



## **Engagement of Independent CPAs Position of MRC Board of Directors December 16, 2008**

The central element in the monitoring activity of the MRC is its system of annual external audits of rating service operations. MRC audits, which are executed by independent CPA firms, serve these important functions:

- They provide the foundation for determining whether a rating service merits accreditation (or continued accreditation); the audit report and related insight provided by the CPA firm is a key input into the accreditation decision. The final decision related to accreditation rests with the MRC Board of Directors based on the judgment and recommendation of the applicable audit committee and operating committee.
- They provide the MRC with the results of detailed examinations by CPA auditors which become the basis for quality improvements in the service, either by voluntary action or mandated by MRC as a condition for accreditation. The MRC considers known best practices in its assessment from this perspective.
- They provide a highly beneficial motivational effect on rating service performance. Knowledge that their work may be reviewed by CPA auditors is a powerful spur for quality work by all field and home-office personnel of the rating service.

The MRC Board of Directors reaffirms the following matters related to engagement of CPA firms employed in conducting MRC audits:

- CPA Firms must be Independent from the measurement service being audited.
- CPA Firms are selected and engaged exclusively by the MRC.
- Unless otherwise agreed to in advance by the MRC, audits must contain a CPA opinion as to compliance with the MRC Minimum Standards and the other relevant attestation benchmarks.

The MRC Board of Directors believes the matters noted above are essential to maintain appropriate monitoring of measurement services and to assure that all accreditation-relevant findings from audits are communicated to the MRC for consideration in its accreditation process.