

At a Glance: Guide to the AICPA for State Board of Accountancy Executive Directors



This page intentionally left blank.

Contents

.....	
Contact Information.....	3
Introduction	5
Committees.....	7
State CPA Societies.....	9
The Uniform CPA Examination	11
Governance: The AICPA Board of Examiners	11
Professional Ethics.....	20
Peer Review.....	26
State Regulation and Legislation Team.....	34
International Qualifications Appraisal Board.....	37
AICPA Glossary of Terms, Acronyms, and Abbreviations.....	38
A.....	38
B.....	40
C.....	41
E.....	43
F.....	44
G.....	45
I.....	47
J.....	48
L.....	49
M.....	50
O.....	51
P.....	52
Q.....	54
R.....	55
S.....	56
U.....	58



Contact Information

The AICPA's headquarters are located in New York, NY. The AICPA also maintains offices in Durham NC; Washington, DC; and Ewing, NJ.

The mailing address for the AICPA is:

AICPA
220 Leigh Farm Road
Durham, NC 27707- 8110

Key telephone numbers for the AICPA are:

Membership or General Information	888-777-7077
Examinations	609-671-2900
Peer Review	919-402-4502
Professional Ethics (Ethics Hotline)	888-777-7077
State Regulation and Legislation	202-434-9226
Suzanne Jolicoeur, Senior Manager	919-402-4906

Guide to the AICPA for the State Board of Accountancy Executive Directors

The State Board Handbook (Handbook) is intended to assist state board of accountancy executive directors and their staff to navigate the AICPA. It is an “evergreen” resource guide intended to provide an overview of some of the AICPA’s self-regulatory activities in addition to providing relevant contact information most widely requested by state boards and their staff. The document will be updated on a regular basis and copies will be available in both electronic and hard copy formats. We hope you will find the Handbook useful in better understanding some of the AICPA’s activities. Additionally, information on many of the issues contained in this publication is available through the AICPA’s website at <http://www.aicpa.org>.

The Handbook is produced by the AICPA State Regulation and Legislation Team (Team).

Please feel free to contact any members of the Team if you have questions or need additional information:

- Sue Coffey, Senior Vice President, Public Practice & Global Alliances, scoffey@aicpa.org; 212-596-6197
- Mat Young, Vice President, State Regulatory & Legislative Affairs, myoung@aicpa.org; 202-434-9273
- Suzanne Jolicoeur, Senior Manager, State Regulatory Outreach, sjolicoeur@aicpa.org; 919-402-4906
- Daniel Bond, Communications Manager, State Regulatory & Legislative Affairs, dbond@aicpa.org; 202-434-9226
- James Cox, Manager, State Legislation, jacox@aicpa.org; 202-434-9261

Introduction

The American Institute of Certified Public Accountants (AICPA) is the national, professional organization for all certified public accountants. With a membership of nearly 386,000, the AICPA's mission is to provide members with the resources, information, and leadership that enable them to provide valuable services in the highest professional manner to benefit the public as well as employers and clients. To achieve its mission, the AICPA:

- Serves as the national representative of CPAs before governments, regulatory bodies, state boards of accountancy and other organizations in protecting and promoting members' interests;
- Seeks the highest possible level of uniform certification and licensing standards and promotes and protects the CPA designation;
- Promotes public awareness and confidence in the integrity, objectivity, competence and professionalism of CPAs;
- Encourages highly qualified individuals to become CPAs and supports the development of outstanding academic programs; and
- Establishes professional standards; assists members in continually improving their professional conduct, performance and expertise and monitors such performance to enforce current standards and requirements.

As the largest professional association for CPAs in the United States, the AICPA's membership can be found in public practice, business and industry, consulting, government and education. In addition, the AICPA offers memberships to students and international affiliates. As of August 2009, the AICPA's members comprised:

- Public Accounting 42%
- Business and Industry 35%
- Government 3%
- Education 2%
- Retired and other 18%

History and Governance

The AICPA and its predecessors date back to 1887, when the American Association of Public Accountants (AAPA) was formed. In 1916, the AAPA was succeeded by the Institute of Public Accountants. A year later, the name changed again to the American Institute of Accountants and remained such until 1957, when it changed to its current name of the American Institute of Certified Public Accountants.

The AICPA is governed by Council, which is comprised of 265 members with representatives from every U.S. state and territory. Council members are elected or appointed by their state society. Council determines the Institute's programs and policies and has the authority to enact resolutions binding upon the AICPA's Board of Directors, the officers, committees, and staff. Council meets three times a year.

The AICPA [Board of Directors](#) acts as the executive committee of Council, directing Institute activities between Council meetings. The Board meets five times a year and is responsible for reporting to Council at least semi-annually. The Board of Directors is comprised of 20 members of the AICPA and three public members who are non-AICPA members.

Barry C. Melancon, CPA, CGMA is the President and CEO of the AICPA. The 2012-2013 Chairman of the Board of Directors is Richard J. Caturano, CPA, CGMA. The Vice-Chairman/Chairman Elect for 2013-2014 is William E. Balhoff, CPA, CGMA.

Committees

The AICPA consists of volunteer groups and staff working together to achieve the Institute's objectives. Committees help present the interests, needs, and attitudes of the membership; and assist the Institute in maintaining high standards of professional practice, promoting the interest of CPAs, serving as a spokesperson for the profession, and providing appropriate services to members.

The use of committees is a long-standing tradition of the AICPA. In 1897, the Bylaws of the ACPA established three committees: (1) the Finance and Audit Committee; (2) Committee on Elections, Qualifications and Examinations; and (3) the Committee on Bylaws. The number of committees grew continually over the years. By the 1970s, the number of committees had grown to 109. In 1999, the nearly 120 existing committees underwent a reorganization with approximately half of the standing committees being replaced with a volunteer group model that placed an increased emphasis on the use of task forces. The increased use of task forces allowed for more targeted efforts with the task forces being given a specific assignment then disbanding upon completion of that assignment.

Today, more than 2,000 volunteers serve on the Institute's governing Council, Board of Directors, committees, subcommittees, expert panels, resource panels, quality centers, boards, and task forces contributing to the AICPA fulfilling its mission. In most cases, the AICPA chair appoints a volunteer for a one-year term, which can be extended to three years.

The following is a list of the AICPA's standing volunteer groups:

- ABV Credential Committee
- ABV Examination Committee
- Accounting and Review Services Committee
- Accounting Standards Executive Committee
- Assurance Services Executive Committee
- Auditing Standards Board
- Board of Directors
- Board of Examiners
- Board of Examiners State Board Committee
- Business and Industry Executive Committee
- Business Valuations Committee
- CFF Credential Committee
- CITP Credential Committee
- Consulting Services Executive Committee
- Council
- CPE Advisory Committee
- Employee Benefits Plans Audit Quality Center Executive Committee

- Expert Panel Oversight Group
 - Depository Institutions Expert Panel
 - Employee Benefits Plans Expert Panel
 - Health Care Expert Panel
 - Insurance Expert Panel
 - Investment Companies Expert Panel
 - Not-for-Profit Organizations Expert Panel
 - State & Local Government Expert Panel
 - Stockbrokerage and Investment Banking Expert Panel
- Financial Literacy Commission
- Forensic and Litigation Services Committee
- Forensic and Valuation Services Executive Committee
- Governmental Audit Quality Center Executive Committee
- Government Performance and Accountability Committee
- Information Technology Executive Committee
- International Qualifications Appraisal Board (Joint Committee with NASBA)
- Minority Initiatives Committee
- National Accreditation Commission
- National Peer Review Committee
- Nominations Committee
- PCPS Executive Committee
- PCPS Technical Issues Committee
- Peer Review Board
- Personal Financial Planning Executive Committee
- PFS Credential Committee
- Pre-Certification Education Executive Committee
- Professional Ethics Executive Committee
- Professional Practice Executive Committee
- Relations with the Bar Committee
- SEC Regulations Committee
- Tax Executive Committee
 - Corporation and Shareholders Taxation Technical Resource Panel
 - Employee Benefits Technical Resource Panel
 - Exempt Organizations Taxation Technical Resource Panel
 - Individual Income Taxation Technical Resource Panel
 - International Taxation Technical Resource Panel
 - Partnership Taxation Technical Resource Panel
 - S Corporation Taxation Technical Resource Panel
 - State and Local Taxation Technical Resource Panel
 - Tax Accounting Technical Resource Panel
 - Trust, Estate and Gift Taxation Technical Resource Panel
- Uniform Accountancy Act Committee (Joint Committee with NASBA)
- Virtual Grassroots Panel
- Women’s Initiative Executive Committee

State CPA Societies

Each state, as well as Washington, D.C., Puerto Rico, Guam, and the U.S. Virgin Islands, have independent CPA societies. The societies are membership organizations that serve their CPA members at the state level by providing them the necessary support to improve their competency and professionalism, advocating their causes in the government arena, and educating consumers about CPAs and the services they provide.

While the state societies are not affiliated with the AICPA, the AICPA partners with state societies on numerous individual, regional, and nationwide initiatives, such as peer review and the Joint Ethics Enforcement Program (JEEP).

