

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

ACCOUNTING AND REVIEW SERVICES COMMITTEE

OPERATING POLICIES



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New York, NY 10036-8775

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**ACCOUNTING AND REVIEW SERVICES COMMITTEE
OPERATING POLICIES**

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ACCOUNTING AND REVIEW SERVICES COMMITTEE OPERATING POLICIES

INTRODUCTION

This document summarizes the responsibilities, authority, and structure of the Accounting and Review Services Committee (ARSC) of the AICPA and of the principal AICPA staff assigned to support the Statements on Standards for Accounting and Review Services (SSARSs) standard setting activities of the AICPA. These operating policies are designed to facilitate the timely, thorough, and open study and deliberation of the continuing development of SSARSs. Additional detailed procedures may be developed by ARSC and the AICPA staff to implement the broad policies outlined herein. All references to committees and staff are to AICPA committees and staff unless otherwise noted.

DESCRIPTION OF ARSC

ARSC is the senior committee of the AICPA that is designated by Council to issue pronouncements in connection with the unaudited financial statements or other unaudited financial information of a nonpublic entity. The “Compliance With Standards Rule” of the AICPA Code of Professional Conduct (AICPA, *Professional Standards*, ET sec. 1.310.001) requires AICPA members who perform professional services to comply with standards promulgated by bodies designated by Council. ARSC is authorized to make public statements on matters relating to SSARSs without clearance from Council or the AICPA Board of Directors. Council resolved that any committee or board authorized by Council to issue enforceable standards under the “General Standards Rule” (AICPA, *Professional Standards*, ET sec. 1.300.001) and the “Compliance With Standards Rule” must observe an exposure process seeking comment from other affected committees and boards, as well as general membership.

THE MISSION OF ARSC

The mission of ARSC is to serve the public interest by developing, updating, and communicating comprehensive standards and practice guidance that enable accountants of nonissuers to provide high quality, objective SSARSs services to nonissuers in an effective and efficient manner.

ARSC accomplishes its mission by (1) developing SSARSs that inspire public trust and (2) responding in a timely manner to the need for guidance and communicating it clearly to the profession and to users.

OPERATING POLICIES OF ARSC

The operating policies of ARSC are designed to permit timely, thorough, and open study of SSARSs issues and to encourage broad public participation in the process of establishing and improving SSARSs.

The objective of ARSC’s policy of openness and broad public participation in the standards setting process is to stimulate consideration and debate within ARSC’s constituencies on matters of significance to the profession, users of financial statements, and the general public. ARSC members, Audit and Attest Standards Staff, and ARSC task force and

subcommittee members are free at all times to express their individual views on matters under consideration in order to stimulate constructive public dialogue. The public is encouraged to do likewise, and individuals and organizations are invited to make their views and concerns known to ARSC through thoughtful, reasoned, and timely communication, generally in the form of letters commenting on proposed documents during their comment periods and by participation at public hearings. ARSC also holds periodic meetings with various constituent organizations to discuss the views of those organizations and their members.

Nomination of ARSC Members and the ARSC Chair

ARSC is a committee of seven members, all of whom are AICPA members. Members are appointed to achieve an appropriate representation among firms of all sizes with an emphasis on firms actively involved in the provision of services in accordance with SSARs. The Director¹ of the AICPA Audit and Attest Standards Team, in consultation with the ARSC Chair, nominates the members of ARSC. The AICPA Board of Directors approves nominations for members of ARSC.

The ARSC Chair presides at ARSC's meetings and is responsible, in consultation with the Director, for establishing operating procedures for ARSC and its staff, task forces, subcommittees, and other groups. The Director nominates the ARSC Chair. The AICPA Board of Directors approves the nomination of the ARSC Chair.

Each member normally serves three one-year terms, with reappointment for each term dependent on satisfactory performance. Depending on the status of projects with which a particular member may be involved, and if continuity would contribute to the timely completion of those projects, it may be appropriate to reappoint that member for one or more additional one-year terms. Upon appointment, the ARSC Chair normally serves three one-year terms, with reappointment for each term dependent on satisfactory performance, irrespective of the number of terms he or she has previously served as a member of ARSC.

If the ARSC Chair is unable to fulfill his or her responsibilities, the Director appoints an ARSC member to serve as interim ARSC Chair until such time as the AICPA Board of Directors approves the nomination of a new ARSC Chair.

