



HAWAII Peer Review Annual Report on Oversight As of January 5, 2017



Administering Entity Oversight Process and Procedures

Oversight of Peer Reviews and Reviewers

Oversight Selection

The Hawaii Peer Review Executive Committee will select peer reviews for oversight. Selections may be random or targeted and are based on the criterion for selection as outlined in the AICPA Peer Review Program Oversight Handbook, Chapter 2, Section IV B and C.

Firms

The selection of firm to be reviewed is based on the types of peer review reports the firm has previously received, whether it is the firm's initial review, or whether the firm conducts engagements in high risk industries.

Reviewers

Peer reviewers are subject to oversight and may be selected based on random selection, frequent submission of "pass" reports without deficiencies, conducting a significant number of 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 or a history of performance deficiencies, such as issuance of an inappropriate peer review report, not considering matters that turn out to be significant, or failure to select an appropriate number of engagements.

Oversight Process

The chair or designee of the Hawaii Peer Review Executive Committee will perform oversight of selected engagements. For system reviews and must-select engagement oversights, the committee member must meet team captain requirements and experience. Selection of the oversight reviewer is on a volunteer basis. If there are no volunteers, the Hawaii Peer Review Executive Committee may appoint a technical reviewer on a review-by-review basis.

The AICPA Peer Review Program Oversight Checklists are utilized on all oversight engagements. Oversight reports are kept on file at the Hawaii Society of CPAs' office for AICPA oversight visits. Reports are not sent to the AICPA unless remedial action must be ratified by the AICPA. The final report is prepared on the reviewer's letterhead and submitted to the Hawaii Peer Review Executive Committee. The reviewer may respond within 14 days of the date of the final report.

Minimum Requirements

At a minimum (with waiver), Hawaii is required to conduct oversight on one system and two engagement reviews. In that one system review, it can consist of two different must-selects or a separate engagement only oversight needs to be performed offsite of a 2nd must-select. This minimum oversight requirement is applied at the state level rather than the administering entity level. Administering entities that administer less than 60 reviews annually can apply for a waiver from the minimum requirements. The request for a waiver includes the reason(s) for the request

and suggested alternatives to the minimum requirements. The waiver is to be submitted and approved by the AICPA PRB each year. As Hawaii administers less than 60 reviews annually, a waiver of the 2% minimum is requested, resulting in the minimum requirement of one system review and two engagement reviews (the one required “must-select” engagement oversight may include the system review).

Administrative Oversight

In years when there is no on-site Oversight Task Force (OTF) oversight, an administrative oversight is performed by a member of the Hawaii Peer Review Executive Committee (chair). Procedures are in accordance with the administrative oversight requirements of the AICPA PRP.

Annual Verification of Reviewers’ Resumes

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 peer review. In accordance with Chapter 2, Section IV D of the Oversight Handbook, information is verified within a sample of active reviewers’ resumes over a three-year period.

Verification procedures include:

- The reviewer providing specific information such as the number of engagements they are specifically involved with and in what capacity. Hawaii staff then compares the information provided by the reviewer to the resume on file in the peer review admin site 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.
- Determine the reviewer’s 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 – Out-of-state reviewers must have a valid Hawaii license, individual permit to practice, firm permit to practice and general excise tax license.
- A list of continuing professional education (CPE) courses taken over a three-year period, to document the required CPE credits related to accounting and auditing to be obtained every three years, including CPE from a qualified reviewer training course; and CPE certificates to document qualifications to perform Yellow Book audits, if applicable.
- Determine whether the reviewer is a partner or manager in a firm enrolled in a practice monitoring program.
- Verify that the reviewer’s firm received a pass report on its most recently completed peer review.

Summary of Peer Review Program

Overview of Hawaii Peer Review

The Hawaii Peer Review Executive Committee was formed in 1995 to administer the AICPA Peer Review Program for AICPA firms located in Hawaii.

In July 2012, Hawaii enacted mandatory peer review for firms that provide attestation or compilation services as part of their public accounting practice and to be enrolled in a practice monitoring program. Firms will be required to enroll in an approved practice-monitoring program and report to the Hawaii Board by December 31, 2015. By December 31, 2017, firms must have completed a peer review.

Number of Enrolled Firms by Number of Professionals* Per State as of January 5, 2017

	AICPA/SS Peer Review Program
Sole Practitioners	53
2-5 Professionals	78
6-10 Professionals	39
11-19 Professionals	18
20-49 Professionals	5
50+ Professionals	2
No Review Anticipated	8
Totals	203

* Professionals are considered all personnel who perform professional services, for which the firm is responsible, whether or not they are CPAs.

Results of Peer Reviews Performed During the Year 2016 Results by Type of Peer Review and Report Issued (as of January 5, 2017)

	AICPA/SS Peer Review Program
System Reviews:	
Pass	12
Pass with Deficiencies	0
Fail	0
Subtotal – System	12

	AICPA/SS Peer Review Program
Engagement Reviews:	
Pass	36
Pass with Deficiencies	3
Fail	5
Subtotal – Engagement	44
Total System & Engagement	56

Note: The above data reflects peer review results as of January 5, 2017.

Summary of Required Follow-up Actions

The Hawaii Peer Review Executive 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 committee evaluates the need for follow-up actions based on the nature, significance, pattern, and pervasiveness of engagement deficiencies. The 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 2016, the following represents the type of follow-up actions required.

Type of Follow-up Action	AICPA/SS Peer Review Program
009 – Agree to take certain CPE	5
046 – Submit additional information (repeat findings)	1
050 – Submit monitoring report	1
060 – Submit proof of purchase of Manual	2
Totals	9

Note: The above data reflects peer review results as of January 5, 2017.

Oversight Process

Oversight Results

Peer reviews

AICPA Member Firms		
Type of Peer Review (Sys, Eng)	Must Select Engagement (ERISA, GAGAS, FDICA)	Total Oversight
System	GAGAS	2
	ERISA	
Engagement		2

Administrative Oversight

Date of Last Administrative Oversight Performed by the Administering Entity	9/30/2016
Date of Last On-site Oversight Performed by the AICPA Oversight Task Force (covers only the AICPA Peer Review Program)	11/02/2015