

NEW ACCOUNTANT[®]



AICPA ISSUES REVISED PEER REVIEW STANDARDS

Reports to be Strengthened and Simplified

NEW YORK (May 2, 2008) – The American Institute of Certified Public Accountants Peer Review Board has issued new standards for performing and reporting on peer reviews to promote quality in CPA firms’ accounting and auditing practices.

The new standards are intended to produce simpler more readable reports that will provide greater transparency to state boards of accountancy, federal agencies such as the Government Accountability Office, and the private sector.

“We have re-written the standards to be more principles-based,” said Susan Coffey, AICPA senior vice president for member quality and state regulation. “It results in less of a checklist-based process that is intended to be more robust. It focuses the report on the most important issues,” Coffey said.

A key difference in the new peer review standards is elimination of letters of comment and the old three-tier system of unmodified, modified and adverse grades given to firms by reviewers. The new standards require a simple pass, pass with deficiencies, or fail grade.

The new reports are designed to be more user-friendly by making it very clear whether a firm has satisfactorily designed a quality control system and is complying with that system. The reports will make clear whether a firm has deficiencies in that system, or whether it has no system at all.

“The AICPA’s move to a principles-based and more transparent peer review process with simplified reporting is clearly a step in the right direction,” said David M. Walker, president and CEO of the Peter G. Peterson Foundation and former Comptroller General of the United States. “I look forward to additional improvements in the future in order to ensure audit quality.”

The AICPA is developing additional guidance for the approximately 30,000 accounting firms nationwide that will be subject to peer review under the new standards and the 2,000 peer reviewers who will apply the new literature. The new process is intended to guide reviewers to include significant concerns in their actual reports.

The accounting profession has conducted peer reviews as a means of self-policing the profession since the 1970s. Peer reviews became mandatory in the 1980s for AICPA members who do audit work. The new standards apply to firms that do audit work for private companies, government agencies, non-profit organizations and employee benefit plans. The new standards further apply to firms that do reviews, compilations, and other attest work.

Members' firms currently enrolled in the Center for Public Company Audit Firms Peer Review Program are covered under this measure for their non-public work. Since the enactment of Sarbanes-Oxley, the Public Company Accounting Oversight Board conducts inspections of the firms' public company audit practices.

The revised Standards and Interpretations are effective for peer reviews commencing on or after Jan. 1, 2009, and are available on the AICPA Peer Review Program and CPCAF Peer Review Program Web sites at www.aicpa.org/members/div/practmon/index.htm and www.aicpa.org/centerprp/index.htm, respectively.

About the AICPA:

The American Institute of Certified Public Accountants (www.aicpa.org) is the national, professional association of CPAs, with more than 350,000 members, including CPAs in business and industry, public practice, government, and education; student affiliates; and international associates. It sets ethical standards for the profession and U.S. auditing standards for audits of private companies; federal, state and local governments; and non-profit organizations. It develops and grades the Uniform CPA Examination.

The AICPA maintains offices in New York; Washington, D.C.; Durham, N.C.; Ewing, NJ; and Lewisville, TX.

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