

# PRP Section 4400

## *Quality Control Policies and Procedures Documentation Questionnaire for Firms With Two or More Personnel<sup>1</sup>*

**.01** Statement on Quality Control Standards (SQCS) No. 8, *A Firm's System of Quality Control* (AICPA, *Professional Standards*, QC sec. 10) (effective as of January 1, 2012), supersedes all existing SQCSs, establishes standards, and provides guidance for a CPA firm's responsibilities for its system of quality control. The SQCS deals comprehensively with a firm's quality control practices in the areas of audits, reviews, compilations, preparation and attestation engagements. It places an unconditional obligation on a firm to establish a system of quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and applicable regulatory and legal requirements, and that the reports issued by the firm or engagement partners are appropriate in the circumstances. The significant aspects of SQCS No. 8 include the following:

- SQCS No. 8 defines *unconditional requirements* through the use of the words *must* or *is required* and *presumptively mandatory requirements* through the use of the word *should*.
- SQCS No. 8 identifies the following six elements of quality control to be included in a firm's quality control system of and addressed in its policies:
  - Leadership Responsibilities for Quality Within the Firm (the "Tone at the Top")
  - Relevant Ethical Requirements
  - Acceptance and Continuance of Client Relationships and Specific Engagements
  - Human Resources
  - Engagement Performance
  - Monitoring
- SQCS No. 8 requires a firm to communicate and document its quality control policies and procedures. The extent of the documentation is based on the size, structure and nature of the firm's practice.
- SQCS No. 8 recognizes the importance of a quality-oriented internal culture by requiring firms to establish policies assigning its management responsibilities for ensuring that commercial considerations do not override the quality of work performed and for addressing personnel performance evaluation, compensation, and advancement to demonstrate the firm's overarching commitment to quality.
- SQCS No. 8 provides detailed guidance on independence and requires a written confirmation of compliance with independence requirements from all personnel at least annually.
- SQCS No. 8 provides detailed guidance on client acceptance and continuance, and it requires documentation of the resolution of significant issues.
- SQCS No. 8 provides detailed guidance on engagement supervision and review, engagement documentation, and consultation policies and procedures.
- SQCS No. 8 requires policies and procedures for addressing and resolving differences of opinions, including a requirement that reports must not be released until the difference of opinions are resolved. Such policies and

---

<sup>1</sup> The term *personnel* is defined in Statement on Quality Control Standards (SQCS) No. 8, *A Firm's System of Quality Control* (AICPA, *Professional Standards*, QC sec. 10), as all individuals who perform professional services for which the firm is responsible, whether or not they are CPAs (including leased and per diem employees who devote at least 25 percent of their time at the reviewed firm in performing audits, reviews, compilations, preparation or attestation engagements, or those professionals who have the partner-level and manager-level responsibility for the overall supervision or review of such engagements).

procedures should enable a member of the engagement team to document that member's disagreement with the conclusions reached after appropriate consultation.

- SQCS No. 8 uses the term *engagement quality control review*, including its objective, and requires firms to establish criteria to determine which engagements are to be subject to an engagement quality control review.
- SQCS No. 8 requires performance of monitoring procedures that are sufficiently comprehensive to enable the firm to assess compliance with all applicable professional standards and regulatory requirements and the firm's quality control policies and procedures. Firms are required to assign responsibility for monitoring to a person of appropriate authority and are required to evaluate deficiencies and communicate recommendation for remedial action.
- SQCS No. 8 requires policies and procedures for dealing appropriately with complaints and allegations of noncompliance with professional standards or with the firm's system of quality control.

.02 This section of the manual contains a questionnaire, to be provided to the peer reviewer prior to the commencement of the review, that provides documentation of the firm's policies and procedures for its system of quality control. **Firms that have developed a comprehensive quality control document (as contemplated by SQCS No. 8) that was effective for the peer review year should provide that document to the peer reviewer.** However, under certain circumstances, the team captain may still request that a firm complete this questionnaire (and attach the quality control document). For instance, this could be requested if the team captain's consideration of the firm's quality control document indicates that it may not adequately address all the required elements of a system of quality control in a level of detail appropriate to the firm. This could also be requested if the team captain's consideration of the quality control document indicates that a summary of the document would assist the team captain's review of it.