Audit and Attest Standards Staff

The Audit and Attest Standards staff (Staff) consists of the Director and an appropriate number of suitably qualified managers to support the activities of the ARSC and its subcommittees and task forces. Staff help subcommittees and task forces draft and deliberate authoritative professional standards and interpretations. Staff also develop nonauthoritative professional guidance such as Technical Questions and Answers published in *AICPA Technical Questions and Answers* and other forms of guidance on emerging issues. Additionally, Staff may be involved in other projects in cooperation with other teams at the AICPA; for example, the Auditing Standards Board (ASB) or outside organizations such as the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants.

The AICPA Office of the General Counsel provides legal counsel to ARSC.

¹ The Chief Auditor assumes the responsibilities of the Director when this position is unfilled.

Staff members are CPAs who ordinarily have at least seven years of experience in public accounting or standard setting.

Operating and Project Plans

Liaison With Constituents

The ARSC Chair and the Director are responsible for establishing appropriate liaison relationships with representatives of ARSC's constituents. The objective of these liaison activities is to communicate intended ARSC agendas and actions and to seek timely input on ARSC projects and priorities and suggestions for possible ARSC projects. Examples of important liaison groups that the ARSC may have liaison relationships with include, but are not limited to, FASB, the National Association of State Boards of Accountancy, and committees of the American Bar Association, American Bankers Association, and the Financial Executives International. Representatives of ARSC and Staff may meet with representatives of constituent groups periodically, or constituents may be contacted depending on the circumstances and as specific needs arise. The Director is responsible for maintaining liaison with other AICPA staff on SSARs standard setting matters.

Although ARSC maintains liaison relationships with certain constituents, ARSC also is interested in timely input on projects, priorities, and suggestions for possible ARSC projects from any of its constituents. Any member of the public may express his or her views on ARSC's projects and priorities or make suggestions for possible ARSC projects by contacting the Audit and Attest Standards Team.

The ARSC Agenda

The ARSC Chair and the Director are responsible for setting ARSC's agenda of projects and their priorities. The ARSC Chair or the Director consults with ARSC for input into ARSC's agenda, as well as considering input from other AICPA committees and task forces, or any of ARSC's constituents. The Chair and the Director may use any means that they deem appropriate to seek input on ARSC's agenda. For example, the Chair or the Director may meet with representatives of ARSC's various constituent groups formally or informally, either individually or in groups. The Chair or the Director may organize planning retreats, to which various ARSC constituents are invited, to provide input into ARSC's agenda. The Chair and the Director also may appoint separate task forces of the ARSC to provide input into ARSC's agenda.

Ordinarily, if a member of ARSC would like a topic to be added to ARSC's agenda, that member would suggest the topic to the ARSC Chair or the Director for consideration; however, any member of ARSC may propose a topic to be added to ARSC's agenda, and ARSC may vote to add that topic to the agenda. A simple majority is sufficient to add a topic to the agenda.

Task Forces

Task forces are appointed to assist the ARSC in carrying out its mission.

A task force is a group appointed to undertake a special project. A task force terminates upon the completion of its assignment. It may be entirely or partially composed of ARSC members or may be composed entirely of other persons. A task force is appointed by the ARSC Chair in consultation with the Director, and reports to the ARSC Chair.

The ARSC Chair has observer status at all meetings of task forces.

Research Projects

The Director, in consultation with the ARSC Chair or his or her designee, may authorize and approve such research projects as the ARSC Chair may deem necessary or desirable in the circumstances, and provides for research to be conducted by Staff, by consultants, or task force members.

Research is generally directed to specific issues associated with the projects on ARSC's technical agenda or possible future agenda projects and, as such, may be expected to have a problem-solving orientation and to provide information about specific questions and the impact of alternative solutions. Theoretical and conceptual research is also conducted when the circumstances warrant.

Unless restricted by copyright, agreement with researchers, or other restriction, written research data or summaries of research data constitute a part of ARSC's public file.

Pronouncements and Other Communications

Statements on Standards for Accounting and Review Services

SSARSs are standards issued by ARSC. "The Compliance With Standards Rule" of the AICPA Code of Professional Conduct requires a member who performs compilation, review, or other professional services addressed by SSARSs to comply with standards promulgated by ARSC. ARSC develops and issues SSARSs through a process that includes deliberations in meetings open to the public, public exposure of proposed SSARSs, and a formal vote.

In determining an appropriate public exposure period of a proposed SSARS, including the comment due date, ARSC will take into consideration that the period from approximately January 1 through April 15 of any calendar year represents the traditional "busier season" for many accountants. Although ARSC will attempt to limit having a comment period for a proposed SSARS end during the traditional busier season, the decision regarding the comment due date will take into account the complexity of the subject matter in the proposed SSARS as well as the circumstances surrounding the need for a new standard.

