

What is peer review and why is it important?

The American Institute of CPAs (AICPA) established the Peer Review Program nearly 20 years ago to enhance the quality of accounting, auditing and attestation services performed by AICPA members in public practice. The AICPA Peer Review Program illustrates the accounting profession's dedication to integrity and protection of the public and is driven by adherence to the highest possible professional standards.

The AICPA Peer Review Program is well-respected by both practitioners, state boards of accountancy and other users of the peer review process, who recognize the program as an effective quality improvement tool.

Since 1977, more than 50,000 CPA firms have undergone more than 160,000 peer reviews, resulting in reports that provide insight into participating firms' quality control standards and their real-world use of those standards. Approximately 32,000 firms are currently subject to peer review, with 41 individual state CPA societies serving as administering entities in the 55 licensing jurisdictions. Currently, 39 states require peer review as a condition of licensure.

Peer review provides a mechanism for a firm to engage a peer firm to review its system of quality control related to its application of professional accounting, auditing and attestation standards. The AICPA Peer Review Program is important because it strengthens member firms' quality control and encourages firms to improve processes and correct any shortcomings. Peer review enhances the quality of the profession and contributes to the public's confidence in the profession.

What are the various types of peer reviews?

There are two types of peer reviews: system reviews and engagement reviews. The type of peer review that is performed on a CPA firm is dependent upon the type of work that a firm delivers to its clients.

What is a system review and which firms receive them? (1)

A system review is a study and appraisal by an independent evaluator(s), known as a peer reviewer, of a CPA firm's system of quality control to perform accounting and auditing ("A&A") work. The quality control system represents the policies and procedures that the CPA firm has designed, and is expected to follow, when performing its work. The peer reviewer's objective is to determine whether the quality control system is designed to ensure compliance with professional standards and whether the firm is following its system appropriately.

Firms that perform engagements under the Statements on Auditing Standards (SASs), Government Auditing Standards (Yellow Book) or examinations of prospective financial statements under the Statements of Standards for Attestation Engagements (SSAEs) are subject to system reviews.

The scope of the peer review does not encompass other segments of a CPA practice, such as tax services or management advisory services, except to the extent that they are associated with financial statements, such as reviews of tax provisions and accruals contained in financial statements.

What is an engagement review and which firms receive them?

This type of review is for firms that are not required to have a system review, but do perform compilations of financial statements with disclosures and/or compilations of financial statements that omit substantially all disclosures (formerly considered a Report Review).

Unlike system reviews where a firm's system for quality control policies and procedures are evaluated, an engagement review evaluates the firm's financial statements and documentation with regard to conformance to AICPA professional standards. The reviewer does not express an opinion on the firm's compliance with its own quality control policies and procedures or compliance with AICPA quality control standards.

(1) At Cassells & Associates, CPA, P.A. we have a System Review. Peer Reviews are conducted every three years, for a full copy of our firms most recent Peer Review for the period July 31, 2008 please contact our office at 954-362-1811 ext 117.