



AICPA[®]

Peer Review
Program



Washington Society of Certified Public Accountants

Annual Report on Peer Review Activities Date Issued January 27, 2023

I. Administering Entity Oversight Process and Procedures

The Washington Society of CPAs (WSCPA) Peer Review Executive Committee (the Committee) monitors the performance of individual reviewers by selecting several reviews for oversight on an annual basis. The oversight program may be either an “on-site” oversight performed by visiting the reviewed firm in the field, or a “desk” oversight consisting of a working paper review only. Following the onset of Covid 19, all oversights have been “desk” oversight. The purpose of the oversight program is to provide assurance that reviews are carried out consistently and in accordance with the Standards.

Each year the Committee chooses a cross section of reviews to undergo oversight by the Committee within the guidelines of the AICPA Peer Review Program. The number and type of engagements chosen for oversight is subject to the discretion of the Committee.

At a minimum, 2% of all reviews performed in a 12-month period are subject to oversight with at least two of each type of peer review (i.e., system and engagement reviews).

Both firms and peer reviewers are subject to oversight that may include visiting the firm as part of the peer review process or reviewing specific engagement(s) (engagement oversight) generally performed after a system review, or reviewing all engagements during or following an engagement review. Generally, oversight of Engagement Reviews includes submission of the entire file of the reviewer, including the firm representation letter and copies of the financial statements provided by the firm to the reviewer.

Oversights are conducted at the discretion of the Committee and may be selected at random or for one of the following reasons:

1. The report acceptance body questioned the appropriateness of the report issued and could not resolve its questions without an independent look at the reviewed firm.
2. There was a disagreement between the reviewed firm and the reviewer that could not be resolved without an independent look at the engagement(s) in question.
3. The report acceptance body questioned whether the reviewed firm understands the importance of the review findings or has committed to corrective actions that are practicable in the circumstances.
4. The reviewer had performed in an unsatisfactory manner on a prior review.
5. It is the reviewer’s first peer review of a Washington firm.

Other factors may contribute to a peer reviewer being selected for oversight and may include, but are not limited to, reviewers who:

- a. Frequently submit reports with a peer review rating of pass and no Finding for Further Consideration (FFC) forms.
- b. Seldom, if ever, submit peer review reports with a rating of pass with deficiency or fail.
- c. Appear to be submitting the exact same boilerplate FFC form(s).
- d. Conduct their first System Review that contains high-risk industries.

Administered in Washington State by the

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- e. Received communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations in the conduct of accounting, audit, or attestation engagements performed by the reviewer.
 - f. Their firm receives a report with a peer review rating of pass with deficiencies or fail on its current peer review.
6. Engagements from reviewers that perform a substantial number of reviews.
 7. A random selection of reviews and/or reviewers.

Additional information regarding Oversight:

1. All reviewers conducting an oversight are paid from the program oversight budget at the same rate as technical reviewers for hours spent in the oversight function.
2. The AICPA Peer Review Program Oversight Checklist is utilized on all oversight engagements. Oversight reports are kept on file at the Society office for AICPA oversight.
3. The final report is prepared and submitted to the Committee.

Verification of Reviewer Experience and Qualifications

To qualify as a 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 last system or engagement review. The reviewer should obtain at least 48 hours of continuing education in subjects related to accounting and auditing every three years, with a minimum of 8 in any 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 resume 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 WSCPA Peer Review Executive Committee has the authority to decide whether a reviewer's or review team's experience is sufficient to perform a particular review.

Ensuring that reviewers' resumes 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 review.

Verification procedures include:

- The reviewer providing specific information such as the number of engagements they are specifically involved with and in what capacity.
- Determining the reviewers' qualifications and experience related to engagements performed under GAGAS, audits of employee benefit plan 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)
- Obtaining 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 8 hours in one year.
- Determining whether the reviewer is a partner or manager in a firm enrolled in a practice-monitoring program.
- Determine if firm is a member of audit quality center if governmental or employee benefit plans are included on the resume.
- Verifying that the reviewer's firm received a pass report on its most recently completed peer

Summary of Peer Review Program

The WSCPA serves as the administering entity for the AICPA Peer Review Program in the State of Washington. Commencing on May 1, 2023, the Colorado Society of CPAs will administer the Peer Review Program for Washington's enrolled firms.

The Washington State Board of Accountancy (WSBOA) requires all firms in the state which provide attestation or compilation services as part of their public accounting process to be enrolled in a practice-monitoring program to renew their firm license. The WSBOA has designated the WSCPA as an authorized report acceptance body to approve peer review reports issued for firms enrolled in peer review programs administered by WSCPA.

