

NJCPA

AE 2025 Annual Report on Peer Review Activities

Date Issued: April 1, 2026

I. Administering Entity Oversight Process and Procedures

The NJCPA Peer Review Executive Committee (PREC) has created a subcommittee, the Oversight Subcommittee, to assume final responsibility for the selection of reviewers to whom oversight will be assigned, and to monitor the results of oversights conducted.

Reviewers and/or firms are selected each year for oversight by a PREC member and/or, through suggestions from the AE staff and technical reviewer. The goal is to ensure that at least 2% (or the percentage prescribed by the AICPA) of the peer reviews administered by the NJCPA are subjected to oversight each year and completed in accordance with AICPA oversight standards. The selection includes peer reviews from both system and engagement reviews and may include reviews of firms that fall under the must select standards of the Peer Review Program Manual. Both the team captain/reviewer and the reviewed firm are notified in advance of the planned oversight.

Selection of reviewers/firms for oversight is based on objective criteria such as the following:

- Firms who have only recently begun performing engagements subject to peer review
- Firms who have only recently begun performing work in high public interest areas such as Single Audit and ERISA engagements
- Firms who may have been referred to the AICPA for certain violations.
- Reviewers who have received technical reviewer or RAB feedback relevant to significant issues which indicate a lack of understanding of program requirements.
- Reviewers who frequently submit pass reports without comments.
- Reviewers who conduct a considerable number of reviews of firms with audits in high- risk industries (governmental, ERISA, banking, etc.) or who conduct a significant volume of reviews.
- Reviewers who also serve as members of the NJCPAs Peer Review Executive Committee.
- Reviewers who have only recently begun performing reviews and appear to require some assistance; and
- Reviewers who are selected on a random basis.

On-site oversights of system reviews are primarily conducted on the day of the exit conference at the reviewed firm's office, although some interaction in the planning stage of the peer review between the team captain and individual designated to perform the oversight is necessary. On-site oversights allow the overseighter to get a better feel for the planning and scope of the review as well as the quality of the firm's quality control system. The overseighter reviews selected workpapers created by the review team with particular attention paid to the scope, conduct, and results of the peer review. The overseighter also attends the exit conference.

Off-site oversights are generally performed after a peer review is completed, but before the report has been released to the reviewed firm. Alternatively, such oversights may be conducted after submission of the report and selected engagement work papers to the NJCPA at the conclusion of the peer review. The reviewer is instructed to forward all working papers, including the financial statements and reports that were reviewed, to the NJCPA.

For both on-site and off-site oversights, the overseighter (who is almost always a member of the PREC) prepares and submits a written report on the results of the oversight. The overseighter may be asked to make a recommendation concerning the necessity for further oversight of the team captain/reviewer. The report is submitted to a Report Acceptance Body (RAB) for review, along with the workpapers from the peer review for acceptance.

For the period of January 1, 2025, through December 31, 2025, the NJCPA completed five oversights, which is the number required by the AICPA for 2025. Three of the five were system review oversights, and two were engagement review oversights. Three of the five resulted in no changes and the other two required the addition/changes of MFC/FFCs. Five different PREC members completed the oversights.

II Summary of Peer Review Program

1) **Number of firms enrolled in 2025.** – Approximately 750 firms were enrolled throughout the 2025 calendar year. Enrollment is in accordance with New Jersey State Board of Accountancy and AICPA Peer Review Program regulations and standards.

2) Results of Peer Reviews Accepted During the Year 2025

a) Results by Type of Peer Review and Report Issued

	AICPA Peer Review Program	
System Reviews		%
Pass	87	82.1
Pass with deficiency(ies)	12	11.3
Fail	7	6.6
Total	106	100
Engagement Reviews		%
Pass	113	86.9
Pass with deficiency(ies)	9	6.9
Fail	8	6.2
Total	130	100

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

	AICPA Peer Review Program
Human resources	8
Engagement performance	14
Acceptance and continuance of client relationships and specific engagements	3
Leadership responsibilities for quality within the firm	3
Monitoring	10
Firm's risk assessment process	1
Relevant ethical requirements	1
Total	40

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	26	10	38.5
Government Auditing Standards – All Other	48	6	12.5
ERISA	47	7	14.9
Other	114	18	15.8
Reviews	167	15	9.0
Compilations and Preparations:			
With Disclosures	127	12	9.4
Omit Disclosures	187	3	1.6
SOC Reports	5	3	60.0
Agreed Upon Procedures	14	0	0
Other SSAEs	15	1	6.7
Totals	750	75	10.0

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	68
Agree to pre-issuance reviews	19
Agree to post-issuance reviews	13
Agree to review of remedial actions	12
Submit evidence of proper firm and individual licensure	7
Firm has represented in writing they no longer perform or are engaged to perform any engagements subject to peer review	2
Agree to join an Audit Quality Center	1
Agree to review correction of non-conforming engagement	2
Total	124

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	N/A	3
Engagement	N/A	2

b) Oversight Performed on the AE

The results of our most recent oversight performed by the AICPA Oversight Task Force, performed in 2024, and which covers only the AICPA Peer Review Program, are available on the [AICPA's website](#).