.03 Firms utilizing this questionnaire as the primary documentation of their system of quality control (to assist in complying with the documentation requirements of SQSC No. 8) should indicate its date of adoption (which cannot be prior to the date of completion of the questionnaire). If this questionnaire was not in effect for the peer review year, the firm should also attach previously completed questionnaire(s) that were effective for the peer review year, which could be the questionnaire completed for the firm's last peer review. Firms should keep this questionnaire updated for ongoing changes in their respective practice structure as they would for a quality control document.

.04 This questionnaire has been developed for firms with two or more personnel. Section 4300, *Quality Control Policies and Procedures Documentation for a Sole Practitioner With No Personnel*, is a questionnaire that has been developed for sole practitioners with no personnel. This questionnaire has been adapted from the requirements of SQSC No. 8 and from the non-authoritative AICPA Practice Aid, *Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice*. The AICPA practice aid provides illustrative examples of four hypothetical firms (multi-office firm, single office firm, sole practitioner firm, and an alternative practice structure firm). Firms should understand the requirements of SQCS No. 8 and consider the practice aid when designing and maintaining the applicable quality control policies and procedures. The practice aid can be purchased from cpa2biz.com.

.05 The reviewed firm should respond directly with "Yes," "No," or "N/A" answers and describe, where appropriate, the policies and procedures it has in effect that relate to the questions asked. Where appropriate, the firm should make reference to any firm documents that describe those policies and procedures in more detail. Examples of such documents might be personnel manuals, audit and accounting manuals, a quality control document or manual, and firm forms and checklists. A "No" answer to a question does not necessarily indicate a problem with the firm's system of quality control; however, it may require additional explanation of applicable procedures that the firm has implemented in the circumstances. A firm's quality control policies and procedures should be sufficient based on the size, structure, and nature of its practice for it to obtain reasonable assurance of complying with professional standards.

.06 When determining the extent of documentation required for this questionnaire, the reviewed firm should consider that "Yes" and "No" answers may assist in identifying the control objective, but it would not typically satisfy the required documentation of how the control was met. Documenting how controls are met is an integral component of documenting the quality control policies and procedures and is expected to be included if the questionnaire is meant to satisfy the requirements of SQCS 8 and be used as the firm's quality control document. The reviewed firm should document the control objective and the details of the policies and procedures.

**.07** There may be arrangements where certain portions of the reviewed firm’s system of quality control reside at or operate in conjunction with the system of quality control of a non-CPA owned entity with which the reviewed firm is closely aligned through common employment, leasing of employees, equipment, facilities, and so on, or other similar arrangements. This would generally include policies and procedures relating to the following elements of quality control: (1) relevant ethical requirements, (2) human resources, and (3) monitoring of the elements noted in (1) and (2). If this arrangement applies to the reviewed firm, in addition to section 4400, complete PRP section 5100, *Quality Control Policies and Procedures Documentation Questionnaire Supplement for non-CPA Owned Entities Closely Aligned With a CPA Firm*.



|  | Yes                      | No                       | N/A                      | Comments |
|--|--------------------------|--------------------------|--------------------------|----------|
| <p>b. If “no,” will this questionnaire provide the primary documentation of the firm’s policies and procedures for its system of quality control?</p> <p>If “yes,” indicate date of adoption (cannot be prior to the date of completion of this questionnaire). _____</p> <p>Considering the date of adoption, was this questionnaire in effect for the peer review year?</p> <p>If “no,” also attach previously completed questionnaire(s) that were effective for the peer review year, if any. This could be the questionnaire completed for the firm’s last peer review, which the firm should be maintaining as documentation of their system of quality control.</p> <p>If “no,” where are policies and procedures documented?</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>2. Has the firm developed or adopted other quality control materials?</p> <p>If “yes,” describe those materials: _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>3. Describe how the firm communicates its policies and procedures to personnel. _____</p> <p>_____</p> <p>_____</p> <p>_____</p>  |                          |                          |                          |          |
| <p>4. Describe how the firm stresses the importance of obtaining feedback on its system of quality control from its personnel. _____</p> <p>_____</p> <p>_____</p> <p>_____</p>  |                          |                          |                          |          |