There are two types of Peer Reviews: System and Engagement

System Reviews are for firms that perform engagements under the Statement of Auditing Standards (SASs) or Government Auditing Standards issued by the U.S. Government Accountability Office; examinations of prospective financial statements or examinations of a service organization's controls likely to be relevant to user entities' internal control over financial reporting under the Statements on Standards for Accounting and Review Services (SSARS); Statements on Standards for Attestation Engagements (SSAEs); or audits of non-SEC issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB), in addition to reviews, compilations, or agreed-upon procedures.

The peer review report rating may be:

- **Pass** (the firm's system of quality control is adequately designed and the firm has complied with its system of quality control);
- **Pass with deficiencies** (the firm's system of quality control has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable standards in all material respects with the exception of deficiency(ies) described in the report); or
- **Fail** (the firm's system of quality control is not adequately designed or complied with to provide the firm with reasonable assurance of performing and/or reporting in conformity with applicable professional standards in all material respects).

Engagement Reviews are for firms that perform only services under SSARS or services under SSAEs not included in System Reviews and focus on work performed and reports and financial statements issued on particular engagements (reviews, compilations or agreed-upon procedures).

The peer review report rating may be:

- **Pass** when the reviewer concludes that nothing came to their attention that caused them to believe that the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects.
- **Pass with Deficiencies** when the reviewer concludes that nothing came to their attention that caused them to believe that the engagements submitted for review were not performed and reported in conformity with applicable professional standards in all material respects except for the deficiency(ies) that were described in the report.
- **Fail** when the reviewer concludes that, as a result of the deficiencies described in the report, the engagements submitted for review were not performed and/or reported on in conformity with applicable professional standards in all material respects. A report with a peer review rating of Fail is issued when deficiencies are evident on all the engagements submitted for review. In some cases, the firm may have issued only one engagement, and thus received a Fail rating.

II. Summary of Peer Review Program

1. Number of Enrolled Firms by Number of Professionals* as of January 22, 2023.

Number of Professionals	AICPA Peer Review Program
Individual Practitioners	104
2 - 5	168
6 - 10	58
11 - 19	26
20 - 49	6
50 - 99	2
100+	0
Total Enrolled Firms	364

2. Results of Peer Reviews Accepted During the Year 2022

a) Results by Type of Peer Review and Report Issued

	AICPA Peer Review Program	
System Reviews		%
Pass	38	85
Pass with deficiency(ies)	6	13
Fail	1	2
Total	45	100%
Engagement Reviews		%
Pass	84	81
Pass with deficiency(ies)	10	10
Fail	9	9
Total	103	100%

b) Type and Number of Reasons for Report Deficiencies for System Reviews

	AICPA Peer Review Program
Leadership responsibilities for quality within the firm ("the tone at the top")	1
Human resources	4
Engagement performance	4
Monitoring	3
Total	12

c) Number of Engagements Not Performed or Reported on in Conformity with Professional Standards in All Material Respects (Nonconforming engagements)

	AICPA Peer Review Program		
	Number of Engagements		%
Engagement Type	Reviewed	Nonconforming engagements	
Audits:			
Single Audit	16	4	25
Government Auditing Standards – All Other	7	2	
ERISA	39	10	26
Other	55	11	
Reviews	103	14	14
Compilations and Preparations:			
With Disclosures	71	7	10
Omit Disclosures	141	9	6
SOC Reports	2	1	50
Agreed Upon Procedures	15	0	0
Other SSAEs	5	1	20
Totals	454	59	

- d) Summary of Required Follow-up Actions (includes corrective actions and implementation plans)

Type of Follow-Up Action	AICPA Peer Review Program
Agree to take/submit proof of certain CPE	52
Agree to pre-issuance reviews	5
Agree to post-issuance reviews	15
Agree to review of remedial actions	1
Submit monitoring or inspection report to Team Captain or Peer Review Committee	3
Submit to outside party revisit	2
Total	78

III. Oversight Process

Oversight Results

- a) Peer reviews

AICPA Peer Review Program Firms

Type of Peer Review	Total Oversights
System	2
Engagement	2

- b) Oversight Performed on the Washington Society of CPAs

The results of our most recent oversight performed by the AICPA Oversight Task Force, which covers only the AICPA Peer Review Program, are available on the [AICPA's website](#).