The following is a list of state societies:

Alabama Society of CPAs	http://www.ascpa.org/Content/home.aspx
Alaska Society of CPAs	http://www.akcpa.org/
Arizona Society of CPAs	https://secure.ascpa.com/
Arkansas Society of CPAs	http://www.arcpa.org/
California Society of CPAs	http://www.calcpa.org/Content/home.aspx
Colorado Society of CPAs	http://www.cocpa.org/
Connecticut Society of CPAs	http://www.cscpa.org/Content/home.aspx
Delaware Society of CPAs	http://www.dscpa.org/
Greater Washington Society of CPAs	http://www.gwscpa.org/
Florida Institute of CPAs	http://www.ficpa.org/content/home.aspx
Georgia Society of CPAs	http://www.gscpa.org/Content/Home.aspx
Guam Society of CPAs	N/A
Hawaii Society of CPAs	http://www.hscpa.org/
Idaho Society of CPAs	http://www.idcpa.org/
Illinois CPA Society	http://www.icpas.org/
Indiana CPA Society	http://incpas.org/
Iowa Society of CPAs	http://www.iacpa.org/Homepage.aspx
Kansas Society of CPAs	http://www.kscpa.org/
Kentucky Society of CPAs	http://www.kycpa.org/content/home.aspx
Society of Louisiana CPAs	http://www.lcpa.org/
Maine Society of CPAs	http://www.mecpa.org/
Maryland Association of CPAs	http://www.macpa.org/Content/Home.aspx
Massachusetts Society of CPAs	http://www.msccaonline.org/
Michigan Association of CPAs	http://www.michcpa.org/Content/Home.aspx
Minnesota Society of CPAs	http://www.mncpa.org/
Mississippi Society of CPAs	http://www.ms-cpa.org/
Missouri Society of CPAs	http://www.mocpa.org/
Montana Society of CPAs	http://www.mscca.org/
Nebraska Society of CPAs	http://www.nescpa.org/
Nevada Society of CPAs	http://www.nevadacpa.org/
New Hampshire Society of CPAs	http://www.nhscpa.org/
New Jersey Society of CPAs	http://www.njscpa.org/

New Mexico Society of CPAs	http://www.nmscpa.org/
New York State Society of CPAs	http://www.nysscpa.org/
North Carolina Association of CPAs	http://www.ncacpa.org/Home.aspx
North Dakota Society of CPAs	http://www.ndscpa.org/
Ohio Society of CPAs	http://www.ohioscpa.com/
Oklahoma Society of CPAs	http://www.oscpa.com/content/home.aspx
Oregon Society of CPAs	http://www.orcpa.org/
Pennsylvania Institute of CPAs	http://www.picpa.org/content/home.aspx
Puerto Rico Society of CPAs	http://www.colegiocpa.com/
Rhode Island Society of CPAs	http://www.riscpa.org/
South Carolina Association of CPAs	http://www.scacpa.org/Content/home.aspx
South Dakota CPA Society	http://www.sdcpa.org/
Tennessee Society of CPAs	http://www.tscpa.com/
Texas Society of CPAs	https://www.tscpa.org/
Utah Association of CPAs	http://www.uacpa.org/
Vermont Society of CPAs	http://www.vtcpa.org/
Virginia Society of CPAs	http://www.vscpa.com/Content/vscpa.aspx
Virgin Islands Society of CPAs	http://www.viscpa.org/
Washington Society of CPAs	http://www.wscpa.org/content/home.aspx
West Virginia Society of CPAs	http://www.wvscpa.org/
Wisconsin Institute of CPAs	http://www.wicpa.org/Content/Home.aspx
Wyoming Society of CPAs	http://www.wyocpa.org/

The Uniform CPA Examination

The Uniform Certified Public Accountant (CPA) Examination is the examination that an individual must pass in order to qualify for licensure as a Certified Public Accountant (CPA) in any of the 55 U.S. jurisdictions (the 50 states, the District of Columbia, Puerto Rico, U.S. Virgin Islands, Guam, and the Commonwealth of Northern Mariana Islands). The Examination is offered jointly by three organizations: National Association of State Boards of Accountancy (NASBA), the AICPA and Prometric. The AICPA is responsible for developing and scoring the examination, NASBA is responsible for the National Candidate Database and Prometric is responsible for examination delivery at authorized test centers.

The purpose of the Uniform CPA Examination is to provide reasonable assurance to boards of accountancy that those who pass the CPA Examination possess the level of technical knowledge and skills necessary for initial licensure to protect the public interest.

The Uniform CPA Examination is one of the “Three Es” – education, examination, and experience – that constitute the requirements for CPA licensure. Of these three requirements, only the CPA Examination is accepted for CPA licensure by all U.S. jurisdictions, while education and experience requirements may vary from one jurisdiction to another.

The Uniform CPA Examination developed from the examination that was used for admission to membership in the American Institute of CPAs (AICPA). In 1917, the Institute offered the examination for use in the licensure process by boards of accountancy. At that time, boards in three jurisdictions accepted the invitation. It was not until 1952 that the examination was first used in all jurisdictions.

Until the end of 2003, the Uniform CPA Examination was administered twice a year in a paper-and-pencil format. In April 2004, the computer-based CPA Examination was launched. In 2009, the computer-based CPA Examination reached a milestone – one million administrations. In August 2011, the administration of the Exam was launched internationally in Bahrain, Japan, Kuwait, Lebanon and the United Arab Emirates, marking the first time in history that candidates sat for the Exam outside of the United States. In February 2012, the Exam was further expanded to South America and administered in Brazil.

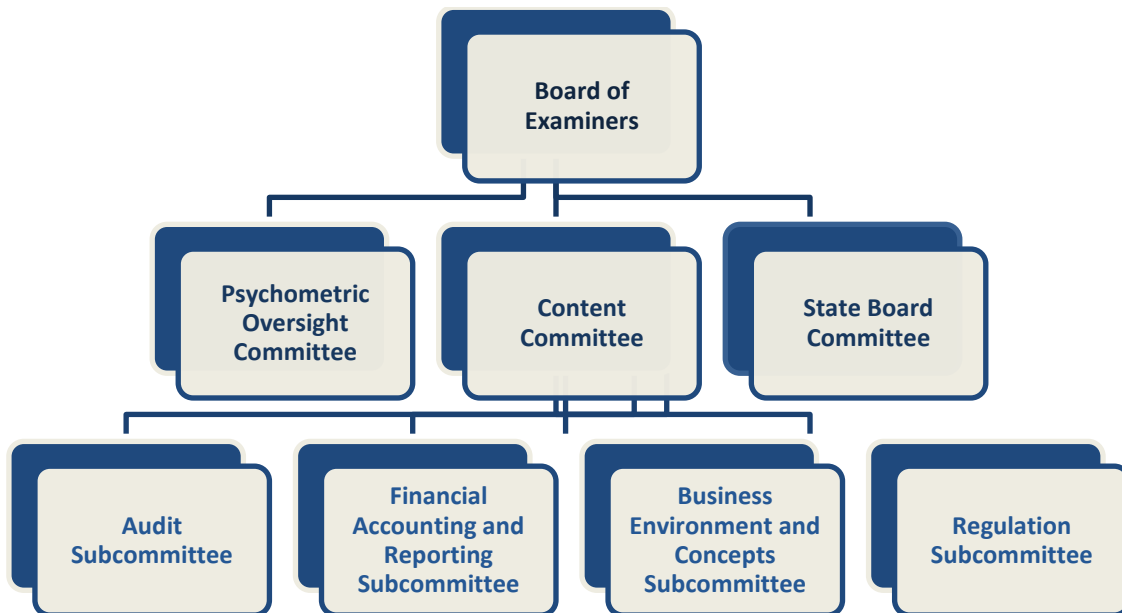
Governance: The AICPA Board of Examiners (BOE)

The Board of Examiners (BOE) is the body that sets policy for the Uniform CPA Examination in accordance with legal and psychometric standards as they apply to licensure examinations. In addition, the BOE oversees the development and scoring of the CPA Examination ensuring that the CPA Examination is consonant with entry-level knowledge and skill requirements of CPAs and represents the CPA Examination to state boards of accountancy and the profession.

Members of the BOE include CPA volunteers from every segment of the profession including public accounting, business and industry and the academic community. A

majority of the members also have state board experience. There are also some BOE members – such as psychometricians – who are not CPAs but have expertise required by the BOE. Psychometricians are experts on the technical aspects of test development and scoring. Although BOE members are appointed by the AICPA, NASBA submits a slate of nominees from which a majority of the members are selected.

BOE Committee Structure



Content Committee

The Content Committee has overall responsibility for the technical accuracy of examination content. Membership in the Content Committee is limited to CPAs with relevant subject matter expertise from all segments of the profession, including business/industry and educators, most of whom are also representatives of the Content Committee's four subcommittees. (There is one subcommittee for each of the four examination sections). Each subcommittee has eight to nine members and is responsible for the development of examination content in accordance with BOE guidelines and policies.

The Psychometric Oversight Committee (POC)

The POC directs and evaluates CPA Examination research, and oversees the application of psychometric procedures in accordance with the international standards applicable to licensure and certification examinations. The members of the POC are Ph. D. psychometricians with expertise in psychometric procedures, measurement theories, computer-based testing, and legal issues relevant to licensure examinations.

The State Board Committee (SBC)

The SBC serves as a communication link between the BOE and state boards of accountancy. It is responsible for communicating state board concerns to the BOE and keeping state boards advised of BOE activities and decisions. SBC membership is limited to current or former state board of accountancy members and executive directors.

AICPA Examinations Team

The AICPA Examinations Team is responsible for the development, administration, and scoring of the examination, working in partnership with NASBA and Prometric, and under the oversight of the BOE. The Examinations Team is composed of CPAs, psychometricians, statisticians, test developers, and administrative staff.

About 135 people, including committee/subcommittee members and AICPA staff, are involved in the CPA Examination development and scoring process. More than 15 individuals review every new examination question before it is ready to be pretested.

For more information contact: Michael Decker, Director of Operations and Development
mdecker@aicpa.org

BOE Communication Outreach

The BOE maintains open channels of communication with various CPA examination constituencies. With the advice of its State Board Committee, the BOE employs various means in its outreach, including announcements, exposure drafts, conference presentations, CPA Examination Forums, website materials, newsletters, the CPA Exam booklet, web chats and published articles.

The BOE communicates with state boards of accountancy through the State Board Committee, NASBA, BOE/accountancy board conference calls and mailings from the AICPA Examinations Team. Major announcements on CPA Examination topics are also distributed to other constituents, such as educators, state CPA societies, and professional associations.

Development of Examination Content

There are a number of steps in the test development process. These include defining the material to be tested, developing test questions, trying out test questions and analyzing the results, and constructing and reviewing test forms.

Determining Material to be Covered in the Exam

The process starts with expert input from CPAs who work to draft a set of statements defining the knowledge and skills that are required of entry-level CPAs. This is a key step since the purpose of the CPA Exam is to determine if a candidate has the knowledge and skills required for a CPA license. Multiple groups of CPAs are involved in drafting and reviewing the statements.

After experts work to draft an outline of knowledge and skills, the outline is sent out to practicing CPAs in a survey. Each survey respondent rates each statement on a number of criteria, such as relevance, importance, and frequency. The purpose of the survey is to gather independent judgments from a wide sample of practitioners to help further develop the initial draft set of knowledge and skill statements.

After the survey data is gathered, it is analyzed for review. Committees of CPAs review the survey results to determine which statements should be included, which should be deleted, and which should be combined. As a further step, the committees recommend how the statements should be organized for testing, as well as the relative proportion that each area should represent on the Exam.

