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CPA Licensing in Illinois

How it affects your Association

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Individual CPA Licenses

In Illinois, a CPA must be licensed in order to hold themselves out to the public as a CPA. So what does that mean if an individual is licensed as a CPA? It means they can call themselves a CPA and they can prepare tax returns. Does this mean they can prepare and Audit or a Review? The simple answer is no. A license of an individual does **not** qualify them to prepare **Audit or Review** reports. They can however prepare **Compilations**.

Firm Licenses

In Illinois, a CPA firm or a Sole Practitioner, can provide **Audited** or **Reviewed** financial statements if they are licensed and are part of the American Institute of CPA's Peer Review Program. After July 1, 2012, in order to have their license renewed, if they are providing Audit and Review services, they must have satisfactorily completed a Peer Review for their Firm or Sole Practitioner entity.

What is a Peer Review

A Peer Review is exactly what it sounds like. A Peer performs a Review of the quality of the Audits and Reviews and Compilations as well as the systems set up at the CPA Firm to ensure that the quality of all engagements is maintained. A qualified Peer Reviewer, is another CPA that performs a review of the quality system as well as the quality of the audit work papers and financial statements and the CPA's opinion or report.

Why is this important to a Community Association?

Believe it or not, not all CPA's or CPA firms have had a Peer Review performed even if they are performing Audit and Review Services. Not all CPA's are aware of the requirements and some have resisted complying with the Quality Program because it means a lot of additional work for the CPA. Most CPAs agree that the Peer Review Program and all the quality standards have helped them produce a consistently high level of quality in their audits and reviews from Association to Association. I have personally seen work papers and financial statements that did not appear to meet the quality standards and did not have all the required information for a community association's financial statements. After searching for their license and contacting the Illinois CPA Society, it was confirmed that they had not been participating in the Peer Review Program and were thus not following the Illinois Public Accounting Act.

What should an Association do to insure they have chosen the right CPA?

There are several steps that should be followed for every Association as follows:

1. Request a copy of the CPA firms latest Peer Review Opinion when requesting bids from CPAs for the next year's audit.
2. Read the Opinion... the last paragraph tells the whole story. If they are in compliance it will state that. There are no A+ or B- given. There is only a passing grade or one with deficiencies or one that is stating the system is substandard. If there is a report issued for the firm that has any deficiencies the state of Illinois will require them to address the deficiencies.
3. If the CPA has already prepared the audit or review and will not give you access to their Peer Review Report. You can at least see if they are in the Peer Review Program and sometimes see the actual report unless they opted out of showing their firms. That website is:
<http://peerreview.aicpaservices.org/publicfile/DocDefault.aspx>
4. If you search and do not find the firm listed on the website, please contact the firm to first request a copy of the report. If they do not comply then you do have the option of filing a complaint with Illinois Department of Financial and Professional Regulation. The link for that is:
<http://www.idfpr.com/Admin/Complaints.asp>

Before you file a complaint please make certain that the CPA is not part of the Peer Review Program and that you have at least requested their Latest Peer Review Report from them. Once you file a complaint it starts an investigation which can be very burdensome on the CPA firm.

Compilations in Illinois

If you are trying to save money and are having a Compilation performed by a CPA or CPA firm be aware that a CPA does not have to be part of the Peer Review program to prepare a Compilation in Illinois. What this means is it is like the wild west. There is a wide range of quality performed on these and one Compilation may be nothing like another. When you are getting proposals, please consider the following factors to compare apples with apples.

1. Has the firm had a Peer Review-this is important to ensure that the quality standards are being adhered too for the Compilation.
2. Is the Compilation on the Cash Basis or Accrual Basis-to perform a Compilation for an accrual based set of financial statements will take the CPA more time then if they prepare the statements on the cash basis.
3. Does the Compilation include full financial statement disclosure-this means that all accounting policies are disclosed as well as many other requirements, such as investments, loans, special assessment terms as well as many other items.

Conclusion

In the state of Illinois, not all CPA's are the same. Being a CPA does not mean you are qualified to perform an Audit or Review or even a Compilation. The Peer Review Program ensures a high level of quality will be in place for a CPA firm and most likely for the Audit or Review that you will receive. If you choose a firm that is Peer Reviewed for a Compilation you will also be getting the assurance that the Compilation will meet specific quality standards. Also, if you are obtaining a Compilation and obtaining quotes from multiple CPA firms you need to be sure you are comparing the same type of Compilation.