Statements on Standards for Attestation Engagements

ARSC and the ASB have the authority to issue Statements on Standards for Attestation Engagements (SSAEs). ARSC develops and issues SSAEs through a process that includes deliberations in meetings open to the public, public exposure of proposed SSAEs, and a formal vote. For the purposes of this operating policies document, references to SSARSs also include SSAEs.

Interpretative Publications

Interpretations

Interpretations are issued to provide guidance on the application of SSARSs. Staff develop interpretations, sometimes with the assistance of ARSC members or other volunteers. An interpretation is issued under the authority of ARSC after all ARSC members have been provided an opportunity to consider and comment on whether the proposed interpretation is consistent with SSARSs. ARSC members are provided at least two weeks to consider and comment on proposed interpretations. Comments are addressed by Staff with the ARSC Chair and Director and substantive changes are sent back to ARSC for its consideration. Final approval of an interpretation rests with the ARSC Chair and the Director.

AICPA Guide Preparation, Compilation, and Review Engagements and Audit and Accounting Guides Containing SSARSs Guidance

The AICPA Guide *Preparation, Compilation, and Review Engagements* and certain other Audit and Accounting Guides (including, but not limited to, the AICPA Guide *Prospective Financial Information*) provide guidance on particular circumstances on SSARSs engagements that require special attention or particular circumstances within specialized industries. Other AICPA committees and staff develop guides and are responsible for updating the guides for changes in the SSARSs literature and accounting standards (referred to as *conforming changes*). The AICPA Guide *Preparation, Compilation and Review Engagements* and other Audit and Accounting Guides that contain guidance on SSARSs are issued under the authority of ARSC. Any guides that are new or guides with updates beyond conforming changes are issued after all ARSC members have been provided an opportunity to consider and comment on whether the proposed guide is consistent with SSARSs. ARSC members are provided at least two weeks to consider and comment on proposed guides. Modifications to existing guides for conforming changes are approved by the ARSC Chair (or his or her designee) and the Director. The ARSC Chair and the Director approve the issuance of AICPA guides that contain guidance on SSARSs. Issuance of any AICPA guide that contains auditing guidance also is subject to the policies of the ASB. Issuance of any AICPA guide that contains accounting or financial reporting guidance also is subject to the policies of the Financial Reporting Executive Committee.

Other Communications

Public Statements

Entities outside the AICPA, such as federal or state agencies and other groups or entities, may make proposals that relate to SSARSs, procedures for SSARSs engagements, practices and methods, and the form and content of reports on SSARSs engagements. Also, the IAASB proposes International Standards on Review Engagements and International Standards on Related Services. Staff, task forces, or subcommittees may draft written comments to outside entities on such proposals. The ARSC Chair and the Director, or their designees, approve the issuance of such comments. (The chair of the International Auditing Standards Task Force normally is designated the authority to approve comment letters to the IAASB.) The ARSC Chair and the Director may also approve for publication

interpretative SSARs guidance of a transitional nature in publications such as *CPA Letter Daily* and the *Journal of Accountancy*.

Other Publications

Staff publish other forms of guidance that do not carry the authority of ARSC; however, such other guidance published by the AICPA that has been reviewed by Staff are presumed to be appropriate in understanding and applying SSARs. Those publications are not approved, disapproved, or otherwise acted upon by ARSC, the membership, or the governing body of the AICPA and are not official pronouncements of the AICPA. Staff also contribute to a quarterly newsletter, *Financial Reporting Center Newsletter*, to communicate the status of ARSC and Staff projects.

Meetings of ARSC

Rules of Order

Meetings are conducted on an informal basis, rather than on the basis of formal rules of order, subject to the power of the ARSC Chair to conduct meetings effectively. This promotes an efficient deliberative process and a free exchange of ideas.

Meetings Open to the Public

Those portions of the ARSC meetings relating to (a) an establishment of standards through SSARs and (b) other SSARs matters directly affecting the public interest are open to the public. Portions of meetings dealing with matters of an administrative or necessarily confidential nature, such as meeting arrangements, establishment of task forces, and consideration of advice of AICPA counsel, need not be open to the public.

Meetings of ARSC task forces are not open to the public; however, at the discretion of the ARSC Chair, or at the discretion of the chair of the task force (after discussing the request with the ARSC Chair), interested parties may be invited to attend any or all meetings of any ARSC task force.