After the committees of CPAs have completed their work, the revised outlines go to the Board of Examiners for review. The outline of content and skills to be tested is then sent out to an even wider audience of stakeholders in what is known as an “exposure draft”. Stakeholders are encouraged to review the draft and provide comments. The comments are collected and analyzed, then presented to the Board of Examiners for a final review.

It is only after this last review that the content specification outlines (CSOs) and skill specification outlines (SSOs) eligible for testing are approved for use.

Development of Test Questions

Once the outlines of knowledge and skills eligible for testing are finalized, the next step in the process is to develop questions to measure that material.

The training of item writers starts the process. Currently the development of multiple choice test questions is facilitated by an outside vendor (Professional Examination Services). CPAs are recruited by the vendor from AICPA membership lists to draft test questions and are trained by the vendor and the AICPA on how to write test questions based on the approved outline of knowledge and skills. Item writers are provided with detailed materials including question writing guidelines and sample questions.

After training, test questions are drafted for initial review. Each question is reviewed for accuracy, relevance and is matched to the CSOs. Questions are also reviewed for editorial quality and to make sure they meet test development guidelines for question construction. Questions are revised throughout this review process by the AICPA’s Examination Team.

When the initial reviews are completed, the questions are presented to the Content Committees. The committee members review and discuss each draft question. In reviewing questions, committee members consider accuracy, relevance, match to specifications, and other criteria. The committee may accept a question, revise it, or reject it.

Pre-testing

Items are moved to the pre-testing phase once they are approved by the committees and after revisions to questions have been implemented based upon the committees' review. Pre-testing is an important step because it is a necessary complement to all of the expert reviews done previously. Test data from candidates answering the questions can provide valuable information not available during committee reviews.

Pre-testing is done during the CPA Examination. Some of the questions that each candidate takes are pre-test questions and do not contribute to the candidate's score. This provides the best possible data for pre-testing because the candidates taking the pre-test questions are actual candidates.

Pre-test data is analyzed and statistics are used to identify questions for further review before they can be used as operational questions. A number of statistics are reviewed, including the following.

- Item difficulty – This is the percent of candidates answering the question correctly.
- Distribution of responses – This is the percent of candidates choosing each response option.
- Item to test correlation – This is the correlation of performance on each question to performance on the other questions.

Test questions that do not meet established statistical criteria are identified for review. Those questions are then reviewed by CPAs to determine if they should be deleted, revised, or accepted for future use.

Test Construction

After questions are approved for use based on pre-testing they are placed in the AICPA's item bank of over 35,000 questions. Various forms of the test are assembled for each testing window. Test forms are required to meet specifications on a number of dimensions, with the goal being that test forms are comparable to each other. The content specifications describe how many questions of each type will be included (multiple-choice, simulations, writing questions) as well as the distribution of questions by content area. Statistical specifications relate to the difficulty and other statistical properties of test questions. Although candidates take different tests, the specifications ensure that the results are comparable. Once the test forms are assembled and checked to ensure that they meet the specifications they are reviewed again in final preparation for test administration.

Structure

The Uniform CPA Examination currently consists of four sections: Auditing and Attestation (AUD), Business Environment and Concepts (BEC), Financial Accounting and Reporting (FAR), and Regulation (REG).

- AUD – This section covers knowledge of auditing procedures, generally accepted auditing standards and other standards related to attest engagements, and the skills needed to apply that knowledge.
- BEC – This section covers knowledge of general business environment and business concepts that candidates need to know in order to understand the underlying business reasons for an accounting implications of business transactions, and the skills needed to apply that knowledge.
- FAR – This section covers knowledge of generally accepted accounting principles for business enterprises, not-for-profit organizations and governmental entities, and the skills needed to apply that knowledge.
- REG – This section covers knowledge of federal taxation, ethics, professional and legal responsibilities, business law, and the skills needed to apply that knowledge.

These four sections represent a total of 14 hours of testing. Each examination section contains units known as “testlets.” Each testlet is comprised of either a group of 24 to 30 multiple-choice questions or one condensed case study, known as a simulation.

Task-based simulations are case studies that allow candidates to demonstrate their knowledge and skills by generating responses to questions rather than simply selecting the correct answer. Task-based simulations typically require candidates to use spreadsheets and/or research authoritative literature provided in the Exam. The skills that simulations are intended to measure are analysis, judgment, communication and research. Written communication tasks (writing letters or memos) are scored on the basis of three criteria:

- Organization (structure, ordering of ideas, linking ideas one to another)
- Development (presentation of supporting evidence); and
- Expression (use of standard business English).

AUD, FAR and REG consist of multiple-choice questions and task-based simulations, while BEC consists of multiple-choice questions and three written communication tasks.

Scoring

The passing score for the CPA Exam is 75 on a 0-99 scale. The scale of 0-99 does not represent “percent correct.” A score of 75 indicates examination performance reflecting a level of knowledge and skills that is sufficient for the protection of the public.

The passing score is determined by the Board of Examiners (BOE) with input from NASBA, state board members and psychometricians. In setting the passing score, the BOE considers many factors including standard-setting study results, historical trends, any changes in examination content and input from the academic community and the profession.

The CPA Exam is not scored on a curve. Every candidate’s score is entirely independent of other candidates’ examination results. The CPA Examination is a criterion-reference examination which means that it rests upon pre-determined

standards. Every candidate's performance is measured against established standards to determine whether the candidate has demonstrated the level of knowledge and skills that is represented by the passing score. All reported scores are subject to routine quality controls and are scored twice before they are reported to state boards.

Candidates who do not receive a score of 75 or above may request and pay for a score review. A score review is a service to candidates offering additional assurance that operational quality controls in the scoring process were complete and the scores are accurate. It is an automated and validated process and does not involve human graders. It is not an opportunity to find additional points or to have new responses considered. The likelihood of a score change following the score review is exceedingly small, or less than 1 percent of all requested score reviews since the inception of the computer based test.

Administration

The Uniform CPA Examination is offered the first two months of each calendar quarter. These months of testing are known as the "testing windows":

- January – February
- April – May
- July – August
- October – November

The examination is not given during the third month of each calendar quarter to allow for systems and databank maintenance.

Candidates can take any or all sections of the examination during any testing window and in any order. However, a candidate may not take the same section more than once during any one testing window.

Candidates are allowed to take the examination at any one of the authorized Prometric test centers in the United States, whether or not the test center is located within the borders of the jurisdiction where they are seeking initial licensure. Candidates may schedule an examination appointment by doing so on the Internet (www.prometric.com/cpa) or by calling Prometric's Candidate Services Call Center (800-580-9648.)

International Administration

The AICPA and NASBA, in consultation with state boards of accountancy, the BOE and other major stakeholders, spent two years studying an international examination delivery program. The result is the international administration of the Uniform CPA Examination (CPA Exam) that began in August 2011 and utilizes the state board licensure process and the current examination structure. The AICPA, NASBA, and Prometric provide the same services as they do for the domestic program, so that the Exam and the licensure process are the same for international examinees as it is for examinees within U.S. jurisdictions.

However, once a candidate establishes his/her eligibility through application to a state board participating in the International CPA Examination Administration Program some additional steps are required. These include:

- Agreeing to obtain a certificate/license through a participating state board of accountancy within three years after passing the Exam, and thereafter maintaining his/her status as a licensee;
- Meeting citizenship/residency requirements;
- Providing demographic information; and
- Paying additional fees.

The exam is currently offered at select Prometric testing centers in Bahrain, Kuwait, Japan, Lebanon, United Arab Emirates (UAE), and Brazil. The international locations have been and will be evaluated based on a set of criteria, including:

- (1) Volume demand as demonstrated by candidates from those countries taking the exam in the United States;
- (2) Ability to deliver the Exam without legal obstacles;
- (3) Exam security (both intellectual property security of Exam content and physical security in relation to current local state of affairs) assessed at levels equivalent to those presented domestically; and
- (4) Existence of established Prometric test centers.

Only U.S. citizens and permanent residents living abroad, and citizens and long-term residents of the countries in which the Exam is administered may sit for the Exam internationally, with some exceptions. Citizens, permanent residents, and long-term residents of Egypt, Qatar, Oman, Saudi Arabia, Jordan, and Yemen may sit for the Exam in Bahrain, Kuwait, Lebanon and the UAE. Citizens and long-term residents of Brazil, Argentina, Venezuela and Colombia may sit for the Exam in Brazil.

As of January 1, 2013, the CPA Exam is offered during the first two months of the testing window, the same as candidates sitting for the exam in the 55 state board jurisdictions; that is, during the months of January and February, April and May, July and August and October and November. Scores for international candidates are also released on the same timeline as domestic scores.

Sells Award

The Elijah Watt Sells award program was established in 1923 by the AICPA to recognize outstanding performance on the Uniform CPA Examination. The Sells award is named after Elijah Watt Sells, a founding partner in the CPA firm Haskins & Sells, a predecessor to Deloitte. In 1896, Mr. Sells became one of the first to qualify as a CPA in New York State. He was active in the creation of the AICPA and served as a member of its governing council.

In 2004, when the Uniform CPA Examination became a computer-based test (CBT), the Sells award program was restructured. Current criteria call for Sells awards to be

presented to candidates who obtained a cumulative average score above 95.50 across all four sections of the Uniform CPA Examination. These candidates must have completed testing during the previous calendar year and passed all four sections of the Uniform CPA Examination on their first attempt. Plaques from the AICPA are presented to all winners.

The International Qualification Examination (IQEX)

IQEX is designed to facilitate the U.S. CPA qualification process for those accounting professionals from other countries whose professional bodies have entered into reciprocity agreements with the U.S. accounting profession.

Mutual recognition agreements on behalf of the U.S. accounting profession are prepared under the oversight of the International Qualification Appraisal Board (IQAB), a joint body of the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA). At present, the U.S. accounting profession has mutual recognition agreements in effect with the following professional bodies:

- Institute of Chartered Accountants in Australia (ICAA)
- Canadian Institute of Chartered Accountants (CICA)
- Chartered Accountants Ireland (CAI)
- Instituto Mexicano de Contadores Publicos (IMCP)
- Hong Kong Institute of Certified Public Accountants (HKICPA)
- New Zealand Institute of Chartered Accountants (NZICA)

The International Qualification Examination (IQEX) transitioned to a new format in November 2012 that uses an administration of the Uniform CPA Examination's Regulation section as the required examination. As part of the transition, the IQEX exam no longer has a dedicated content specification outline (CSO) and instead assumes the content outlined in the Regulation section of the [Uniform CPA Examination CSOs](#). For more information please read the [November 2012 IQEX Transition Information](#) announcement.