|  | Yes                      | No                       | N/A                      | Comments |
|--|--------------------------|--------------------------|--------------------------|----------|
| <b>B. Relevant Ethical Requirements</b>  |                          |                          |                          |          |
| <i>Quality control policies and procedures provide the firm with reasonable assurance that the firm and its personnel comply with relevant ethical requirements when discharging professional responsibilities. Relevant ethical requirements include independence, integrity, and objectivity. These requirements include regulations, interpretations, and rules of the AICPA, state CPA societies, state boards of accountancy, state statutes, the U.S. Government Accountability Office, and any other applicable regulators.</i> |                          |                          |                          |          |
| 1. Describe how the firm documents and communicates its policies and procedures for relevant ethical requirements to its personnel.  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| 2. Does the firm have access to current guidance materials regarding the applicable independence, integrity, and objectivity requirements?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| a. If “yes,” describe the source of such material (such as access through computer software databases containing professional and regulatory literature, by a subscription to the AICPA <i>Professional Standards</i> loose-leaf service, other services pertaining to the firm’s practice, or other means).   |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| b. If “no,” describe how the firm obtains reasonable assurance that it is aware of the applicable independence, integrity, and objectivity rules.  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| 3. Does the firm employ someone responsible for providing guidance, answering questions, monitoring compliance, and resolving matters with respect to independence, integrity, and objectivity?  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| a. If “yes,” identify. _____   |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| b. If “no,” describe how the firm handles these matters.   |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |



|  | Yes                      | No                       | N/A                      | Comments |
|--|--------------------------|--------------------------|--------------------------|----------|
| <p>7. Does the firm obtain written confirmation, upon hire and on an annual basis, of compliance with its policies and procedures on independence from all personnel required to be independent by relevant requirements? <b>(If “no,” the firm may not be in compliance with SQCS No. 8, which requires written confirmation, at least annually.)</b></p> <p>If “no,” explain. _____<br/>                     _____<br/>                     _____</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p><i>The firm, when acting as principal auditor, confirms the independence of another firm performing parts of an engagement.</i></p>   |                          |                          |                          |          |
| <p>8. Does the firm have any engagements where it acts as principle auditor or accountant and another firm of CPAs is engaged to perform segments of the engagement?</p> <p>a. If “yes,” are written confirmations obtained regarding the other firm’s independence with respect to audit engagements and either written or oral confirmations obtained for review or attestation engagements?</p> <p>If “yes,” describe the form and content of the confirmation. _____<br/>                     _____<br/>                     _____</p>             | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>9. Has the firm identified circumstances for which documentation of the resolution of independence, integrity, and objectivity questions is required?</p> <p>a. If “yes,” describe such circumstances and where the documentation is maintained. _____<br/>                     _____<br/>                     _____<br/>                     _____</p> <p>b. If “no,” describe how the firm handles these matters.<br/>                     _____<br/>                     _____<br/>                     _____<br/>                     _____</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>10. Has the firm found it necessary within the last year to consult with individuals outside the firm on independence, integrity, or objectivity concerns?</p> <p>If “yes,” describe. _____<br/>                     _____<br/>                     _____<br/>                     _____</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |

|  | Yes                      | No                       | N/A                      | Comments |
|--|--------------------------|--------------------------|--------------------------|----------|
| 11. Does the firm review unpaid fees from clients to ascertain whether any outstanding amounts may impair the firm's independence?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>a.</i> If "yes," answer the following questions:  |                          |                          |                          |          |
| <i>i.</i> Who does this? _____   |                          |                          |                          |          |
| <i>ii.</i> How often is it done? _____   |                          |                          |                          |          |
| <i>iii.</i> Have there been any such situations during the year under review? _____  |                          |                          |                          |          |
| <i>b.</i> If "no," describe how the firm monitors its independence with respect to clients with unpaid fees.   |                          |                          |                          |          |
| 12. Does the firm inform its personnel of financial or other relationships that may impair independence and that may be prohibited?  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>a.</i> If "yes," do those relationships include the following?  |                          |                          |                          |          |
| <i>i.</i> Business relationships with clients or with non-clients that have investor or investee relationships with clients  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>ii.</i> Loans to and from clients, including loans from financial institution clients   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>iii.</i> Family members who are employed by clients, or who are in director, officer, manager, or audit-sensitive positions with clients, including not-for-profit entities | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>iv.</i> Past-due fees for professional services   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>v.</i> Accounting or advisory services that have evolved into situations where the firm has assumed some of the responsibilities of client management                       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>vi.</i> Direct and material investments in clients  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |

|   | Yes                      | No                       | N/A                      | Comments |
|---|--------------------------|--------------------------|--------------------------|----------|
| <p><i>Before a member [ET sec. 0.400.31] or his or her firm performs non-attest services for accounting and auditing clients,<sup>3</sup> the member should determine that the requirements of the interpretations under the “Nonattest Services” subtopic (AICPA, Professional Standards, ET sec. 1.295) of the “Independence Rule” (AICPA, Professional Standards, ET sec. 1.200.001), have been met. In cases where the requirements have not been met with respect to non-attest services rendered during the period of the professional engagement or the period covered by the financial statements, <u>independence would be impaired.</u></i></p> |                          |                          |                          |          |
| 13. Does the firm provide non-attest services to accounting and auditing clients?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| a. If “yes,” did the firm meet all the requirements of the interpretations under the “Nonattest Services” subtopic (AICPA, Professional Standards, ET sec. 1.295) of the “Independence Rule” (AICPA, Professional Standards, ET sec. 1.200.001) for each accounting and auditing client for which non-attest services were performed?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| b. Does the firm establish an understanding with each client regarding the following as required by paragraph .01c of the “General Requirements for Performing Nonattest Services” interpretation (AICPA, Professional Standards, ET sec. 1.295.040)?   |                          |                          |                          |          |
| i. Objectives of the engagement   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| ii. Services to be performed  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| iii. Client’s acceptance of its responsibilities  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| iv. Member’s responsibilities   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| v. Any limitations of the engagement  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| c. Does the firm document its understanding with the client as required by the “Documentation Requirements When Providing Nonattest Services” interpretation (AICPA, Professional Standards, ET sec. 1.295.050)?  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| d. Before agreeing to perform multiple non-attest services to an accounting or auditing client, does the firm comply with the requirements of the “Cumulative Effect on Independence When Providing Multiple Non-attest Services” interpretation (AICPA, Professional Standards, ET sec. 1.295.020)?  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |

<sup>3</sup> A member who performs a compilation engagement for a client should modify the compilation report to indicate a lack of independence if the member does not meet all of the conditions set out in the requirements of the interpretations under the “Nonattest Services” subtopic (AICPA, Professional Standards, ET sec. 1.295) of the “Independence Rule” (AICPA, Professional Standards, ET sec. 1.200.001), when providing a non-attest service to that client (see Statement on Standards for Accounting and Review Services [SSARS] No. 21, *Statements on Standards for Accounting and Review Services: Clarification and Recodification* [AICPA, Professional Standards, AR-C sec. 80] or SSARS No. 19, *Compilation and Review Engagements* [AICPA, Professional Standards, AR sec. 80]).





|  | Yes                      | No                       | N/A                      | Comments |
|--|--------------------------|--------------------------|--------------------------|----------|
| 2. Do the firm's policies and procedures include obtaining and evaluating the following relevant information before accepting or continuing a client relationship?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>a.</i> The nature and purpose of the services to be provided to the client and management's understanding thereof   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>b.</i> The identity of the client's principal owners, key management, related parties, and those charged with governance  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>c.</i> The nature of the client's operations, including its business practices, from sources such as annual reports, interim financial statements, reports to and from regulators, income tax returns, and credit reports                             | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>d.</i> Information obtained from third parties (bankers, factors, attorneys, credit services, and others who have business relationships with the entity)   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>e.</i> Information concerning the attitude of the client's principal owners, key management, and those charged with governance toward such matters as aggressive interpretation of accounting standards and internal control over financial reporting | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>f.</i> The risk of providing services in highly specialized or regulated industries   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>g.</i> Engagements that require an inordinate amount of time to complete relative to the available resources of the firm  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>h.</i> Communicating with the predecessor accountant or auditor when required by professional standards   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>i.</i> Conducting background checks of the business, its officers, and so on  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>j.</i> The risk of providing services to significant clients or to other clients for which the firm's objectivity or the appearance of independence may be impaired   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>k.</i> The need for additional firm and individual licenses for states other than where the firm's main office is domiciled or for states other than where an individual primarily practices  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>l.</i> Describe any other procedures the firm performs in making acceptance and continuance of client decisions or variations in procedures based on factors such as the nature and size of the engagement and prior experience with the client.      |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |

|  | Yes                      | No                       | N/A                      | Comments |
|--|--------------------------|--------------------------|--------------------------|----------|
| <p>3. Does the firm document the necessary communications with predecessor accountants and auditors, including inquiries regarding the nature of any disagreements and other events, and whether evidence of “opinion shopping” exists?</p> <p>a. If “yes,” where is the documentation maintained?</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>b. If “no,” describe how the firm documents compliance with paragraph .13 of AU-C sec. 300, <i>Planning an Audit</i> (AICPA, <i>Professional Standards</i>). _____</p> <p>_____</p> <p>_____</p> <p>_____</p>   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>4. When issues have been identified, and the firm decides to accept or continue the client relationship or a specific engagement, how does the firm document that the issues were resolved?</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p><i>The firm evaluates whether the engagement can be completed with professional competence; undertakes only those engagements for which the firm has the capabilities, resources, and professional competence to complete; and evaluates, at the end of specific periods or upon occurrence of certain events, whether the relationship should be continued.</i></p> |                          |                          |                          |          |
| <p>5. Does the firm evaluate whether it has obtained or can reasonably expect to obtain the knowledge and expertise necessary to perform the engagement, including relevant regulatory or reporting requirements, prior to accepting the engagement?</p> <p>a. If “yes,” describe how this decision is reached and where it is documented. _____</p> <p>_____</p> <p>_____</p> <p>_____</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |

|   | Yes                      | No                       | N/A                      | Comments |
|---|--------------------------|--------------------------|--------------------------|----------|
| <p>b. If "no," describe how the firm determines that it can perform the engagement. _____</p> <p>_____</p> <p>_____</p> <p>_____</p>  |                          |                          |                          |          |
| <p>6. Does the firm specify conditions that require evaluation of a specific client or engagement, obtaining relevant information to determine whether the relationship should be continued, and establishing a specific time period to make that evaluation?</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>a. If "yes," do the conditions include the following?</p>  |                          |                          |                          |          |
| <p>i. Significant changes in the client, such as a major change in senior client personnel, ownership, advisors, nature of its business, or its financial stability</p>   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>ii. Changes in the nature or scope of the engagement, including requests for additional services</p>   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>iii. Changes in the composition of the firm, such as the loss of and inability to replace key personnel who are particularly knowledgeable about a specialized industry</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>iv. The decision to discontinue services to clients in a particular industry</p>   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>v. The existence of conditions that would have caused the firm to reject the client or engagement had such conditions existed at the time of the initial acceptance</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>vi. The client's delinquency in paying fees</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>vii. Engagements for entities in highly specialized or regulated industries</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>viii. Engagements for entities in which there may be substantial doubt about the entity's ability to continue as a going concern</p>   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>ix. Engagements for entities in the development stage</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>x. Engagements in which the client has ignored prior recommendations, such as those that address deficiencies in internal control</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |

|   | Yes                      | No                       | N/A                      | Comments |
|---|--------------------------|--------------------------|--------------------------|----------|
| <p>b. If “no,” describe how the firm obtains assurance that it is not continuing a relationship that should be discontinued. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>  |                          |                          |                          |          |
| <p>7. Does the firm designate individuals to evaluate and make a recommendation as to whether a client or specific engagement should be accepted or continued?<br/>If “yes,” indicate individual(s). _____</p> <p>_____</p> <p>_____</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>a. If “yes,” do the individuals do the following?</p>  |                          |                          |                          |          |
| <p>i. Evaluate all the information obtained about the client or engagement and make a recommendation about whether the client or engagement should be accepted or continued</p>   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>ii. Document the decision and have an individual at an appropriate level approve the decision</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>b. If “no,” describe how the decision to accept or continue a client or engagement is made. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>  |                          |                          |                          |          |
| <p><b><i>The firm obtains an understanding with the client regarding the services to be performed.</i></b></p>  |                          |                          |                          |          |
| <p>8. Does the firm document its understanding with the client regarding the services to be performed by obtaining either an engagement letter for all engagements, thus minimizing the risk of misunderstandings regarding the nature, scope, and limitation of the services to be performed, or by documenting the understanding in a memorandum?</p> <p>If “no,” describe how the firm obtains assurance that its understanding is in agreement with the client’s understanding of the work to be performed. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |

|  | Yes                      | No                       | N/A                      | Comments |
|--|--------------------------|--------------------------|--------------------------|----------|
| <p><i>The firm establishes procedures on withdrawal from an engagement or from both the engagement and the client relationship.</i></p> <p>9. Describe the firm’s procedures for withdrawal from an engagement or from both the engagement and the client relationship. _____<br/>                     _____<br/>                     _____<br/>                     _____<br/>                     _____</p>  |                          |                          |                          |          |
| <p>10. Did the firm consider discontinuing any audit and accounting client relationships during the year under review but decide to continue?<br/>                     If “yes,” explain. _____<br/>                     _____<br/>                     _____<br/>                     _____<br/>                     _____</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p><b>D. Human Resources</b></p> <p><i>Quality control policies and procedures for human resources provide the firm with reasonable assurance that it has sufficient personnel with the capabilities, competence, and commitment to ethical principles necessary to perform its engagements in accordance with professional standards and regulatory and legal requirements and to enable the firm to issue reports that are appropriate in the circumstances.</i></p> <p><i>Personnel must have integrity and possess the appropriate characteristics to enable them to perform competently.</i></p> <p>1. Does the firm have an individual responsible for the firm’s hiring and human resources management, including evaluation of personnel needs, establishment of hiring objectives, and providing final approval?<br/>                     a. If “yes,” identify. _____<br/>                     _____<br/>                     b. If “no,” describe the following:<br/>                     i. How this is accomplished. _____<br/>                     _____<br/>                     _____<br/>                     _____</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |

|   | Yes                      | No                       | N/A                      | Comments   |
|---|--------------------------|--------------------------|--------------------------|--|
| ii. How the firm determines that it has adequate staff to perform its professional engagements. _____<br>_____<br>_____<br>_____  |                          |                          |                          | _____<br>_____<br>_____<br>_____<br>_____<br>_____ |
| 2. Does the firm have hiring criteria?  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____  |
| a. If "yes," briefly describe the following:  |                          |                          |                          |  |
| i. The attributes, achievements, and experiences desired in entry-level and experienced personnel to enable them to perform competently within the firm. Highlight any items that represent requirements for hire. _____<br>_____<br>_____<br>_____ |                          |                          |                          | _____<br>_____<br>_____<br>_____<br>_____<br>_____ |
| ii. How the firm evaluates personal characteristics such as integrity, competence, and motivation of new hires. _____<br>_____<br>_____<br>_____  |                          |                          |                          | _____<br>_____<br>_____<br>_____<br>_____<br>_____ |
| iii. Any additional information the firm requires for experienced hires, such as background checks and inquiries about any outstanding regulatory actions. _____<br>_____<br>_____<br>_____<br>_____  |                          |                          |                          | _____<br>_____<br>_____<br>_____<br>_____<br>_____ |
| b. If "no," describe how the firm determines that the personnel hired are appropriate for the position they are hired to fill. _____<br>_____<br>_____<br>_____<br>_____  |                          |                          |                          | _____<br>_____<br>_____<br>_____<br>_____<br>_____ |

|   | Yes                      | No                       | N/A                      | Comments |
|---|--------------------------|--------------------------|--------------------------|----------|
| <p>3. Does the firm have criteria for determining which individuals will be involved in the interviewing and hiring process?</p> <p>a. If "yes," describe how these individuals are trained.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>b. If "no," describe how the firm determines who is appropriate for this role. _____</p> <p>_____</p> <p>_____</p> <p>_____</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p><b><i>The firm assigns personnel (including partners) based on the knowledge, skills, and abilities required in the circumstances and the nature and extent of supervision needed.</i></b></p>   |                          |                          |                          |          |
| <p>4. Does the firm have policies and procedures to ensure personnel assigned to engagements have the degree of technical training and proficiency required in the circumstances considering the nature and extent of supervision to be provided?</p> <p>a. If "yes," answer the following:</p> <p>i. Who is responsible for the assignment of personnel to engagements, including high-risk engagements and industries? _____</p> <p>_____</p> <p>ii. What factors are used to determine how personnel are assigned to engagements (for example, engagement size and complexity, specialized experience or expertise required, personnel availability and involvement of supervisory personnel, timing of the work to be performed, continuity and rotation of personnel, opportunities for on-the-job training, previous knowledge, skills, and abilities [competencies] gained through other experience, situations where independence or objectivity concerns exist)? _____</p> <p>_____</p> <p>_____</p> <p>b. If "no," describe how the firm determines that the personnel assigned to engagements are qualified to perform the engagements. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |

