

January 30, 2007

Dear Center Member:

CPAs across the country have long been united in a common goal: improve the confidence American investors have in both the integrity of the accounting profession as well as in the U.S. capital markets. For the past several years, the AICPA and the public company auditing profession have been investigating new ways to achieve these ends.

The result of this dialogue and analysis is a new Center for Audit Quality (CAQ) – a restructuring and expansion of the AICPA's former Center for Public Company Audit Firms (CPCAF).

The CAQ'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, honesty and trust. As part of its activities, the Center will undertake research, offer recommendations to enhance investor confidence and the vitality of the capital markets, issue technical support for public company auditing professionals, and help facilitate the public discussion about modernizing business reporting. You, as member firms, will continue to receive timely communication of regulatory developments; best practices guidance and technical updates; and access to a forum to express your views on matters that impact public company audits.

The Center for Audit Quality, an autonomous, nonpartisan, nonprofit organization affiliated with the AICPA, will continue to serve as the "voice of the profession" on matters relating to public company audits. An important role of the Center will be communicating issues and representing the public company auditing profession's views to regulators as we had previously done under CPCAF, but the mission will be expanded to include others on matters of great importance to investors and the financial community. In addition, the Center will identify issues directly impacting investor confidence and develop and advocate solutions and positions to regulators and standards-setters that serve both the good of the capital markets as well as member firms.

Membership will continue to be voluntary and firm-based as it was under the CPCAF. It is open to all U.S. CPA firms that audit or are interested in auditing public companies. Firms that are registered with the PCAOB are eligible for membership. Associate membership is available for U.S. CPA firms not registered with the PCAOB. An important new membership requirement is in place: to acquire and retain membership or associate membership status, all partners, owners, shareholders and employees of the firm residing in the United States and eligible for AICPA membership must be members of the AICPA.

If you are currently a member of the Center for Public Company Audit Firms, you are automatically a member or associate member (depending on your PCAOB registration status) of the Center for Audit Quality as the CPCAF's successor and will continue to receive the benefits of membership. While the CPCAF Web site will become a Web site for members only, there will be a new Center for Audit Quality Web site, [www.thecaq.org](http://www.thecaq.org), for public, non-CPA audiences.

The Center for Audit Quality is being led by a Governing Board, of which I am a member charged with representing the American Institute of CPAs. The Governing Board also includes the chief executives of the six largest firms, as well as public members to ensure we reflect the public interest. In addition, there are two rotating seats, which will be nominated by the AICPA Board of Directors and will be selected from a pool of member firms that audit 300 or fewer issuers.

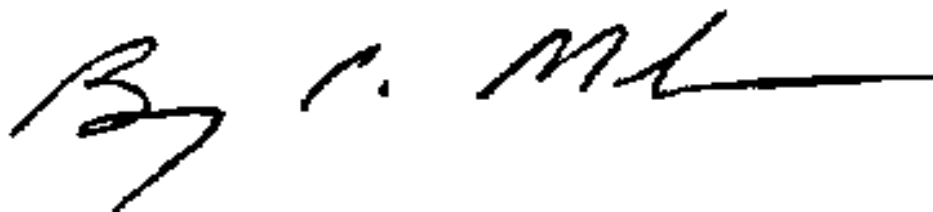
Cynthia M. Fornelli will serve as the Center's executive director. She was previously with Bank of America, and, before that, the SEC, and the law firms of Dechert, Price and Rhoades and of Fried, Frank, Harris, Shriver & Jacobson.

Attached below you will find a list of questions and answers that will give you more detailed information about the Center for Audit Quality and its genesis, structure and activities. You can also visit the Center for Audit Quality's public Web site at [www.thecaq.org](http://www.thecaq.org).

We are very excited about these changes and believe that we can make a difference in further enhancing audit quality while at the same time providing a more robust, forward-thinking public voice rooted in public company auditing. We are confident you will see why membership in the Center is more valuable than ever before.

