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PCPS Membership: Your CPA Firm's Commitment to Quality

American Institute of Certified Public Accountants. Division for CPA Firms

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Recommended Citation

American Institute of Certified Public Accountants. Division for CPA Firms, "PCPS Membership: Your CPA Firm's Commitment to Quality" (1995). *Guides, Handbooks and Manuals*. 1112.
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A Tradition of Leadership

Founded in 1977, the Private Companies Practice Section (PCPS) is an association of more than 6,800 local, regional and national CPA firms that serve private companies. It is part of the Division for CPA Firms of the American Institute of CPAs, the national professional organization of CPAs with more than 320,000 individual members.

As a condition of membership in PCPS, firms participate in a demanding quality control program that includes a peer review of their accounting and auditing practice every three years, the results of which are available to the public. In addition, all firm professionals must average 40 hours of continuing professional education every year.

PCPS firms also work together to look out for the interests of small and medium-sized businesses. They analyze issues, regulations and technical standards that affect their clients' ability to operate effectively, and make their viewpoints known to the Financial Accounting Standards Board and to rule-making bodies within the AICPA.

An Invitation

For more information about PCPS, or to obtain a copy of a member firm directory or an individual peer review report, call 1-800-CPA-FIRM or write:

Private Companies Practice Section
American Institute of CPAs
1211 Avenue of the Americas
New York, NY 10036-8775

AICPA

American
Institute of
Certified
Public
Accountants

Division for CPA Firms

1211 Avenue of the Americas
New York, NY 10036-8775



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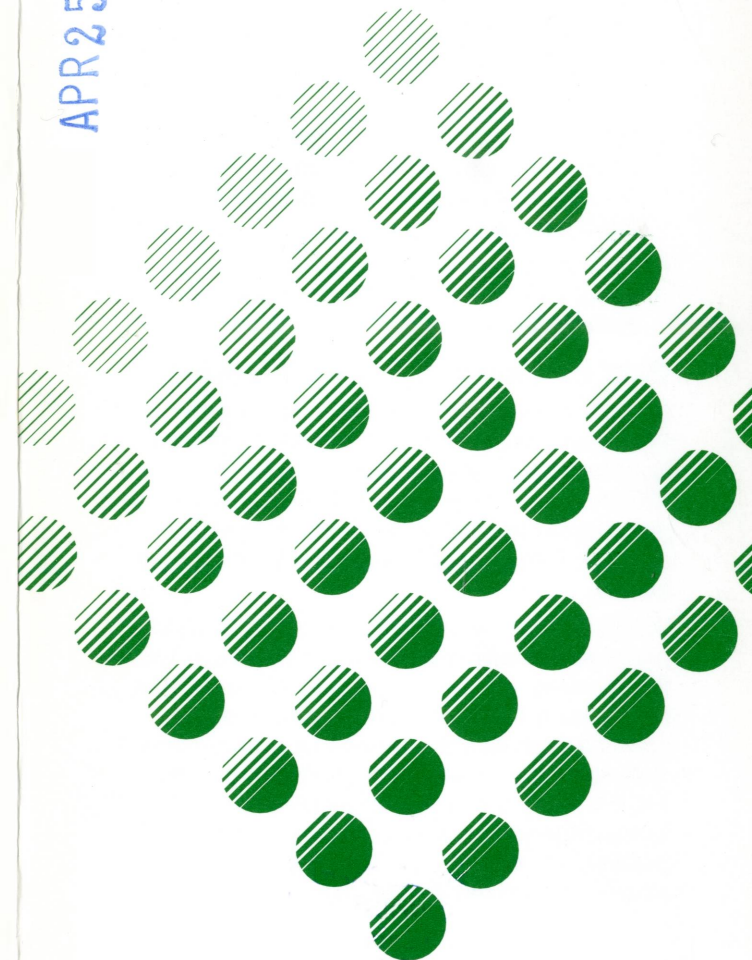
Division for CPA Firms

American Institute of Certified Public Accountants

PCPS Membership:

**Your CPA Firm's
Commitment to
Quality**

APR 25 1997





Pick a PCPS Firm, Pick a Leader

In today's economic environment, it's more important than ever to select a CPA firm that's a leader in quality, integrity and service.