The IQEX is offered at testing locations in the U.S. and territories, and Canada. The IQEX Online Application is available on the NASBA website at <https://iqex.nasba.org>. For more information about IQEX eligibility requirements and the IQEX application process please visit the NASBA website at www.nasba.org.

Professional Ethics

The Professional Ethics Division promotes the understanding of ethical standards and provides support to the Professional Ethics Executive Committee (PEEC). PEEC is the senior technical committee charged with the responsibility of interpreting and enforcing the AICPA Code of Professional Conduct (Code).

PEEC

The Professional Ethics Executive Committee – in its current form – dates back to 1971. However, the Committee’s earliest predecessor, the American Association of Public Accountants’ Committee on Ethics, was formed in 1906 to develop ethics standards to which the Association’s members should adhere. In 1916, the Committee on Ethics was empowered to consider and evaluate a member’s conduct in terms of compliance with those standards. The stock market crash of 1929 prompted a heightened focus on ethics enforcement. In 1940, following a decision by the Securities and Exchange Commission to voluntarily advise the Committee of any of its investigatory or disciplinary actions involving the conduct of AICPA members, the Committee strengthened its disciplinary role by investigating any matter that suggested even the possibility of a member’s violation of professional conduct.

Currently, PEEC is comprised of 20 members who devote substantial amounts of their time to accomplishing the Committee’s objectives. Two are state board members and three are public members. The AICPA bylaws provide that PEEC shall: (1) Investigate potential disciplinary matters involving members; (2) Present a case before the joint trial board where it finds prima facie evidence of infraction of the bylaws or the Code of Conduct (Code); and (3) Act as a standard setter in interpreting the Code and proposing amendments to the Code.

PEEC generally meets quarterly each year for two day meetings. A portion of each meeting is devoted to standard-setting activities, which is open to the public, and to case investigations and other enforcement matters, which is closed to the public due to confidentiality requirements.

Meeting agendas and minutes of past PEEC meetings can be found on the AICPA’s website at:

<http://www.aicpa.org/InterestAreas/ProfessionalEthics/Community/MeetingMinutesandAgendas/Pages/MeetingInfo.aspx>.

You may request to be included on the Professional Ethics Team’s email distribution list by contacting Ellen Goria at egoria@aicpa.org. By doing so, you will receive periodic emails from the division, including copies of current PEEC agendas.

Standard Setting

To fulfill its standard-setting objectives, PEEC considers issues of concern to the profession by deliberating emerging issues and those brought to its attention via member inquiry. It actively seeks input from the AICPA's Board, Council, and committees, as well as state and federal regulators and other organizations. As the practice of public accounting has evolved, so has the Code.

When considering a new standard, PEEC utilizes a process that includes deliberation in meetings that are open to the public, public exposure of proposed standards, and a formal vote. Exposure drafts are issued for a minimum of 60 days to invite public comment, although this time may be extended depending on the complexity of the issue and the circumstances surrounding the need for a new standard. [Exposure drafts](#) are posted to the AICPA website and are publicized in AICPA publications such as the *Journal of Accountancy* and *The CPA Letter*, which are distributed to all AICPA members. All comments received during the exposure period are considered in open PEEC meetings before final pronouncements are issued. Once adopted, the standard becomes effective the last day of the month in which the standard is published in the *Journal of Accountancy*, unless stated otherwise.

Code of Professional Conduct

The AICPA membership adopted the Code of Professional Conduct to provide rules to all members, whether they are in public practice, industry, government, or education, to be applied in the performance of their professional responsibilities. The Code consists of two sections: (1) the Principles; and (2) the Rules. The Principles provide the framework for the Rules, which govern the performance of professional services by members.

The preamble to the Code states that the Principles express the profession's recognition of its responsibilities to the public, to clients, and to colleagues. They guide members in the performance of their professional responsibilities and express the basic tenets of ethical and professional conduct, and call for an unswerving commitment to honorable behavior, even at the sacrifice of personal advantage.

Recognizing the need for ethical standards to better protect the public, some state boards of accountancy have adopted the Code of Professional Conduct as part of their regulations, while others have adopted sections of the Code.

The Code is available on the AICPA's website at:

<http://www.aicpa.org/Research/Standards/CodeofConduct/Pages/default.aspx>.

JEEP

The AICPA and each of the state societies have codes of professional conduct that their members are obligated to observe as a condition of their membership. Some state societies have adopted the AICPA Code, while others have provisions that are similar to the provisions of the AICPA Code of Professional Conduct. Because of this, and because it is not uncommon for a CPA to be a member of the AICPA and one or more state societies, the AICPA and many state societies have joined together to create the Joint Ethics Enforcement Program (JEEP). (The following state societies do not participate in JEEP: Arizona, California, Commonwealth of the Northern Mariana Islands, Florida, Iowa, Puerto Rico, and Utah.)

The program's objectives are to provide: (1) A single investigation and action with respect to a person who is a member of both the AICPA and a state society; (2) Uniformity in the codes of conduct of the AICPA and societies; and (3) Uniformity in the enforcement and implementation of the codes of conduct of the AICPA and CPA societies.

As previously stated, one purpose of JEEP is to eliminate duplicate investigations of a potential disciplinary matter by both the AICPA Ethics Division and the Ethics Committee of one or more participating state societies. Once a state society joins JEEP, it must either elect to have the AICPA Ethics Division assume responsibility for investigating potential disciplinary matters involving its members or it can elect to assume such responsibility. However, even if a state chooses to investigate complaints against its own members, it will not do so when: (a) the Committee requests the AICPA Ethics Division to conduct the investigation and the Division has agreed to do so; (b) the investigation arose from litigation or regulatory proceedings and involves accounting, auditing, or independence issues, has broad national or international issues; was referred by a the Public Company Accounting Oversight Board (PCAOB), or it involves members of more than one state society; or (c) there is a lack of a timely investigation by the state society's Ethics Committee.

After an investigation is performed, the evidence is evaluated at an Ethics Committee meeting. At the meeting, the Ethics Committee reviews and discusses the issues in the investigation including the evidence obtained, the report of the interview with the respondent, the investigation summary, and any other relevant material. If the Ethics Committee concludes that no further investigative procedures need be taken, the Ethics Committee may find:

- (1) No prima facie evidence of a violation of an applicable code of professional conduct;
- (2) Prima facie evidence of a violation of an applicable code of professional conduct; and/or
- (3) That the respondent has failed to cooperate with the Ethics Committee in the investigation.

If no evidence is found of a violation, the investigation is closed and the respondent is notified. If evidence of a violation is found, the Ethics Committee must choose whether the violation is of sufficient gravity to offer the opportunity of a settlement of the charges in which case the charges and the terms of the settlement agreement will be published; issue a confidential letter of required corrective action that focuses on remediating the respondent's practice; or in unusual circumstances, to arrange to present the case before the Joint Trial Board.

If an Ethics Committee chooses to issue a letter of required corrective action to the respondent, the Committee may recommend that the respondent complete specified continuing education courses, undergo pre-issuance reviews of his/her practice or submit examples of his/her subsequent work for review by the Ethics Committee. In addition, the committee may limit the respondent's practice with respect to performing peer reviews, serving on committees and/or teaching.

A settlement agreement is considered disciplinary and may include any or all of the remediation permitted under a letter of required corrective action, publication of the action and possibly suspension or termination of membership. If the Ethics Committee chooses to offer an opportunity for a settlement of the charges, the proposed settlement must be approved by PEEC, and/or the Ethics Committee of the state society and the AICPA's Trail Board division.

If the respondent rejects a letter of required corrective action or settlement agreement the matter may be presented to the joint trial board.

Five members of the 36 member Joint Trial Board are selected to serve as the hearing panel. Typically, the hearing is held in the region the respondent and hearing panel members are from.

If the hearing panel finds the respondent guilty of one or more of the charges brought by the Ethics Committee, the panel may:

- (a) Expel the respondent from membership in the AICPA and/or the participating state society; or
- (b) Suspend the respondent from membership in the AICPA and/or the participating state society for a period ranging from one day to two years; or
- (c) Admonish the respondent; or
- (d) Take such additional action as the hearing panel deems appropriate, for example, direct the respondent to complete specific continuing professional education courses, direct the respondent to submit a work product for review or require a pre-issuance review of engagements, or direct the respondent to no longer perform peer reviews for a specified period of time.

A decision to expel a respondent calls for a unanimous decision by the hearing panel, while decisions to suspend or admonish require only a majority vote of the panel.

A respondent that has been found guilty has the right to appeal the decision to the Joint Trial Board for a rehearing by a different hearing panel.

A member of the AICPA is obligated by the conditions of his or her membership to cooperate with an ethics committee in any disciplinary investigation of the member or partner or employee of his or her firm. The bylaws or code of conduct of most state societies impose a similar obligation on their respective members. A member of the AICPA is also required to comply with the educational and remedial or corrective action determined to be necessary by the Ethics Committee.

If an Ethics Committee decides that a member has failed to cooperate in an investigation that it is conducting, it may charge the member with one or more of the following:

- (a) Violating section 7.4.6 of the AICPA bylaws and/or a provision of the bylaws or code of conduct of the appropriate participating state society;
- (b) Violating Rule 501 – *Acts Discreditable*, of the AICPA Code of Professional Conduct and/or a similar rule contained in the code of professional conduct of the appropriate participating state society.

Before proceeding to a trial board hearing, the Ethics Committee may offer the respondent a settlement agreement calling for expulsion with publication.

An important objective of JEEP is that, in joint-member investigations, the AICPA Ethics Division and a participating state society's ethics committee should make joint and uniform findings and decisions with respect to a respondent who is a member of both organizations. To achieve this objective, the approved findings and decisions of the Ethics Committee of a state society with respect to a joint member must be submitted to the AICPA Ethics Division for concurrence. Similarly, the approved findings and decisions of the AICPA Ethics Division with respect to a joint member must be submitted to the society's Ethics Committee for concurrence. Concurrence is not needed for dismissal of a complaint, a decision to take no further action, or a finding of no evidence of a violation.