Quorum Requirements

A majority of the members of ARSC constitutes a quorum for meeting purposes.

Privilege of the Floor

The following persons have the privilege of the floor during meetings of ARSC:

- The members of ARSC
- The AICPA-nominated representative to the IAASB
- The Chair of the AICPA Board of Directors
- The President of the AICPA
- The AICPA General Counsel or their representative
- The Executive Vice President—Public Practice
- The Chief Auditor
- The Director
- Staff members whose presence is required

The ARSC Chair may extend the privilege of the floor to members of other committees, subcommittee and task forces, or other individuals when matters related to them are being discussed. Observers do not have the privilege of the floor although the ARSC Chair may extend such a privilege for good cause.

Voting Procedures

The matters on which votes may be taken can be categorized as follows: (1) votes to ballot for issuance of an exposure draft of a proposed SSARS or a final SSARS, or (2) votes on all other matters.

Issuance of an exposure draft of a proposed SSARS or issuance of a final SSARS requires the written affirmative approval of two-thirds of all ARSC members. In voting on issuance of an exposure draft of a proposed SSARS or issuance of a final SSARS, ARSC members may approve, dissent, or abstain to the issuance of the proposed or final SSARS.

Results of a vote will not be shown in either a proposed or final SSARS. Members who dissent to issuance of an exposure draft of a proposed SSARS may request that the dissent be included in the published proposed SSARS and the reasons therefore stated with a specific request for consideration by respondents. The “Approved Highlights” of ARSC meetings at which a vote was taken to ballot for issuance a final, or an exposure draft of a proposed, SSARS will clearly indicate the results of the vote, including reasons for any dissents or abstentions. In addition, a file summarizing the results, extracted from the “Approved Highlights,” of all votes, including dissents or abstentions and the reasons therefor, will be maintained on the “ARSC Meeting Materials and Highlights” page on the AICPA’s website, www.aicpa.org.

Votes on all other matters are by members and are effected by a show of hands, by written ballot, electronic ballot, or by telephone poll conducted by the ARSC Chair or Staff, as determined by the ARSC Chair in each instance. A simple majority is sufficient to carry a motion. The ARSC year, which normally expires annually at the time of the AICPA annual meeting, may be extended by the Board of Directors for purposes of voting on a specific document(s).

Notification

Public announcement of the date, time, and location of each open meeting is made on the “ARSC Meeting Materials and Highlights” page on www.aicpa.org and via e-mail to those who have registered to be placed on the ARSC distribution list. Agendas and agenda materials are also posted on the “ARSC Meeting Materials and Highlights” page. Topics may be added to an ARSC meeting agenda up to 10 calendar days before an open meeting. Special meetings are set not less than 10 days in advance of the meeting date. Final decisions on the issuance of exposure drafts of proposed SSARSs or the issuance of final SSARSs are deferred to a subsequent meeting in those situations when no indication had been made available to the public that the subject would be covered in an open meeting.

Meeting Location

The locations of meetings are determined by Staff, taking into account the accessibility of the location to the ARSC members and constituents, cost, and geographic variety. ARSC

may also hold open meetings via teleconference call following the same notification procedures as previously described.

Public Hearings

ARSC, from time to time, may seek information about SSARSs issues and related matters by holding a public hearing or open forum discussion in which nonmembers can participate. The ARSC Chair, in consultation with the Director, determines whether public hearings on a particular topic should be held and, if so, the number of public hearings to be held and the time, date, location, and general format of each. Each public hearing is conducted by one or more members of ARSC or Staff, pursuant to rules of order established by the ARSC chair. Such public hearings are not considered to be meetings of ARSC.

Public announcement of the date, time, and location of each public hearing is posted in the “Accounting and Auditing” interest area of www.aicpa.org. Agendas and agenda materials are also posted in the “Financial Reporting Center” interest area. Public hearings are set not less than 30 days in advance of the hearing date. Each notice of public hearing sets forth the following:

- The date, time, location, and general format of the hearing
- A brief statement of the subject or purpose of the hearing
- The date or dates prior to the hearing by which those wishing to be heard at the hearing are to notify ARSC and by which written comments, position papers, and outlines of proposed oral presentations are to be received by ARSC
- Other information as ARSC may determine

Any individual or organization may request to be heard at a public hearing, and to the extent practicable, ARSC will attempt to schedule all those making timely requests. Submission of written comments, a position paper, or an outline of a proposed oral presentation is a condition to being heard at a public hearing, but this requirement may be waived by the ARSC chair upon a showing of special circumstances or if it is in the public interest. Materials submitted to ARSC constitute a part of its public file.

