

Minnesota Society of CPAs
2023 Annual Report on Peer Review Activities

I. Administering Entity Oversight Process and Procedures

Background

The Minnesota Society of CPAs (MNCPA) is an administering entity (AE) for the AICPA peer review program and the MNCPA peer review program for Minnesota and North Dakota. The MNCPA Peer Review Committee (Committee) has an executive committee made up of the Committee's chair, vice-chair, past chair, and chairs of the two Report Acceptance Bodies (RABs) as voting members, and the contracted technical reviewers as ex officio non-voting members. As part of its yearly agenda, the executive committee makes recommendations for oversight.

Oversight selection

AE staff advise the executive committee on the minimum number of reviews to be oversighted each year. For firms enrolled in the AICPA peer review program, the minimum for 2023 was 2% each of system reviews and engagement reviews, with a minimum of two each. The minimum number is verified in a letter from the AICPA to the AE. The number of firms enrolled in the MNCPA peer review program is much smaller, and the number of oversights is based on judgment, with no more than one review oversighted each year.

The executive committee has adopted an Oversight Criteria Policy and Procedure which contains considerations in selecting reviewers or reviewed firms for oversight and makes recommendations for oversight. AE staff, including the CPA on staff, use the recommendations of the executive committee, the Oversight Criteria Policy, and a risk-based approach in selecting firms or reviewers to oversight.

Firms may be selected for oversight based on several factors including, but not limited to, the types of peer review reports previously received, high risk engagements performed by the firm, or if it's the firm's first peer review.

Reviewers may be selected randomly or due to other factors including but not limited to past performance deficiencies such as issuance of an inappropriate peer review report or failure to properly reach the appropriate conclusion during a review, recent qualification as a team or review captain, or if the reviewer has had no oversight in the past three years.

Oversight performance

Oversights are most often performed by a technical reviewer, but a system review oversight may also be performed by a qualified member of the Committee.

Oversight involves a review of background information, peer review documents submitted by the firm, and documents prepared by the peer reviewer as part of the peer review. Oversight also includes a review of the reports and financial statements as well as firm work papers for

specific engagements. Oversight of a system review may include visiting the firm as part of the peer review process. Oversight may also be performed after a review is complete.

2. Review of Technical Reviewers

The CPA on staff performs an annual review of the technical reviewers who provide services to the AE. Reviews are approved by the executive committee.

3. General Results of 2023 Oversight Program

In 2023, the MNCPA performed oversights on two system reviews and two engagement reviews of firms enrolled in the AICPA’s peer review program, and on one engagement review of a firm enrolled in the MNCPA’s peer review program. Five different reviewers were selected. There were no findings as a result of oversight.

II. Summary of Peer Review Programs

1. Number and Names of Peer Review Programs Administered

The MNCPA serves as the AE for Minnesota and North Dakota for the AICPA Peer Review Program and also administers the MNCPA Peer Review Program (which operates exactly the same as the AICPA Peer Review Program) for firms not enrolled in the AICPA Peer Review Program.

2. Number of Enrolled Firms as of 2/15/2024

	AICPA Peer Review program	MNCPA Peer Review Program
Minnesota	243	25
North Dakota	55	14
Other	2	
Total firms administered	300	39

3. Results of Peer Reviews Accepted During the Year 2023

a) Results by Type of Peer Review and Report Issued

	AICPA Peer Review Program		MNCPA Peer Review Program	
	Number	%	Number	%
System Reviews				
Pass	34	87	5	100
Pass with deficiency(ies)	3	8		
Fail	2	5		
Total	39	100	5	100

	AICPA Peer Review Program		MNCPA Peer Review Program	
	Number	%	Number	%
Engagement Reviews				
Pass	45	85	6	75
Pass with deficiency(ies)	6	11	2	25
Fail	2	4		
Total	53	100	8	100

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

	AICPA Peer Review Program	MNCPA Peer Review Program
Leadership responsibilities for quality within the firm (“the tone at the top”)	1	
Relevant ethical requirements		
Acceptance and continuance of client relationships and specific engagements		
Human resources	5	
Engagement performance	1	
Monitoring	2	
Total	9	

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

Engagement Type	AICPA Peer Review Program			MNCPA Peer Review Program		
	Reviewed	Nonconforming engagements	%	Reviewed	Nonconforming engagements	%
Audits:						
Single Audit	14	5	36	1	-	
Government Auditing Standards – All Other	20	8	40	1	-	
ERISA	25	3	12	-	-	
FDICIA	1	-		-	-	
Other	65	14	22	6	1	17
Reviews	66	9	14	4	1	25
Compilations and Preparations:						
With Disclosures	38	4	11	1	-	-
Omit Disclosures	114	2	2	18	1	6
Financial Forecasts & Projections	-	-		-	-	
SOC Reports	1	-		-	-	
Agreed Upon Procedures	17	1	6	-	-	
Other SSAEs	7	2	29	-	-	
Totals	368	48	13	31	3	10

d) Summary of Required Follow-up Actions

	AICPA Peer Review Program	MNCPA Peer Review Program
Agree to take/submit proof of CPE	22	2
Submit to review of nonconforming engagements		
Agree to pre-issuance reviews	5	
Agree to post-issuance reviews	1	
Agree to review of remedial actions		
Submit monitoring or inspection report to Team Captain or Peer Review Committee	1	
Submit to outside party revisit		
Elect to have accelerated review		
Submit evidence of proper firm licensure		
Firm has represented in writing they no longer perform or are engaged to perform any engagement subject to peer review		
Agree to hire outside party or consultant for inspection		
Team Captain to review Quality Control Document		
Submit proof of purchase of manuals		
Agree to join Audit Quality Center		
Total	29	2

III. Oversight Process

Oversight Results

a) Peer reviews

AICPA Peer Review Program Firms

Type of Review	Must Select Engagement (GAGAS, ERISA, FDICIA, SOC)	Total Oversights
System		2
Engagement		2

MNCPA Peer Review Program Firms

Type of Review	Must Select Engagement (GAGAS, ERISA, FDICIA, SOC)	Total Oversights
System		None
Engagement		1

b) Oversight Performed on the AE

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