Should you have further questions about the Center for Audit Quality, please contact Cindy Fornelli, Executive Director of the Center for Audit Quality, 202-609-8120, [cfornelli@thecaq.org](mailto:cfornelli@thecaq.org), or Lillian Ceynowa, Director of Professional Practice and Member Relations, 201-938-3759, [lceynowa@thecaq.org](mailto:lceynowa@thecaq.org).

Sincerely,

A handwritten signature in black ink, appearing to read "Barry C. Melancon". The signature is fluid and cursive, with a long horizontal stroke at the end.

Barry C. Melancon, CPA  
AICPA President and CEO

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## The Center for Audit Quality

### FAQs

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*\*Note: [www.thecaq.org](http://www.thecaq.org) to go live Jan. 30, 2007*

#### **What is the CAQ?**

The Center for Audit Quality was founded 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.

#### **Why was the CAQ established and how did it get its name?**

The current investment world is at a critical juncture—as investors and the public become even more deeply dependent upon the vibrancy of the capital markets, the markets themselves are becoming increasingly complex and global. This dynamic, coupled with corporate financial scandals and changes in the regulatory environment, has generated considerable public dialogue. While public company auditors have been involved in this discussion, we strongly believe that investors and the markets will benefit from a more robust, forward-thinking public voice rooted in quality public company auditing.

The public company auditing profession established the Center for Audit Quality to lead that dialogue, with an emphasis on making public company audits more transparent, easier to understand and more reliable—in short, to ever improve their quality. Hence the organization's name: the Center for Audit Quality.

This undertaking is vital, because the ways in which public companies report, and auditors audit, financial information matters greatly to almost everyone. In the end, reliable financial information is the bedrock of investor confidence in capital markets—which are the lynchpin of the global economy.

#### **What is the CAQ's mission and how is it carried out?**

The mission of the Center for Audit Quality 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. To accomplish this mission, the Center will work to make public company audits even more reliable and relevant for investors in a time of growing financial complexity and market globalization. It will also undertake research, offer recommendations to enhance investor confidence and the vitality of the capital markets, issue technical support for public company auditing professionals, and help facilitate the public discussion about modernizing business reporting.

## **When did the CAQ begin operating?**

The Center for Audit Quality began operating in January 2007.

## **Who leads the CAQ?**

The Center for Audit Quality is led by a Governing Board comprising leaders from the American Institute of CPAs, the public company auditing profession and the investor and issuer communities. The Center also has a full-time executive director, Cindy Fornelli. Board members and the executive director are committed to the concept that a robust public company auditing profession is fundamental to the public interest, the capital markets and to the overall mission of the organization. You will find bios of the Center's executive director and Governing Board members in the "about us" section of the Center's Web site, [www.thecaq.org](http://www.thecaq.org).

## **Who belongs to the CAQ?**

All U.S. accounting firms that audit or are interested in auditing public companies are eligible for membership in the Center for Audit Quality at some level. U.S. accounting firms registered with the Public Company Accounting Oversight Board (PCAOB) are eligible for membership in the Center for Audit Quality. Associate membership is available for U.S. accounting firms not registered with the PCAOB. Non-U.S. firms are ineligible to join, but can subscribe to certain materials issued by the Center.

## **How does one become a member of the CAQ?**

To acquire and retain membership or associate member status, all partners, owners, shareholders and employees of the firm residing in the United States and eligible for American Institute of CPA's membership must be members of the American Institute of CPAs.

To apply for membership or associate membership, a firm must submit an application form to the Center. The form is available on the Center's Web site, [www.thecaq.org](http://www.thecaq.org).

## **How is the CAQ structured?**

The Center for Audit Quality is led by a Governing Board comprising leaders from the American Institute of CPAs, the public company auditing profession and the investor and issuer communities. The Center also has a full-time executive director, Cindy Fornelli. The Governing Board oversees the activities of the Center as well as establishes committees, advisory groups and task forces as needed to carry out the Center's mission. The executive director of the Center leads the organization's operations and reports to the Governing Board.