Public hearings may be adjourned in whole or in part to reconvene at another date, time, or location or may be extended to an additional date, or dates, at the same or different locations, with the same or a different format, without any announcement other than announcement at the hearing.

Public Announcements and Public File

Meeting Documents

Copies of documents relating to issues discussed in open meetings are ordinarily supplied electronically, at least seven days in advance of the meeting, to those included on the ARSC distribution list. An appropriate number of sets of the following documents are made available for public inspection at the location of an open meeting: meeting agenda and agenda materials for topics open to the public, including point outlines and drafts of proposed pronouncements. Those documents and highlights of public meetings are also available on the “ARSC Meeting Materials and Highlights” page on www.aicpa.org. Any ARSC member may propose a motion, and ARSC may vote to defer any proposed action

on any documents that are not available to members of ARSC at least seven days in advance of a meeting.

Meeting Highlights

After each ARSC meeting, the Staff prepare brief summaries of principal actions taken and decisions reached at ARSC meetings. Such meeting highlights also include the attendees (committee members and observers) and summaries of reports made by the ARSC Chair, task force chairs, and the Director. Staff post draft highlights, clearly marked as such, to the “ARSC Meeting Materials and Highlights” page on www.aicpa.org shortly after the ARSC meeting. ARSC is asked to approve the highlights at a subsequent meeting, and the approved highlights then replace the draft version on the AICPA website.

Public File

A public file on open sessions of meetings for the current year and the upcoming year is available on the “ARSC Meeting Materials and Highlights” page on www.aicpa.org for public reference. This file contains copies of meeting agendas, agenda materials, drafts of proposed pronouncements, highlights of open sessions of public meetings, comment letters received during public exposure periods on proposed pronouncements, written research data and summaries of research data, and materials submitted to ARSC in connection with public hearings. Comment letters on exposure drafts of proposed SSARSs that are addressed in conformity with the instructions on the exposure drafts are included in the public file, along with the exposure drafts.

Material Not Available to the Public

Correspondence and other documents related to SSARSs activities and of committees administered by Staff that do not fall within the description of documents included under public file are not available to the public. In particular, the following correspondence is not available to the public:

- Correspondence between and among ARSC, ARSC task forces, and AICPA staff
- Correspondence to and from AICPA counsel
- Letters from the public, other than letters of comment on exposure drafts
- Memoranda prepared by Staff; highlights of portions of meetings of ARSC that are not open to the public
- Highlights of meetings of ARSC task forces

Also, individual written ballots, including ballots on exposure drafts and final pronouncements, are private; however, the results of such ballots on matters included on the ARSC agenda are announced in open sessions of ARSC meetings.

Record Retention Policies

The AICPA’s intranet is the Staff’s primary document filing system. Documents are kept electronically on the AICPA’s intranet up to 10 years. Documents received in hard copy are scanned.

Document Retention Policy

The following documents are retained indefinitely, either in hard copy or electronically:

- Highlights of public meetings
- Exposure drafts
- Final standards
- Agendas

AVAILABILITY OF PUBLICATIONS

To promote broad participation in the process of establishing and improving SSARs, ARSC will make available via the Internet at www.aicpa.org/Research each Invitation to Comment and each Exposure Draft of proposed SSARs. Invitations to Comment and Exposure Drafts of proposed SSARs are available free of charge.

ARSC also will make available, free of charge, final SSARs and Interpretations on the “Standards” page of www.aicpa.org. The annual paperback edition of the *Codification of Statements on Standards for Accounting and Review Services* is available in print. The codification is also available as part of *AICPA Professional Standards*, which also includes the Statements on Quality Control Standards, in print format and online subscription, on www.aicpastore.com for a charge.

Other documents issued by ARSC will be made available either in print, on www.aicpa.org, or both.

The publication date of a document issued by ARSC is considered to be the first date that the document is made widely available to the public. In most cases, this will be the date that the document is made available on www.aicpa.org.

AMENDMENTS

ARSC originally approved these operating policies on November 4, 2003. The operating policies may be amended at any time upon approval of two-thirds of all the ARSC members at an open meeting of ARSC. This document was last amended by ARSC at its meeting in August 2017.

REQUESTS FOR INFORMATION

Requests for information about availability of various ARSC publications, ARSC meetings, and ARSC’s public file may be directed to the following:

Accounting and Review Services Committee
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

The “Audit and Attest” section of the Financial Reporting Center interest area of www.aicpa.org includes various current information about ARSC activities and projects.