An Ethics Committee may conduct an investigation in cooperation with a state board of accountancy provided the respondent(s) in the investigation has given the ethics committee written permission to investigate the matter and to send a copy of the investigation file to the particular state board. Where a state CPA society's bylaws allow for the sharing of disciplinary information with the state board of accountancy and the society's members have voted to approve such bylaws, the sharing of information with the state board is permitted without the specific consent of the respondent.

Under the AICPA Bylaws, the AICPA can expel or suspend a member without a hearing due to the member's certificate as a CPA or license to practice being suspended or revoked, or a member is convicted of: (1) A crime punishable by imprisonment for more than one year; (2) The willful failure to file any income tax return which they are required

by law to file; (3) The filing of a false or fraudulent income tax return; or (4) The willful aiding in the preparation and presentation of a false and fraudulent income tax return of a client. Further, the Bylaws provide for expulsion or suspension (or admonishment) of a member without a hearing when a disciplinary action is taken against a member by an approved governmental or other organization.

Ethics Hotline

The AICPA Ethics Hotline provides non-authoritative guidance to members on questions related to ethics including independence. Each year, the hotline responds to more than 4,000 inquiries. The Ethics Hotline is open from 9 a.m. until 5 p.m. (ET) Monday - Friday by dialing either (888) 777-7077, menu option #6, followed by menu option #1, or by email at ethics@aicpa.org.

Ethically Speaking

Ethically Speaking is a newsletter published by the Professional Ethics Team. It is designed to keep interested parties up to date on recent activity of the Professional Ethics Division. You may request to be included on the Professional Ethics Team's email distribution list by contacting Ellen Gorla at egorla@aicpa.org or you may view past copies of *Ethically Speaking* at:

<http://www.aicpa.org/INTERESTAREAS/PROFESSIONALETHICS/NEWSANDPUBLICATIONS/ETHICALLYSPEAKINGNEWSLETTER/Pages/default.aspx>.

Peer Review

The Peer Review division is responsible for promoting quality in accounting, auditing, and attestation services provided by CPAs and their firms. A peer review is a periodic review of a CPA firm's accounting and auditing services by a licensed CPA, who is not affiliated with the firm, being reviewed to provide assurance that work performed by the firm conforms to professional standards. Peer review contributes to the quality and effectiveness of a firm's practice and gives assurance to clients that a firm is knowledgeable of professional standards.

Responsible for the AICPA's Peer Review Program, the division provides support to the Peer Review Board as well as the administering entities of the Peer Review Program, primarily state societies, including the National Peer Review Committee.

Peer Review Board (PRB)

The Peer Review Board (PRB) is the senior technical committee responsible for governing the AICPA's Peer Review Program. The PRB fulfills its responsibility by maintaining, furthering, and governing the activities of the Peer Review Program, including the issuance of peer review standards and peer review guidance. The PRB also reevaluates the validity and objectives of the Peer Review Program to ensure it continues to enhance the quality of accounting and auditing practices of public accounting firms.

Currently, the PRB is composed of 20 members who are public practitioners, state society chief executive officers, and regulators. The PRB usually meets quarterly.

Various subcommittees and task forces are appointed to assist the PRB in carrying out its responsibilities. Currently, the PRB has task forces for planning, oversight, standards, education, and communication.

Peer Review Program

Since 1988, CPAs who are members of the AICPA and perform accounting and auditing services are required to be partners or employees of firms enrolled in the AICPA Peer Review Program. This includes accounting and auditing services using the following professional standards:

- Statements on Auditing Standards (SASs)
- Statements on Standards for Accounting and Review Services (SSARS)
- Statements on Standards on Attestation Engagements (SSAEs)
- Government Auditing Standards (Yellow Book)
- Audits of non-SEC issuers performed pursuant to the standards of the PCAOB

There are currently 48 state boards of accountancy that have made participation in a type of practice monitoring program mandatory for licensure with three more in the process of implementing this requirement. In addition, 14 state CPA societies have

made participation of a member's firm in an approved-practice monitoring program a condition of continued CPA society membership.

Currently, there are over 30,000 CPA firms are enrolled in the Peer Review Program. These firms are required once every three years to have a peer review of their accounting and auditing practice.

The AICPA Peer Review Program is implemented in cooperation with administering entities (AEs) that have been approved by the AICPA's Peer Review Board (PRB). The AEs consist of state CPA societies, group of state CPA societies, and the National Peer Review Committee (NPRC). When a CPA firm is enrolled in the AICPA Peer Review Program its peer review will normally be administered by the AE in the state in which the CPA firm's main office is located. However, if the firm is required to be registered with and inspected by the PCAOB or performs audits of non-SEC issuers pursuant to the standards of the PCAOB, its peer review is required to be administered by the NPRC. In addition, a firm may choose to have its peer review administered by the NPRC; several firms (primarily multi-state) that are not otherwise required to be so administered have made this choice. Since not all state societies are AEs, the peer review program may be administered by an AE designated for that state. For example, the Nevada Society of CPAs serves as the AE for CPA firms located in Nevada, Utah, Wyoming, and Nebraska.

Types of Reviews

There are two types of peer reviews:

- **System Review** - This type of review includes determining whether the firm's system of quality control for its accounting and auditing practice is designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards.

In a system review, the peer reviewer studies and evaluates a CPA firm's quality control policies and procedures in effect during the peer review year. This includes interviewing firm personnel and examining administrative files. To evaluate the effectiveness and degree of compliance with the system, the peer reviewer tests a reasonable cross-section of the firm's accounting and auditing engagements focusing on high-risk engagements and engagements where the possibility exists that the engagements were not performed and/or reported on in accordance with professional standards.

A system review does not encompass other segments of a CPA practice, such as tax services or management advisory services, unless the services are associated with financial statements, such as reviews of tax provisions and accruals in the financial statements.

- **Engagement Review** – This type of review is for firms that are not required to have a system review and only perform services under SSARS or services under the SSAEs not included in System Reviews.

The objective of an Engagement Review is to evaluate whether engagements submitted for review are performed and reported on in conformity with applicable professional standards. An Engagement Review consists of reading the financial statements or information submitted by the reviewed firm and the accountant's report, together with certain background information and representations and, except for compilation engagements performed under SSARS, the applicable documentation required by professional standards.

This type of review does not cover a CPA firm's system of quality control, so the reviewer cannot express an opinion on the firm's compliance with its own quality control policies and procedures or compliance with AICPA quality control standards.

Types of Reports

- **System Review** - A peer reviewer may issue one of three opinions on a firm's system of quality control: (1) *Pass*; (2) *Pass With Deficiencies*; and (3) *Fail*.

A report with a rating of *Pass* is issued when the peer reviewer concludes that the firm's system of quality control has been suitably designed and complied with to provide the firm reasonable assurance of performing and reporting in conformity with applicable professional standards.

A report with a rating of *Pass with Deficiencies* is issued when the reviewer concludes that the firm's system of quality control has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting with applicable professional standards with the exception of one or more deficiencies that are described in the report. These deficiencies are conditions related to the firm's design of and/or compliance with its system of quality control that could create a situation in which the firm would have less than reasonable assurance of performing and/or reporting in conformity with applicable professional standards.

A report with a peer review rating of *Fail* is issued when the reviewer has identified significant deficiencies and concludes that the firm's system of quality control is not suitably designed to provide the firm with reasonable assurance of performing and/or reporting in conformity with applicable professional standards or the firm has not complied with its system of quality control to provide the firm with reasonable assurance of performing and/or reporting in conformity with applicable professional standards

- **Engagement Review** - On an engagement review a reviewer can issue three types of peer review reports: (1) *Pass*; (2) *Pass With Deficiencies*; and (3) *Fail*.

A report with a rating of *Pass* is issued when the peer reviewer concludes that nothing came to the reviewer's attention that caused the reviewer to believe that the engagements submitted for review were not performed and reported on in conformity with applicable professional standards.

A report with a rating of *Pass with Deficiencies* is issued when the reviewer concludes that nothing came to the reviewer's attention that caused the reviewer to believe that the engagements submitted for review were not performed and/or reported on in conformity with applicable professional standards except for the deficiencies that are described in the report. The deficiencies are findings that the peer reviewer concludes are material to the understanding of the report or financial statements or represents omission of a critical procedure required by applicable professional standards.

A report with a peer review rating of *Fail* is issued when the reviewer concludes that, as a result of the deficiencies described in the report, the engagements submitted for review were not performed and/or reported on in conformity with applicable professional standards. A report with a peer review rating of *Fail* is issued when deficiencies are evident on all of the engagements submitted for review. However, a report with a peer review rating of *Pass with Deficiency* is issued when more than one engagement has been submitted for review, and the same deficiency occurs on each of the engagements, and there are no other deficiencies.

Deficiencies

If deficiencies are found during the peer review, the firm is expected to identify and take corrective measures to prevent the same/similar types of deficiencies from occurring in the future. Such actions could include making appropriate changes to the firm's system of quality control or having personnel take additional continuing professional education in specified areas. In addition, the peer review committee may require the firm to take certain other actions it deems appropriate, such as the submission of a monitoring report or a revisit by the reviewer. The main objective of a review is to help the firm improve the quality of its practice.

Because peer review is a subjective process, there may be differences of opinion between the reviewed firm and the reviewer as to whether a deficiency exists that is not resolved. In such cases, the reviewed firm or reviewer may consult with the AE and, if necessary, request that the AE's peer review committee resolve the disagreement. If the AE's full peer review committee is unable to resolve the disagreement, the AE may refer unresolved issues to the AICPA's Peer Review Board for a final determination.

Peer Reviewers

A system review is conducted by a qualified peer reviewer referred to as a “team captain” who has been selected by the CPA firm to be reviewed. An engagement review is conducted by a qualified peer reviewer referred to as a “review captain” who has been selected by the CPA firm to be reviewed. The team or review captain may perform the review himself/herself or engage the assistance of one or more team members, depending upon the size and nature of the CPA firm’s practice.

To qualify as a peer reviewer, the person must:

- Have five years of recent public accounting or auditing experience and be currently active in the public practice of accounting or auditing at a supervisory level;
- Be associated with a firm that has received a peer review rating of *Pass* on its most recent peer review;
- Possess current knowledge of professional standards; and
- Be a member of the AICPA.