That's why so many business owners turn to members of the Private Companies Practice Section (PCPS) of the American Institute of CPAs.

When you work with a CPA firm that's a member of PCPS, you can be confident that it:

- Has a thorough outside review of its accounting and auditing practice
- Makes the results of such reviews available to the public
- Requires *all* professional staff to participate in educational programs on current professional, technical and broad business management issues
- Belongs to and supports an organization that speaks out on issues affecting privately held companies

Peer Review and Public Interest

Based on a program originally developed by PCPS and its counterpart, the SEC Practice Section, the American Institute of CPAs — or AICPA — conducts a Peer Review Program that is designed to assure the public that AICPA member firms provide services of the highest quality.

PCPS firms — which are part of the AICPA — undergo a peer review every three years. During the process, a team of specially trained CPAs evaluates a firm's accounting and auditing practice against comprehensive quality control standards that have been established by the AICPA. They test a representative sample of a firm's engagements for compliance with professional standards. They then judge whether a firm has a system that deals

appropriately with the fundamental elements of quality control. Among other things, the review team evaluates policies and procedures on:

- Independence
- Hiring and promotion practices
- Personnel assignments
- Supervision and consultation on engagements
- Continuing professional education
- Obtaining and retaining clients

Because the size of a firm is no indicator of the quality of its services, review standards are the same for large and small firms. Following the review, the review team lists its findings in a report that is submitted to a committee of peers for evaluation and acceptance.

While all AICPA member firms must undergo a peer review, PCPS firms agree to a special requirement: the results of their reviews are maintained in a public file by the AICPA.

Checking the Credentials of a Firm

Anyone can request a copy of a firm's PCPS peer review report. When you do, you'll see that the review team's findings will fall into one of three categories:

- 1. Unqualified**, meaning that the firm is conforming to professional standards. About 89% of PCPS firms receive this report.
- 2. Qualified**, meaning that the firm is conforming to professional standards in all areas except those indicated. About 10% of reviewed firms receive this report.
- 3. Adverse**, meaning that the review team does not have reasonable assurance that the firm is conforming to professional standards. About 1% of firms receive adverse reports.

In most cases, the report is accompanied by a "letter of comments" that suggests how the firm can improve its practices. And you'll also see the firm's written responses to those suggestions.

Continuing Education and Professional Competence

In accounting — as in any profession — practitioners need to stay up-to-date on issues that affect their clients' businesses.

At PCPS firms, *all professional staff*, not just CPAs, must take an average of 40 hours of continuing professional education each year. That's the strictest requirement for CPAs throughout the profession — and a requirement that sets PCPS member firms apart.

Continuing professional education courses cover subjects that keep professionals abreast of changes in technical and professional standards and business developments — to maintain excellence in their practices. The result: you can be confident in the talent and training of PCPS member firm professionals.

Advocacy: A Commitment to Privately Held Companies

The PCPS organization plays an important advocacy role. The goal of its efforts is two-fold: (1) to strive for balance in accounting, auditing and tax rules and regulations that affect small businesses, and (2) to ensure that professional pronouncements consider the perspectives of business entities and CPA firms of all sizes.

PCPS is working to reduce "standards overload." It has promoted tax-basis and cash-basis financial statements as alternatives to Generally Accepted Accounting Principles (GAAP) for small companies. And it maintains active liaison with the Financial Accounting Standards Board and other standard-setters to provide input on behalf of private companies and the CPAs who serve them.

These activities also help keep PCPS firms on top of rapidly changing technical issues to anticipate the financial management needs of their clients.