

Week 1 Team B

ACC/490 Auditing

	The AICPA has established five elements of quality control.	
	Listed below are specific policies and procedures adopted by the CPA firm of Baily, Brown & Co.:	
1	Periodic evaluations are made of personnel.	
2	Ongoing supervision is given to less experienced personnel.	
3	An experienced CPA is designated as a public utility industry expert.	
4	Rules on independence are communicated to the professional staff.	
5	The scope and content of the firm's inspection program are defined.	
6	All new employees must be college graduates.	
7	Copies of Statements on Auditing Standards are provided for all professional staff.	
8	A partner assigns personnel to engagements.	
9	All new clients must be solvent at the time the engagement is accepted.	

Independence, Integrity, and Objectivity

Personnel Management

Acceptance and Continuance of Clients and Engagements

Engagement Performance

Monitoring

Policy/Procedure	A Quality Control Element	B Purpose of Policy/Procedure	C Additional Procedure
1 1	Monitoring	Appropriate assessments are provided to personnel for professional growth measures.	Independence, Integrity, and Objectivity
2 2	Engagement Performance	Supervised jobs are assigned to personnel according to his or her experience. Different	Monitoring
3 3	Personnel Management	An Auditor must have the experience needed to perform proficiently.	Monitoring
4 4	Independence, Integrity, and Objectivity	An auditor is aware of independence of clients when performing attest services.	Acceptance & Continuance of Clients & Engagement
5 5	Acceptance & Continuance of Clients & Engagement	Offer practical assurance that the auditor will recognize only engagements it can perform with the appropriate professional capability	Engagement Performance
6 6	Personnel Management	An auditor must have the sufficient training and expertise required, for the task.	Independence, Integrity, and Objectivity
7 7	Personnel Management	An auditor performs all professional responsibilities with integrity and upholds objectivity while performing his or her responsibilities. Different	Acceptance & Continuance of Clients & Engagement
8 8	Acceptance & Continuance of Clients & Engagement	Guarantee that personnel seek advice from others who have complete knowledge and authority when appropriate in a well-timed manner. Different	Monitoring
9 9	Acceptance & Continuance of Clients & Engagement	1. Offer assistance with a perception to the client regarding the character, capacity, and restrictions of the services to be performed.	Monitoring

PART ONE

A)

No. Peters is unlikely to prevail. The facts do not show liability of the sale of the registered securities and the liability for the reports filed with the SEC. The stock transaction involved interstate commerce due to this reason peters claim may be based on Section 17 of the

Securities Act of 1933 and Rule 10B-5 under the Securities Exchange Act of 1934. When it come to the cases he will have to show fraud on the part of Doe or a scheme that is in connection of the sale of security under the 1933 act.

Doe was indeed negligent, the United States Supreme Court, in the Hochfelder case, held that a violation of Rule 10B-5 requires knowledge of any wrong doing; this is something greater than negligence. Unless the violation of GAAS involves intent, or negligence, Doe would not be held in violation of Rule 10B-5. Peters can make a claim against Doe for violation of Section 17 of the 1933 Securities Act. The Supreme Court, in the Aaron case, held no knowledge of wrong doing which is required in one Section 17 cases brought by the SEC, but it appears that private actions, such as the one by Peters, would be subject to provisions similar to those in Rule 10B-5.

B)

No. Peters state common law action will not help him win either. Common law, privity is required before an accountant can be held liable for users of the financial statements, outside of fraud. Doe was not in privacy of contract with Peters, also this does not show that Doe was aware that Peters would use the financial statements.

Part II

Yes.