In addition, a review or team captain must:

- Be a partner or owner of a firm (review captains do not have to be at the partner level); and
- Take a two-day training class prior to serving on a review and then an update class at least every three years (review captains must take only the first day).

or

- Take the first day of the training class and then participate in the Mentoring Program, in lieu of the second day of the course. For more information, go to the [Mentoring Program](#) page.

Cost

The cost of a **system review** varies depending on a firm’s size, the region, number of engagements, partners, and offices and the nature of the firm’s accounting and auditing practice. Firms with audits in specialized, complex or high-risk industries, such as banking, governmental, and employee benefit plans will normally pay more than a firm with the same number of audits that are all in one industry or in less sensitive, lower risk areas.

The estimated cost of an **engagement review** varies on the size of the practice and the number of owners responsible for the issuance of review, compilation, and attestation engagement reports.

In addition to the review costs that are incurred every three years, CPA firms may also pay an annual administrative fee to the AE to cover the costs of running the program, and in the review year, fees for scheduling the review and evaluating the results of the review.

There are also indirect costs of getting ready for a review that vary based on the condition of a firm's existing system of quality control.

Confidentiality

Peer reviews are conducted in compliance with the confidentiality requirements found in the AICPA Code of Professional Conduct. In addition, reviewers do not have any contact with the firm's clients. Results of a peer review are not made public unless authorized by the reviewed firm, such as:

- If a firm is a member of one of the AICPA's audit quality centers that has a membership requirement that certain peer review documents be open to public inspection and available in the Public File on the AICPA's website; or
- If a firm chooses not to "opt out" of voluntary disclosure of peer review results to the state board where the firm's main office is located; or
- If a firm voluntarily instructs their AE to make the peer review results available to other state boards of accountancy.

If a firm does not authorize the AE to make the result public, the only information the AE can provide is the firm's name and address, the date of the firm's enrollment in the Peer Review Program, the date of acceptance and the period covered by the firm's most recent peer review, and whether the firm's enrollment in the Peer Review Program has been dropped or terminated.

Peer Review Oversight

The PRB's Oversight Task Force is responsible for providing a yearly review of the Peer Review Program. The objectives of the oversight program include providing reasonable assurance that:

- AE's are complying with the procedures established by the PRB;
- The reviews are being conducted and reported upon in accordance with the Peer Review Standards;
- The results of the reviews are being evaluated on a consistent basis by all AE peer review committees; and
- The information provided via the Internet or other media by AEs is accurate and timely.

The Task Force members conduct their review by visiting AEs on a rotating basis usually every other year, and their review includes testing procedures established by the PRB. Task force members, often aided by Peer Review Program staff, review work papers covering all parts of the peer review process, including administrative functions,

peer reviewer documents and checklists, technical reviewer procedures, and peer review committee actions.

In the year in which there is no oversight visit by a member of the Oversight Task Force, a member of the AE's Peer Review Committee is required to perform oversight functions.

The [Peer Review Annual Oversight Report](#), as well as [Administering Entity Oversight Visit](#) reports, is available on the AICPA's website.

The Peer Review Board also supports the development of Peer Review Oversight Committees by state boards of accountancy.

Facilitated State Board Access (FSBA)

Facilitated State Board Access (FSBA) was developed by the AICPA in 2008 to respond to the demand of state boards of accountancy for greater transparency in peer review. Working together with state CPA societies, the process is intended to create a nationally uniform system through which CPA firms can satisfy state board peer review information submission requirements, thereby increasing transparency.

FSBA uses an opt-out process that allows peer review results to be made available to state boards using a secure board of accountancy access-only website. It is tailored differently for: (1) States that require peer review for licensure and the state board is *not* prohibited from access to peer review information; and (2) States that require peer review for licensure but have prohibitions on accessing peer review results or states that do not require peer review for licensure.

In states where peer review is required and the board is not prohibited from accessing peer review information, the CPA firm is notified by the AE, during the scheduling process of the review, of its intention to post the firm's peer review results and that the firm will have 30 days after its report is accepted to opt out of the process. Once the AE posts the information, the firm receives confirmation that the results have been posted to the site and a reminder that the firm has 30 days from the date of the acceptance letter to opt out of the process. The notice also provides the partner and peer review contact for the firm the opportunity to make the firm's results available to additional state boards. After 30 days, if the firm does not opt out, the firm's peer review results are available to authorized state board representatives via a secure website.

In states where the state board is prohibited by law from accessing peer review information and states where peer review is *not* required for licensure, firms receive a different communication. The firms are informed that they can request the AE to post their peer review results to the secure state board website with access given to state boards that are not prohibited from accessing peer review information. To have its peer review information posted, the firm is required to return the communication to its AE in writing with specific instructions as to which states should receive the information.

State boards can choose to review all peer review reports entered for their state, or they can pull reports based on various criteria.

At the present time, FSBA does not replace the current peer review report submission requirements for all state boards. However, several state boards have amended their statute and regulations to allow FSBA to satisfy the report submission requirements.

National Peer Review Committee (NPRC)

Effective January 1, 2009, the NPRC began administering peer reviews previously performed by the Center for Public Company Audit Firms Peer Review Program. Firms are required to have their peer review administered by the NPRC if they are required to be registered with and inspected by the PCAOB or if the firm performs audits of non-SEC issuers pursuant to the standards of the PCAOB. In addition, firm may voluntarily choose to have their reviews administered by the NPRC.

The NPRC is composed of 17 members, two of whom represent state boards of accountancy.

For more information about the Peer Review Program, contact Kim Ellis, Project & Communications Manager; kellis@aicpa.org.

State Regulation and Legislation

The AICPA State Regulation and Legislation Team (Team) advocates for the accounting profession at the state level by partnering with the state CPA societies on state legislative and regulatory issues. The Team monitors state legislation and national trends on key state issues, serves as an information clearinghouse, and provides resources to state societies and state board of accountancy on issues impacting the regulation of the CPA profession.

The Team supports the activities of committees and task forces that focus on the regulation of the profession, including the Uniform Accountancy Act (UAA) Committee. The Team also works through the joint AICPA/NASBA International Qualifications Advisory Board (IQAB) to negotiate Mutual Recognition Agreements (MRAs) with other countries and their accounting profession associations and regulatory entities.

The Team has an active role in working with state societies, state boards of accountancy, and NASBA on the enactment of mobility legislation and implementation.

Legislative & Regulatory Tracking and Research

The Team is responsible for monitoring and tracking key state legislative and regulatory issues affecting the profession. The Team tracks legislation in all of the licensing jurisdictions. Through these activities the Team is able to detect trends that may be developing within the states. The following are some of the state legislative and regulatory issues currently being monitored by the Team:

- 150-hour education requirement
- Audit rotation
- Changes to State Accountancy Statutes/Regulations
- Consolidation of state boards of accountancy
- Experience requirement for CPA licensure
- Firm ownership
- Mobility
- Non-CPA ownership
- Peer review
- Regulation of debt management and debt consolidation services
- Regulation of non-CPA tax preparers
- Regulation of private investigators
- Tax reform
- Taxing professional services

For all issues and the others that are tracked by the Team, research, information and advocacy materials are available to state boards that would like further information on these topics.

The Team is also responsible for conducting research on regulatory issues on behalf of AICPA teams and state CPA societies. Research findings are also available to state boards of accountancy.

Mobility

Practice mobility for CPAs is the ability of a licensee to gain a practice privilege outside of his or her home jurisdiction without obtaining an additional license in another state where he or she will be serving a client or an employer. During the past several years, there has been significant movement across the country to enact a uniform practice mobility system for CPAs and CPA firms. With the passage of over 45 legislative bills, the focus is now moving from enactment to implementation and navigation of the new practice privilege system.

The AICPA has developed multiple resources that can be used by state boards to help educate their licensees on mobility including: [Mobility Implementation FAQs](#), a legislative map showing where mobility legislation has been introduced or enacted, and a mobility information video. The AICPA also partnered with NASBA in developing an online tool, www.CPAmobility.org, to help CPAs and accounting firms around the country understand the implications of CPA Mobility and answer the common question “Does Mobility apply to me?”

Publications & Webinars

The Team publishes a newsletter, *State Regulatory Update* focusing on regulatory information (the CPA Exam, professional ethics, peer review, mobility) of interest to state board of accountancy members. The Team also hosts periodic webinars for state board members and executive directors focusing on state legislative and regulatory issues.

In a December 2012 webinar, the State Regulation and Legislation Team partnered with state society CEOs from four states who shared their stories about issues they have worked on in their states and which may be issues considered in the 2013 legislative sessions.

Streaming recording link:

<https://aicpa.webex.com/aicpa/ldr.php?AT=pb&SP=MC&rID=9316492&rKey=3b86d8f5bc235d06>. The video will be made available for first few months of 2013.

State Board Webpage

In addition to the Team’s state advocacy webpage (<http://www.aicpa.org/Advocacy/State/Pages/State.aspx>) on www.aicpa.org, the Team has developed a resource page specifically designed for state board members and staff (<http://www.aicpa.org/Advocacy/State/Mobility/Pages/StateBoardsofAccountancyResources.aspx>). This webpage contains links to a variety of resources including videos, white papers and links to AICPA Standards on interest to state boards of accountancy.

Although not password protected, access to the webpage is limited to only those individuals knowing the URL and cannot be found through the use of Internet search engines.

Work with Committees:

[UAA Committee](#)

Currently, the 12 member AICPA UAA Committee (<http://volunteers.aicpa.org/Default.aspx>) is comprised of public practitioners, members in industry and state society executives. The UAA Committee collaborates with NASBA's UAA Committee and is responsible for producing the model licensing statute for the profession. The Committee reviews the UAA on a regular basis and incorporates revisions based on changes in the profession.

International Qualifications Appraisals Board (IQAB)

The AICPA's International Qualifications Appraisals Board (IQAB) works jointly with NASBA's IQAB members to assist in promoting foreign reciprocity between state boards of accountancy and foreign countries. IQAB members (<http://volunteers.aicpa.org/Default.aspx>) review and evaluate the education, examination and experience requirements of accounting professionals in foreign countries to determine if they are substantially equivalent to US requirements. If the requirements are deemed to be substantially equivalent by the IQAB and the foreign country, a mutual recognition agreement (MRA) is developed and is submitted to both the AICPA and NASBA Boards of Directors for approval. The findings are then publicized to state boards and state CPA societies for adoption in each state by the state board.

