

News Release

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**AICPA TASK FORCE RECOMMENDS
ENHANCEMENTS TO THE PEER REVIEW PROGRAM**
Task Force Recommendations Increase Transparency and Effectiveness

NEW YORK (February 14, 2006) – A special task force of the American Institute of Certified Public Accountants today released a set of recommendations to enhance the transparency of the Institute’s Peer Review Program, the quality monitoring system for the profession’s public accounting sector.

The task force addressed the input of users and CPAs on how best to improve the peer review process in a more transparent environment. Recognizing the increased demand for peer review information by regulators and other users, for instance, the task force recommended that the peer review reporting model be simplified and for those firms that have received a second consecutive modified and any adverse peer review report, direct access should be given to state boards which license firms to practice.

“Since 1988, when peer review became mandatory, the program has served the profession well,” said Lee Wunschel, a member of the AICPA Board of Directors who chaired the task force. “But the world has changed in the past two decades. Just as the CPA profession has evolved to meet changing needs, the task force believes that the peer review system should evolve, too. In particular, we have sought ways to incorporate valuable member insights in our recommendations to make peer review reports more usable and transparent, which is critical in today’s era of increased accountability.”

The following are other key task force recommendations submitted to the AICPA Board:

- Peer review reports should be as concise as possible and written in “plain English.” The “grading” terminology should be simplified and the report should be a stand-alone document that discloses the significant matters affecting the type of report issued.

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- The current peer review administrative oversight processes should be made more transparent by communicating the objectives, procedures, and results of oversight to the public through annual, and in certain cases biannual, reports issued by the AICPA and the state CPA societies that administer the program.
- To ensure a level playing field for all practitioners, all state boards of accountancy should require peer review as a condition of licensure.
- The AICPA should conduct a comprehensive peer reviewer recruitment campaign to attract new, quality peer reviewers and to educate firms on the benefits of having its owners and staff members involved in performing peer reviews.
- The AICPA's Peer Review Board should continue to ensure the high quality of peer reviewers, establishing additional minimum requirements to be a peer reviewer, and consider requiring additional minimum criteria such as the number of accounting and auditing hours spent by a reviewer in his or her own firm.
- The AICPA should provide a mechanism for members to comply with state board licensing requirements by allowing any AICPA firm to post voluntarily its peer review results in the AICPA's current public file regardless of membership in a specific AICPA section or audit quality center.

“The task force recommendations resulted from a great deal of deliberation and recognition that the ultimate beneficiary of our peer review process has broadened over time, from benefiting the firm exclusively to now including the broader regulatory community and the public,” said Barry C. Melancon, AICPA President and CEO.

The recommendations are being submitted to the Peer Review Board for consideration, analysis and possible execution. The Board decided that if the recommendations are successfully implemented, a broad-based campaign to educate members and users about the significant changes would be warranted. In addition, the AICPA Board decided to bring to its March Council meeting a recommendation that Institute members should be asked to agree that peer review reports of firms be provided to state boards in those states where peer review is required for continual licensure.

Forty-one state CPA societies now administer the AICPA Peer Review Program and the AICPA Peer Review Board oversees the forty-one administering bodies. Thirty-nine states require peer review as a condition of licensure; about half of which require some form of disclosure of the results. Thousands of

AICPA firms currently place the results of their peer reviews in a public file as an enrollment requirement in the Center for Public Company Audit Firms peer review program or as a membership requirement of AICPA audit quality centers and the Private Companies Practice Section. In addition, thousands of firms provide their peer review results to clients to comply with governmental or regulatory requirements.

“Many firms take pride in the results of their peer review and use them as a marketing tool,” Said Wunschel. “This all contributes to the high public expectations of peer review.”

The full task force report may be found at www.aicpa.org/transparency. The Task Force included representation from small, medium and large CPA firms, business & industry, those involved with peer review, some who weren't, state CPA society leadership and state regulators.

The American Institute of Certified Public Accountants (www.aicpa.org) is the national, professional association of CPAs, with approximately 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 also develops and grades the Uniform CPA Examination.

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