

AICPA Four-Step Process for Use by Regulators:

At the 2003 Spring National Meeting, the NAIC/AICPA Working Group voted to distribute to the Chief Examiners the AICPA's four-step process which may be followed by regulators who are experiencing difficulty in obtaining access to CPA workpapers, have questions with respect to the CPA's individual engagement to perform a statutory audit, or have concerns about the work performed by the CPA.

The AICPA proposes that the regulator should initially follow the current process of working through the company to obtain access. Should the regulator deem additional response is required, after informing appropriate management, the financial examiner would contact the following individuals in this suggested order, as needed:

1. The engagement partner
2. The designated national Firm representative (see listing below of contacts for participating firms)
3. Chair of the insurer's Audit Committee
4. State Board of Accountancy, Ethics (or Qualitative Review) Committee, or other regulatory bodies deemed appropriate

The AICPA would like to emphasize that this process, excepting step 4, would be informal, non-authoritative, and non-binding. They envision the process to be additive to the current remedies available to regulators. The benefits of the additive process would be to help enhance communication between regulators and independent certified public accountants, improve the effectiveness of obtaining access to audit working papers on a timely basis, and assist in strengthening the quality of statutory audits. The AICPA will recommunicate to practitioners the statutory requirement to provide access to audit working papers and audit related correspondence as defined by statute.

In 2022, the NAIC/AICPA Working Group voted to adopt an optional Contract Examiner Attestation Template to notify the CPA firm of contracted individuals participating in the statutory examination that should receive access to audit workpapers. The template has been included here as Attachment A.

Accounting Firm Contacts (Updated as of 10/14/2022):

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Attachment A

Contract Examiner Attestation Template [Optional]

The purpose of this Attestation is to establish that the following personnel were retained by [DEPARTMENT OF INSURANCE] pursuant to the authority provided in [INSERT CITATION FOR ADOPTION OF MODEL LAW ON EXAMINATIONS #390 § 4D]. The personnel are working on a contract basis as examiners and should be provided access to external audit workpapers as they are subject to the confidentiality requirements provided in [INSERT CITATION FOR ADOPTION OF MODEL LAW ON EXAMINATIONS #390 § 5]:

Name	Title	Contract Firm

Contract personnel are bound in writing to maintain the statutory confidentiality of examination workpapers. They have agreed to use such workpapers solely in connection with the examination project for which they are contracted. Contract personnel are prohibited from disclosing or transmitting the confidential material except as expressly authorized by the Department.

In accordance with [INSERT CITATION FOR ADOPTION OF ANNUAL FINANCIAL REPORTING MODEL REGULATION #205], every insurer required to file an audited financial report shall require the accountant to make available for review by Insurance Department examiners, all work papers prepared in the conduct of the accountant’s audit and any communications related to the audit between the accountant and the insurer.

[OPTIONAL: In addition, Contract personnel have been informed that any exploitation of confidential materials for purposes of a competitive advantage will constitute a breach of contract.]

The undersigned represents that (s)he has duly executed this Attestation, for and on behalf of _____; that (s)he is the _____(Title) of _____ and that (s)he is authorized to execute and file such document. The undersigned further represents that (s)he is familiar with such document and the contents thereof, and that the facts therein set forth are true to the best of his/her knowledge, information and belief.

[Signature of Authorized Individual]

[Printed Name]

[Title]

[Date]