IQAB has currently established MRAs with the following professional bodies:

- Canadian Institute of Chartered Accountants (CICA)
- New Zealand Institute of Chartered Accountants (NZICA)
- Institute of Chartered Accountants in Australia (ICAA)
- Instituto Mexicano De Contadores Publicos (IMCP)
- Hong Kong Institute of Certified Public Accountants
- Chartered Accountants in Ireland (CAI)

Applicants who are members in good standing of these organizations may apply to a state board for a CPA certificate on the basis of passing the International Qualifications Examination (IQEX).

AICPA Glossary of Terms, Acronyms, and Abbreviations

A

Accounting and Review Services Committee (ARSC)	AICPA committee whose objective is to develop, on a continuing basis, procedures and standards of reporting by CPAs on the types of accounting and review services a CPA may render in connection with unaudited financial statements, as well as unaudited financial information of an entity that is not required to file financial statements with a regulatory agency in connection with the sale or trading of its securities in a public market.
Accounting Principles Board (APB)	Standards-setting body for accounting principles that issued its opinions from November 1962 to June 1973. Succeeded by Financial Accounting Standards Board.
Accredited in Business Valuation (ABV)	Credential in business valuation awarded by the AICPA to those who have met prescribed requirements and passed an examination. One of four AICPA specialty credentials, the others being Personal Financial Specialist (PFS), Certified in Financial Planning (CFP); and Certified in Financial Forensics (CFF.)
Adverse Opinion	Auditor's opinion which states that financial statements do not fairly present the financial position, results of operations, or cash flows in conformity with generally accepted accounting principles.
Agreed Upon Procedures	Specific procedures agreed to by a CPA, a client and (usually) a specified third party. The report states what was done and what was found. Additionally, the use of the report is restricted to only those parties who agreed to the procedures.
AICPA Board of Directors	Executive Committee of Council which directs Institute activities between Council meetings. It is comprised of 23 members.
AICPA Council	AICPA governing body which determines Institute procedures and policies. It is comprised of approximately 260 members representing every state and four U.S. territories.
Assurance Services	Services which improve the quality of information, or its context, for decision makers.

Attestation Standards (AT)

The attestation standards enable practitioners to examine or review non-financial statement information and to perform and report on the results of those engagements in accordance with professional standards.

Audit and Accounting Guides

Materials which provide CPAs with authoritative guidance regarding accounting and auditing of entities in specialized industries or other specialized areas.

Audit Risk

The risk that an auditor will unknowingly fail to appropriately modify his/her opinion on financial statements that are materially misstated.

Audit Sampling

The application of an audit procedure to less than 100 percent of the items within an account balance or class of transactions for the purpose of evaluating some characteristic of the balance or class.

Auditing Standards Board (ASB)

Board authorized by the AICPA to promulgate auditing and attest standards, quality control standards procedures and implementation guidance for AICPA members performing such services. It is comprised of 19 members and as a senior technical committee; it is authorized to make public statements without clearance from the Board of Directors on matters related to its area of practice.

B

Beta Alpha Psi (BAP)

A professional accounting and business information fraternity which recognizes academic excellence and complements members' formal education by providing for interaction among, students, faculty and professionals.

Big Four

The four largest CPA firms in the world. They are PricewaterhouseCoopers (PWC); Deloitte & Touche, LLP; Ernst & Young, LLP (E&Y); and KPMG.

Board of Examiners (BOE)

An executive committee of the AICPA with overall responsibility for preparing and grading the Uniform CPA Examination.

Business Valuations (BV)

The discipline involving a process which derives a supportable opinion about the worth of a business or individual assets or liabilities.

C

Center for Audit Quality (CAQ)

The Center for Audit Quality (www.thecaq.org) is an autonomous organization created to serve investors, public company auditors and the markets. The Center's mission is to foster confidence in the audit process and to aid investors and the capital markets by advancing constructive suggestions for change rooted in the profession's core values of integrity, objectivity, honesty and trust. U.S. accounting firms registered with the Public Company Accounting Oversight Board are eligible for membership. The CAQ is affiliated with the AICPA.

Certified in Financial Forensics (CFF)

Credential in financial forensics awarded by the AICPA to CPAs who have met experience and examination requirements. The CFF encompasses fundamental and specialized forensic accounting skills that CPA practitioners apply in a variety of service areas, including: bankruptcy and insolvency; computer forensics; economic damages; family law; fraud investigations; litigation support; stakeholder disputes and valuations. The CFF is one of four AICPA specialty credentials, the others being Personal Financial Specialist (PFS), Accredited in Business Valuation (ABV) and Certified Information Technology Professional (CITP.)

Certified Information Technology Professional (CITP)

Credential in information technology awarded by the AICPA to CPAs who have met experience, life-long learning and examination requirements. CITPs are involved in information strategic planning, implementation, management, and business strategies for information systems. One of four AICPA specialty credentials, the others being Personal Financial Specialist (PFS), Accredited in Business Valuation (ABV) and Certified in Financial Forensics (CFF.)

Certified Internal Auditor (CIA)

An international certification awarded by the Institute of Internal Auditors (IIA) that reflects competence in the principles and practices of internal auditing.

Certified Management Accountant (CMA)

Title bestowed by the Institute of Management Accountants (IMA) on persons meeting certain basic requirements, principally an examination covering economic theory, financial management, cost accounting, etc.

Certified Public Accountants' Society Executives Association (CPA/SEA)

Independent organization of state CPA society chief executive officers.

Chartered Global Management Accountant (CGMA)

The Chartered Global Management Accountant is designed to elevate management accounting and further emphasize its importance for businesses worldwide. The AICPA and CIMA have joined together to form a joint venture which powers this new designation for management accountants.

Chief Financial Officer (CFO)

The person in an organization with overall responsibility for accounting, treasury, financial management, financial reporting, finance and related functions. This position reports to the Chief Executive Officer (CEO) collaborating on strategy and business growth, while at the same time ensuring compliance and conservatism. Sometimes called the “VP- Finance” or a similar title.

Chartered Accountant (CA)

Professional accounting designation used in the United Kingdom, Canada, New Zealand and several other countries.

Compilation

Information presented in the form of financial statements that is the representation of management without the accountant undertaking to express any assurance on the statements.

Computer Based Test (CBT)

Term sometimes used to refer to the Uniform CPA Examination. The Uniform CPA Examination is delivered in a computerized format, almost year-round, at test centers across the United States.

Consulting Services (CS)

Consulting Services provided by CPA firms in addition to the traditional audit, accounting, and tax services (e.g. systems work, production planning). The AICPA CS Team provides educational and technical guidance to firms and private sector employees who offer consulting services to clients or employers.

Continuing Professional Education (CPE)

An integral part of the life-long learning required for the CPA to provide competent service to the public. The set of activities that enables accounting professionals to maintain and increase their professional competence. Often referred to as professional development.

CPA2Biz

Accounting profession's vertical portal providing tools, support and opportunities enabling CPAs to enhance customer relationships & expand their portfolio of product and service offerings. CPA2Biz is affiliated with the AICPA.

E

Elijah Watt Sells Award

Award presented to those CPA candidates who take all four sections of the Uniform CPA Examination at one time and receive the highest combined grades.

Employee Benefit Plan Audit Quality Center (EBP AQC)

An AICPA firm membership Center with the objective of enhancing the quality of audits of employee benefit plans subject to the Employee Retirement Income Security Act (ERISA).

Engagement Reviews under the AICPA Peer Review Program

Peer review for firms that only perform services under Statements on Standards for Accounting and Review Services (SSARS) and/or services under the Statements on Standards for Attestation Engagements (SSAEs.) The objectives of an engagement review are to provide the reviewer with a reasonable basis for expressing limited assurance that: (a) the financial statements or information and the related accountant's report on the accounting and review engagements and attestation engagements submitted for review conform in all material respects and (b) the reviewed firm's documentation conforms with the requirements of SSARS and the SSAEs applicable to those engagements in all material respects.

Enrolled Agent

A tax practitioner who, by passing an examination given by the US Treasury Department, can represent taxpayers before the Internal Revenue Service.

Exposure Draft

A document issued by the AICPA, Financial Standards Board (FASB), the Governmental Accounting Standards Board (GASB), Federal Accounting Standards Advisory Board (FASAB) or other authority to invite public comment before a final accounting, auditing or administrative standard, policy or procedure is issued.

Extensible Business Reporting Language (XBRL)

An electronic language for financial reporting. It is an XML-based framework that provides the financial community a standards-based method to prepare, publish in a variety of formats, reliably extract and automatically exchange financial statements of publicly held companies.

E

Federal Accounting Standards Advisory Board (FASAB)

Group authorized by the accounting profession to establish generally accepted accounting principles (GAAP) applicable to federal government entities.

Financial Accounting Foundation (FAF)

Independent, private-sector organization whose trustees appoint the members, provide funds, and exercise general oversight of the Financial Accounting Standards Board (FASB), Governmental Accounting Standards Board (GASB), and their respective advisory councils.

Financial Accounting Standards (FAS)

Official promulgations by the Financial Accounting Standards Board and, if not superseded, part of generally accepted accounting principles.

Financial Accounting Standards Board (FASB)

Independent, private, non-government group which is authorized by the accounting profession to establish generally accepted accounting principles in the U.S.

Financial Statements

The presentation of financial data, including accompanying notes derived from accounting records and intended to communicate an entity's economic resources or obligations at a point in time, or the changes therein for a period of time, in accordance with a comprehensive basis of accounting.

G

Government Accountability Office (GAO)

Independent, non-partisan federal agency that assists Congress in investigating and reporting on government's effectiveness in using public funds.

Generally Accepted Accounting Principles (GAAP)

Uniform minimum standards of and guidelines to financial accounting and reporting. Currently the Financial Accounting Standards Board (FASB), the Governmental Accounting Standards Board (GASB) and the Federal Accounting Standards Advisory Board (FASAB) are authorized to establish these principles.

Generally Accepted Auditing Standards (GAAS)

Standards governing the conduct of external audits by CPAs, as determined by the Auditing Standards Board (ASB) of the AICPA.

Global Accounting Alliance (GAA)

The Global Accounting Alliance (GAA) was formed in November 2005 and is an alliance of leading professional accountancy bodies in significant capital markets. It was created to promote quality services, share information and collaborate on important international issues. The GAA works with national regulators, governments and stakeholders, through member-body collaboration, articulation of consensus views, and working in collaboration where possible with other international bodies, especially the International Federation of Accountants (IFAC).

