

Coastal Peer Review, Inc.
2022 Annual Report on Peer Review Activities
Issued March 7, 2023

I. Administering Entity Oversight Process and Procedures

1. General Process

According to the *AICPA Peer Review Program Oversight Handbook*, the Coastal Peer Review, Inc. (Coastal) committee must perform oversight on peer reviews. The purpose for conducting oversight is to ensure firms are receiving properly performed peer reviews and that the peer review process is of an educational and equitable nature. Reviewed firms and peer reviewers are both subject to oversight. Oversight may be performed during the course of fieldwork, or may be performed after the review is complete.

When administrative staff receives the scheduling information of a firm selected for oversight, Committee member qualifications and expertise are reviewed when selecting an appropriate person to perform an oversight. A communication will be sent to the team captain/review captain via PRIMA with the scheduling confirmation. The communication will specify items that must be complete at the time of the expected exit conference for the assigned committee member to be able to perform oversight according to AICPA's guidelines. A copy of the memo will be sent to the committee member to inform him or her of the assignment and details of who, when, and where to conduct the oversight.

Oversight may include visiting the firm as part of the peer review process or reviewing specific engagements. To keep the cost of time and travel to a minimum, administrative staff will assign a Committee member within a reasonable distance of the reviewed firm, yet not too close.

Oversight of an engagement peer review will be performed by the assigned committee member. Attendance at the exit conference is not necessary. However, the financial statements will be requested for inclusion in the oversight. If a reviewer coincidentally happens to be assigned to more than one of the selected reviews due for oversight, a different firm's review may be selected.

Firms may be selected randomly for oversight or due to other 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 for oversight or due to other factors, including but not limited to, frequent submission of pass reports, conducting reviews for firms with audits in high risk industries, or due to performance deficiencies such as issuance of an inappropriate peer review report or failure to properly reach the appropriate conclusion during a peer review.

2. General Selection Procedures

Unless otherwise directed by AICPA, at a minimum, in accordance with AICPA guidance, Coastal will annually conduct oversight on 2% of all peer reviews to be performed. Within the 2%, a minimum of two each of system and engagement peer reviews will be selected. However, the 2% may be comprised of a combination of random and non-random selections.

3. Peer Reviews Selected for Random Oversight

At the beginning of the year, staff will randomly select a minimum of two percent of the total number each of system and engagement peer reviews. These selections will be reviewed by the Oversight Sub-Committee and presented at the first meeting of the year.

4. Peer Reviewer Resume Verification

Unless otherwise directed by AICPA, over a three year period, all Coastal peer reviewers must verify information within a sample of the peer reviewers' resumes. Verification includes the peer reviewer's qualifications and experience related to audits performed under GAGAS, ERISA, and FDICIA. Verification procedures include, but are not limited to, calling/writing a peer reviewer with the request to provide specific information such as the number of engagements they are specifically involved with and in what capacity and then determining from PRIMA whether the peer reviewer's firm actually performed those engagements during its last peer review, license to practice, and verification of CPE attendance and credits.

II. Summary of Peer Review Program(s)

- 1) Coastal Peer Review, Inc. administers the AICPA Peer Review Program for all CPA firms in Maryland and North Carolina that do not provide services to publicly traded companies or elect to have their peer review administered by another AE. As of January 2022, Coastal had 1144 enrolled firms participating within its jurisdiction.
- 2) Results of Peer Reviews Accepted During 2022
 - a) Results by Type of Peer Review and Report Issued

	AICPA Peer Review Program	
System Reviews		%
Pass	129	86%
Pass with deficiency(ies)	12	8%
Fail	8	5%
Total	149	
Engagement Reviews		%
Pass	161	84%
Pass with deficiency(ies)	20	10%
Fail	10	5%
Total	191	

- 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")	2
Relevant ethical requirements	2
Acceptance and continuance of client relationships and specific engagements	4
Human resources	9
Engagement performance	18
Monitoring	7
Total	42

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		
	Number of Engagements		%
	Reviewed	Nonconforming engagements	
Audits:			
Single Audit	42	11	26.1%
Government Auditing Standards – All Other	26	3	11.5%
ERISA	103	13	12.6%
FDICIA	n/a	n/a	n/a
Other	185	20	10.8%
Reviews	229	12	2.5%
Compilations and Preparations:			
With Disclosures	147	8	5.4%
Omit Disclosures	373	18	4.8%
Financial Forecasts & Projections	0	0	0%
SOC Reports	6	0	0%
Agreed Upon Procedures	56	8	14.2%
Other SSAEs	10	0	0%
Totals	1177	93	7.9%

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	63
Submit to review of nonconforming engagements	14
Agree to pre-issuance reviews	15
Agree to post-issuance reviews	6
Agree to review of remedial actions	7
Submit monitoring or inspection report to Team Captain or Peer Review Committee	2
Submit to outside party revisit	0
Elect to have accelerated review	0
Submit evidence of proper firm licensure	2
Firm has represented in writing they no longer perform or are engaged to perform any engagements subject to peer review	1
Agree to hire outside party or consultant for inspection	1
Team Captain to review Quality Control Document	0
Submit proof of purchase of manuals	2
Agree to join an Audit Quality Center	3
Other	3
Total	119

III. Oversight Process

Oversight Results

a) Peer reviews

AICPA Peer Review Program		
Type of Peer Review	Must Select Engagement (GAGAS, ERISA, FDICIA, SOC)	Total Oversights
System	0	1
Engagement	0	4

b) Oversight Performed on the AE

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](#).