## **How is the CAQ funded?**

The Center for Audit Quality is self-supporting and is entirely funded by member dues.

## **What is the relationship between the CAQ and the American Institute of CPAs?**

The Center is an autonomous body, affiliated with the American Institute of CPAs, that restructures and expands the American Institute of CPAs' Center for Public Company Audit Firms (CPCAF). It has a separate Governing Board and is funded by its own member firms. The Center's affiliation with the American Institute of CPAs permits the two groups to collaborate on common issues, and the CEO of the American Institute of CPAs sits on the Center's Board.

## **How is the CAQ different from other organizations related to accountancy and auditing?**

The Center for Audit Quality represents the first time that public company auditors, as a group, have joined with public leaders in the investor and corporate communities to discuss the issues facing the capital markets, conduct research on these topics and ultimately make recommendations that will foster confidence in the capital markets. All stakeholders have an interest in how the auditing profession adapts to a changing reality, and the auditing profession's unique perspective on these changes creates an obligation to lead the dialogue on how to meet them.

## **Does the CAQ hold events or activities? If so, what are they and who is able to participate or attend?**

Advisories about upcoming Center events and activities, including information about participation, can be found in the "events" section of the Center's Web site, [www.thecaq.org](http://www.thecaq.org).

## **Does the CAQ produce any publications, guidance, issue or opinion papers, briefs, etc.?**

As the Center for Audit Quality generates materials such as these, they are posted in the "issues" section of the Center's Web site, [www.thecaq.org](http://www.thecaq.org) or the "resources" section of the member-only Web site.

## **How will the CAQ interact with public policymakers? Does it have a political affiliation?**

The Center for Audit Quality is an autonomous, nonpartisan, nonprofit organization that serves investors, public company auditors and the markets. The Center will engage in educational outreach to public policymakers and will work to enhance the reliability and relevance of business information available to investors, undertake research, offer recommendations to enhance investor confidence and the vitality of the capital markets, issue technical support for public company auditing professionals, and help facilitate the public discussion about modernizing business reporting. Should it be deemed necessary—based on the legal disclosure standard required for those who spend time educating public policymakers and engaging in related activities—the Center will comply with those disclosure requirements mandated under the law.

## **Where is the CAQ located?**

The Center for Audit Quality office is located at 601 13th Street NW, Suite 800N, Washington, D.C., 20005.

## **What issues is the CAQ currently addressing or planning to address in the upcoming year?**

The Center for Audit Quality is focusing on a number of initiatives. In general, we are looking at developing programs that address the following:

- Enhancing audit quality through research and communications of current developments and their implications with the goal of promoting continual improvements to the process of public company auditing.
- The Center will build on the work done by the CPCAF in helping member firms in their pursuit of audit quality and will serve as a catalyst to bring market participants together to discuss improvements to the quality, relevance and integrity of financial reporting.
- Narrowing the "expectations gap" between regulatory standards of performance and public expectations. This will be accomplished by pursuing approaches that help issuers and auditors address the issue of fraudulent financial reporting and by working with regulators, standard setters, the Center's members and other market participants to find practical ways to come closer to meeting public expectations through standards, transparency, performance and other changes in the policy and legal environments.
- Building public confidence and trust in the public company audit by fostering a greater understanding of the value of the independent public company audit and the firms that perform this service.
- Continuing to provide to public company auditing professionals—as through the American Institute of CPAs—useful information on key issues in public company auditing.

## **Where can I find the CAQ's official position on a specific issue?**

Materials generated by the Center for Audit Quality will be posted in the "issues" section of the Center's Web site, [www.thecaq.org](http://www.thecaq.org).

Your email address is part of the Center for Audit Quality mailing list. To unsubscribe to future Center for Audit Quality emails, forward this message to [Center\\_Remove@email.aicpa.org](mailto:Center_Remove@email.aicpa.org).

If you need an updated address change, please include your old email address, new email address, and AICPA member ID (if applicable) to [center@aicpa.org](mailto:center@aicpa.org).

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