Government Audit Quality Center (GAQC)

An AICPA firm membership Center with the objective of enhancing the quality of audits of entities subject to Generally Accepted Government Auditing Standards (GAGAS).

Government Auditing Standards, a.k.a. Generally Accepted Government Auditing Standards (GAGAS)

Commonly referred to as the "Yellow Book," it contains standards for audits of government organizations, programs, activities, and functions, and of governmental funds received by contractors, nonprofit organizations, and other non-government organizations. Revisions are issued as required by the Comptroller General of the U.S.

Governmental Accounting Standards (GAS)

Official promulgations by the Governmental Accounting Standards Board (GASB) and, if not superseded, part of generally accepted accounting principles applicable to state and local governmental entities.

Governmental Accounting Standards Board (GASB)

Group authorized by the accounting profession to establish generally accepted accounting principles (GAAP) applicable to state and local governmental entities.

I

Institute of Internal Auditors (IIA)

An international organization that provides certification, education, research and technological guidance for internal audit practitioners.

Institute of Management Accountants (IMA)

National membership organization of CPAs and others involved in accounting, financial and data processing work for industry, commerce and government that issues the Certified Management Accountant designation.

International Accounting Standards Board (IASB)

An organization whose members represent 153 accounting bodies in 112 countries. The group is dedicated to bringing about the harmonization of international accounting standards.

International Auditing and Assurance Standards Board (IAASB)

The committee authorized by the International Federation of Accountants (IFAC) to issue International Standards on Auditing (ISAs) and guidance.

International Federation of Accountants (IFAC)

Global organization for the accountancy profession representing 158 accounting organizations in 118 countries. Encourages high-quality practices by the world's accountants. Sponsors World Congress of Accountants every five years.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards (IFRS) are accounting standards, developed by the International Accounting Standards Board (IASB), that are becoming the global standard for the preparation of public company financial statements. The IASB is an independent accounting standards body, based in London, England.

International Qualification Examination (IQEX)

Examination prepared and scored by the AICPA for use by state boards of accountancy to measure the professional competence, in a U.S. context, of Canadian, Australian, Irish and New Zealand Chartered Accountants, Australian CPAs and Mexican Contadores Publicos Certificados who desire a CPA certificate.

J

Joint Ethics Enforcement Program (JEEP)

Cooperative program between the AICPA and the state CPA societies in the enforcement of the Professional Code of Conduct.

Joint Trial Board (JTB)

An AICPA board consisting of at least 36 members that provides for uniform enforcement of professional standards by adjudicating disciplinary charges against AICPA and state society members.

L

Letters of Comment – Peer Review (LOC)

Comments and recommendations issued by the peer review team for a system review conducted under the AICPA Peer Review Program, if there are matters that the review team believes resulted in conditions where there was more than a remote possibility that the CPA firm would not conform with professional standards on accounting and auditing engagements in all material respects, but were not of such significance to cause the report to be modified or adverse.

For engagement reviews conducted under the AICPA Peer Review Program, comments and recommendations issued by the review team if there are departures from professional standards that are not deemed to be significant but that should be considered by the reviewed CPA firm in evaluating the quality control policies and procedures over its accounting practice.

Letters of Response – Peer Review (LOR)

A written response for the peer reviewed CPA firm addressed to the entity administering the peer review program that describes the actions taken or planned by the CPA firm with respect to each matter in the letter of comment.

M

Mutual Recognition Agreement (MRA)

An agreement negotiated by the International Qualifications Appraisal Board (IQAB), a joint body of the AICPA and NASBA, with accounting organizations in other countries to qualify their members to sit for the International Qualification Examination (IQEX).

O

Other Comprehensive Basis for Accounting (OCBOA)

A basis of accounting, other than GAAP, that an entity uses to report its assets, liabilities, equity, revenues and expenses. Examples of OCBOA include income tax basis and cash basis of accounting.

P

Peer Review

An evaluation of whether a CPA firm's system of quality control for its accounting and auditing practice has been designed in accordance with quality controls standards established by the AICPA and whether the CPA firm's quality control policies and procedures were being complied with to provide the firm with reasonable assurance of conforming with professional standards or a review of the firms' accounting reports and financial statements to determine conformity with professional standards, applicable to those engagements in all material respects. Peer reviews are performed in accordance with standards established by the AICPA Peer Review Board for firms enrolled in the AICPA Peer Review Program, and by the Center for Public Company Audit Firms Peer Review Committee for firms enrolled in the Center for Public Company Audit Firms Peer Review Program.

Peer Review Board (PRB)

The executive committee having senior status with authority to establish conduct and administer the AICPA Peer Review Program in cooperation with administering entities. Its objective is to enhance the quality of accounting and auditing engagements by CPA firms by establishing and conducting, in cooperation with the state CPA societies, a peer review program for AICPA and state CPA society members engaged in the practice of public accounting.

Personal Financial Specialist (PFS)

Credential in financial planning awarded by the AICPA to CPAs who have met experience and examination requirements. The PFS is one of four AICPA specialty credentials, the others being Accredited in Business Valuation (ABV), Certified in Financial Forensics (CFF) and Certified Information Technology Professional (CITP).

Private Company Financial Reporting

An initiative of the AICPA to determine if, and where, privately-held companies have a need for different accounting standards than publicly-traded companies, and if so, to work to create those standards. This initiative is currently focused on working collaboratively with the FASB to meet the needs of companies, users of financial reporting and the CPAs who serve these clients.

Private Companies Practice Section (PCPS)

One of two sections of the AICPA Division for CPA Firms that primarily serves local and regional CPA firms with non-public clients.

**Professional Ethics Executive
Committee
(PEEC)**

The executive committee having authority to develop standards of ethics, promote understanding and voluntary compliance with such standards, establish and present charges of violations of the standards and the AICPA's bylaws to the Joint Trial Board for disciplinary action in cooperation with State Societies under the Joint Ethics Enforcement Program (JEEP), improve the profession's enforcement procedures, coordinate the subcommittees of the Professional Ethics Division, and promote the efficiency and effectiveness of the JEEP Program.

**Public Company Accounting Oversight
Board (PCAOB)**

The PCAOB is a private-sector, non-profit corporation, created by the federal [Sarbanes-Oxley Act of 2002](#), to oversee the auditors of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports.

Public Accountant (PA)

Generic term for persons/firms which practice public accounting but are not CPAs. Some states license public accountants.

Public Company

Any entity that: (a) trades securities in a public market either on a stock exchange or in the over-the-counter market; (b) makes a filing with a regulatory agency in preparation for the sale of any classes of its securities in a public market ; (c) is a subsidiary, corporate joint venture, or other entity controlled by (a) or (c).

Q

Qualified Opinion

Auditor's opinion which states that except for the matter to which a qualification relates, the financial statements fairly present financial position, results of operations, cash flows in conformity with generally accepted accounting principles.

R

Report Acceptance Body (RAB)

Peer review committee members from approved state CPA society administering entities that discuss and accept peer review reports and other peer review related documents for firms enrolled in the AICPA Peer Review Program.

Report Reviews Under the AICPA Peer Review Program

A peer review where the objective is to enable the reviewed CPA firm to enhance the overall quality of its compilation engagements that omit substantially all disclosure. The reviewer provides comments and recommendations based on whether the submitted financial statements and related accountant's reports appear to conform to the requirements of professional standards in all material respects. A report review does not provide the reviewer with a basis for expressing an opinion on the firm's system of quality control for its accounting practice.

Review

Performing inquiry and analytical procedures that provide the accountant with a reasonable basis for expressing a limited assurance that there are no material modifications that should be made to the financial statements for them to be in conformity with GAAP or, if applicable, with OCBOA.

S

Securities and Exchange Commission (SEC)

Agency of the federal government that regulates the public trading of securities. The SEC has the authority to establish accounting and auditing regulations but defers to the Financial Accounting Standards Board and the Public Company Accounting Oversight Board.

Statements on Auditing Standards (SAS)

Statements issued by the Auditing Standards Board to provide CPAs with guidance regarding the application of Generally Accepted Auditing Standards (GAAS).

Statements on Standards for Accounting and Review Services (SSARS)

Statements issued by the Accounting and Review Services Committee to provide CPAs with guidance regarding reporting on the unaudited financial statements or other unaudited financial information of nonpublic entities.

Statements on Standards for Attestation Engagements (SSAE)

Statements issued by the Auditing Standards Board, Accounting and Review Services Committee, or the Management Advisory Services Executive Committee to provide guidance to CPAs engaged to perform attest services.

Statements on Standards for Consulting Services (SSCS)

Statements which provide behavioral standards for the conduct of consulting services. The SSCS includes the General Standards found in Rule 201 of the AICPA Code of Professional Conduct plus three additional standards found in Rule 203, including Client Interest, Understanding with the Client and Communication with the Client.

Statements on Standards for Tax Services (SSTS)

Tax behavioral standards that are binding under the AICPA Code of Professional Conduct.

Substantial Equivalency

Substantial Equivalency is a concept that provides greater ease of mobility across state lines for CPAs both in person and electronically. Under this concept, if a CPA has a license in good standing from a state that utilizes CPA certification criteria that are essentially those outlined in the UAA, then the CPA would be qualified to practice in that state without a reciprocal license.

Systems Reviews Under the AICPA Peer Review Program

A peer review for firms that perform engagements under the SASs, Government Auditing Standards or examinations of prospective financial statements under the SSAEs. A system review is intended to provide the reviewer with a reasonable basis for expressing an opinion on whether, during the year under review: (a) the reviewed firm's system of quality control for its accounting and auditing practice has been designed in accordance with quality control standards established by the AICPA and (b) the reviewed firm's quality control policies and procedures were being complied with to provide the firm with reasonable assurance of conforming with professional standards.

U

Uniform Accountancy Act (UAA)

Model legislation that seeks to eliminate differing requirements on issues including CPA certification, reciprocity and temporary practice by promoting uniformity in state accountancy licensing laws. The AICPA and NASBA published the first joint model bill, later renamed the Uniform Accountancy Act, in 1984.

Unqualified Opinion

A auditor's opinion that states the financial statements present fairly, in all material respects, financial position, results of operations, cash flows in conformity with generally accepted accounting principles.

Handbook Updated: February 21, 2013

This page intentionally left blank.