on in Accordance with Professional Standards in All Material Respects - 2015**

Engagement Type	^AICPA Peer Review Program							
	Number of Engagements Reviewed				Number of Engagements Not Performed in Accordance with Professional Standards			
	ME	NH	RI	VT	ME	NH	RI	VT
Audits – Single Audit Act (A-133)								
Audits – Governmental – All Others								
Audits – ERISA								
Audits – FDICIA			Unable to extract data due to a					
Audits – Other			glitch in PRISM.					
Reviews								
Compilations with Disclosures								
Compilations without Disclosures								
Agreed Upon Procedures								
Other SSAEs								
<b>Totals</b>								

Note: The above data reflects peer review results as of October 31, 2016. 3.7% of 2015 reviews in the AICPA Peer Review Program are in process. All data has been acquired from the AICPA's Peer Review Information Systems Manager (PRISM)

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

**Engagements Not Performed or Reported on in Accordance with Professional Standards in All Material Respects - 2015**

Engagement Type	New England Peer Review Program							
	Number of Engagements Reviewed				Number of Engagements Not Performed in Accordance with Professional Standards			
	ME	NH	RI	VT	ME	NH	RI	VT
Audits – Single Audit Act (A-133)								
Audits – Governmental – All Others								
Audits – ERISA			Unable to extract data due to a					
Audits – FDICIA			glitch in PRISM.					
Audits – Other								
Reviews								
Compilations with Disclosures								
Compilations without Disclosures								
Agreed Upon Procedures								
Other SSAEs								
<b>Totals</b>								

Note: The above data reflects peer review results as of October 31, 2016 0% of 2015 reviews in the New England Peer Review Program are in process. All data has been acquired from the AICPA's Peer Review Information Systems Manager (PRISM)

### 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 2015, the following represents the type of follow-up actions required.

Type of Follow-up Action	^AICPA Peer Review Program				NEPR Peer Review Program			
	ME	NH	RI	VT	ME	NH	RI	VT
Agree to take certain Continuing Prof. Education (CPE)		7	1	3			2	1
Submit proof of CPE taken								
Team captain to review QCD		1		1				
Submit to team captain revisit - general							1	
Oversight of inspection - review								
Submit to team captain review of subsequent engagement(s)		1					1	1
Agree to hire consultant – preissuance reviews	2	4	1	3			1	1
Submit evidence of proper firm licensure		1						
TC review corrective action of non-conforming engagement				1				
Submit copy of monitoring or inspection report	1	1						
Agree to have an accelerated review								
Submit proof of purchase of Manuals		1					1	1
Resolution of matter under dispute	3	3	2					
Clarification of one or more issues	1	2	3	1			1	
<b>Totals</b>	<b>7</b>	<b>21</b>	<b>7</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>4</b>

Note: The above data reflects peer review results as of October 31, 2016. 3.7% of 2015 reviews in the AICPA Peer Review Program are in process above and 0% of 2015 reviews in the New England Peer Review Program are in process. All data has been acquired from the AICPA's Peer Review Information Systems Manager (PRISM)

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

## OVERSIGHT PROCESS

### 2015 Oversight Results

#### Peer Reviews

^ AICPA Member Firms		
Type of Peer Review & Oversight	State	Must Select Engagement (ERISA, GAGAS, A-133, FDICA, NONE)
System / On-site	NH	NONE
System / On-site	RI	NONE
Engagement / Off-site	ME	NONE
Engagement / Off-site	RI	NONE
System / Off-site	ME	GAGAS
System / Off-site	ME	A-133
System / Off-site	NH	NONE
System / Off-site	NH	A-133

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

#### Verification of reviewer's resumes

Total Number of Peer Reviewers	Total Number of Resume's Verified for Year	% of Total Verified
24	8	33%

#### Administrative oversights

<b>Date of Last Administrative Oversight Performed by the Administering Entity</b>	September 18, 2015
<b>Date of Last On-site Oversight Performed by the AICPA Oversight Task Force (covers only the AICPA Peer Review Program)</b>	November 18, 2016