|  | Yes                      | No                       | N/A                      | Comments   |
|--|--------------------------|--------------------------|--------------------------|--|
| 5. Describe the firm’s policies and procedures for ensuring that individuals are maintaining the appropriate individual licenses, including for states other than where the individual primarily practices public accounting.<br><br>_____<br><br>_____<br><br>_____   |                          |                          |                          | _____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____ |
| 6. Does the firm specify the knowledge, skills, and abilities (competencies) the practitioner in charge of the firm’s accounting, auditing, or attestation engagements (the partner or other person who is responsible for supervising those types of engagements and signing or authorizing someone to sign the accountant’s report on such engagements) should possess to fulfill his or her engagement responsibilities? Do such competencies for the practitioner-in-charge include the following: | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____ |
| a. An understanding of the role of the firm’s system of quality control and the AICPA <i>Code of Professional Conduct</i>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____<br>_____                                     |
| b. An understanding of the performance, supervision, and reporting aspects of the engagement   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____<br>_____                                     |
| c. An understanding of the applicable accounting, auditing, or attestation professional standards, including those standards directly related to the industry in which a client operates   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____<br>_____                                     |
| d. An understanding of the industry in which a client operates, including the industry’s organization and operating characteristics, to identify the areas of high or unusual risk associated with an engagement, and to evaluate the reasonableness of industry-specific estimates  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____<br>_____                                     |
| e. Skills that indicate sound professional judgment  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____<br>_____                                     |
| f. An understanding of how the organization is dependent on or enabled by information technologies, and the manner in which information systems are used to record and maintain financial information  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____<br>_____                                     |
| <b><i>Personnel participate in general and industry-specific continuing professional education (CPE) and professional development activities that enable them to satisfy responsibilities assigned and fulfill applicable CPE requirements of the AICPA, state CPA societies, state boards of accountancy, and other regulators.</i></b>   |                          |                          |                          | _____<br>_____<br>_____<br>_____                                     |
| 7. Does the firm have an individual or individuals responsible for the firm’s CPE and professional development activities and who maintain(s) CPE records and course materials for personnel?  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____<br>_____                                     |
| a. If “yes,” identify. _____<br>_____<br>_____   |                          |                          |                          | _____<br>_____<br>_____<br>_____                                     |

|   | Yes                      | No                       | N/A                      | Comments |
|---|--------------------------|--------------------------|--------------------------|----------|
| <p>b. If “no,” describe how the firm monitors its CPE and professional development activities and determines that all personnel are in compliance with applicable CPE requirements. _____</p> <p>_____</p> <p>_____</p> <p>_____</p>  |                          |                          |                          |          |
| <p>8. Do personnel assigned to audit and accounting engagements take courses related to those engagements?</p> <p>a. Provide an approximation of the type of CPE taken.</p> <p>Self-study courses _____%</p> <p>In-house training program</p> <p>(i) Developed by the firm _____%</p> <p>(ii) Obtained from outside vendors _____%</p> <p>State society or AICPA programs _____%</p> <p>Other programs _____%</p> <p>b. Describe how the firm assures personnel participate in CPE related to accounting and auditing assignments, including specialized industries. _____</p> <p>_____</p> <p>_____</p> <p>_____</p>       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>9. Are all personnel in compliance with the professional education requirements of the board(s) of accountancy in state(s) where they are licensed, the AICPA (if applicable), the state CPA society (if applicable), and <i>Government Auditing Standards</i>—the Yellow Book (if applicable)?</p> <p>If “no,” provide the following information:</p> <p>a. Explain instances of noncompliance. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>b. Attach a list of personnel not in compliance, and indicate the firm’s plan for correcting the situation.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |



|  | Yes                      | No                       | N/A                      | Comments |
|--|--------------------------|--------------------------|--------------------------|----------|
| <p>If "no," briefly explain why. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>   |                          |                          |                          |          |
| <p><i>Personnel selected for advancement have the qualifications necessary to fulfill the responsibilities they will be called on to assume.</i></p>   |                          |                          |                          |          |
| <p>13. Does the firm have different levels of responsibility within the firm (for example, partner, manager, senior)?</p> <p>If "yes," briefly describe. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>14. Does the firm have an individual responsible for advancement and termination decisions?</p> <p>a. If "yes," describe who is responsible for the following:</p> <p>i. Establishing evaluation and advancement criteria for personnel at all levels, including development of evaluation forms. Also, briefly describe whether criteria are documented (for example, in a personnel manual). _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>ii. Making advancement and termination decisions, including identifying responsibilities and requirements for evaluation at each level and deciding who will prepare evaluations. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>iii. Development of the evaluation form for each professional classification, including partners.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |

|   | Yes                      | No                       | N/A                      | Comments |
|---|--------------------------|--------------------------|--------------------------|----------|
| <p>b. If “no,” describe how these decisions are made and implemented. _____<br/>                     _____<br/>                     _____<br/>                     _____<br/>                     _____</p>   |                          |                          |                          |          |
| <p>15. Does the firm periodically evaluate the performance of personnel and advise them of their progress in the firm? <input type="checkbox"/></p> <p>a. If “yes,” answer the following questions:</p> <p>i. Who is responsible for performing the evaluation?<br/>                     _____<br/>                     _____</p> <p>ii. How often are the evaluations performed?<br/>                     _____<br/>                     _____</p> <p>iii. Are standard evaluation forms used? <input type="checkbox"/><br/>                     If “no,” briefly describe whether they are documented by another means. _____<br/>                     _____<br/>                     _____</p> <p>b. If “no,” describe how firm personnel are informed of their performance and progress in the firm. _____<br/>                     _____<br/>                     _____<br/>                     _____</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>16. Does the firm counsel personnel regarding their progress and career opportunities by doing the following:</p> <p>a. Periodically summarizing and reviewing with personnel the evaluation of their performance, including an assessment of their knowledge, skills and abilities (competencies), and progress with the firm that includes a discussion regarding performance, future objectives of the firm and the individual, assignment preferences, and career opportunities <input type="checkbox"/></p> <p>b. Periodically evaluating owners, including whether they possess the knowledge, skills, and abilities (competencies) necessary to enable them to be qualified to perform the firm’s accounting, auditing, or attestation engagements (for example, by means of counseling, peer evaluation or self-appraisal) <input type="checkbox"/></p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |

|   | Yes                      | No                       | N/A                      | Comments |
|---|--------------------------|--------------------------|--------------------------|----------|
| <b>E. Engagement Performance</b>  |                          |                          |                          |          |
| <i>Quality control policies and procedures for engagement performance are designed to provide the firm with reasonable assurance that engagements are consistently performed in accordance with professional standards and regulatory and legal requirements, and that the firm or the engagement partner issues reports that are appropriate in the circumstances.</i> |                          |                          |                          |          |
| 1. Does the firm develop its own quality control materials (QCM) (for example, an audit and accounting manual, standardized forms, checklists, templates, practice aids, tools, questionnaires and the like) to assist with engagement performance? If “yes,”   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| a. have you provided the review team with a list of the types of QCM developed by the firm?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| b. are such materials used as an integral part of the firm’s system of quality control?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| c. are the firm’s QCM used for a specified purpose (for example, sampling or risk templates) or a specific industry (for example, homeowners’ associations)?  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| d. describe the firm’s quality control policies and procedures for the following:   |                          |                          |                          |          |
| i. developing and maintaining the QCM (for example, making updates and revisions).  |                          |                          |                          |          |
| _____   |                          |                          |                          |          |
| _____   |                          |                          |                          |          |
| _____   |                          |                          |                          |          |
| _____   |                          |                          |                          |          |
| _____   |                          |                          |                          |          |
| ii. ensuring the reliability of the QCM.  |                          |                          |                          |          |
| _____   |                          |                          |                          |          |
| _____   |                          |                          |                          |          |
| _____   |                          |                          |                          |          |
| _____   |                          |                          |                          |          |
| iii. ensuring the suitability of the QCM for the firm’s practice.   |                          |                          |                          |          |
| _____   |                          |                          |                          |          |
| _____   |                          |                          |                          |          |
| _____   |                          |                          |                          |          |
| _____   |                          |                          |                          |          |
| _____   |                          |                          |                          |          |

|  | Yes                      | No                       | N/A                      | Comments |
|--|--------------------------|--------------------------|--------------------------|----------|
| 2. Does the firm use third-party QCM (for example, an audit and accounting manual, standardized forms, checklists, templates, practice aids, tools, questionnaires, and the like) to assist with engagement performance? If yes,   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>a.</i> have you provided the review team with a list of all providers or sources of QCM used by the firm?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>b.</i> are such QCM used as an integral part of the firm’s system of quality control?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>c.</i> are the provider’s QCM used for a specified purpose (for example, sampling or risk assessment templates) or a specific industry (for example, homeowners’ associations)?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>d.</i> describe the firm’s quality control policies and procedures for the following:   |                          |                          |                          |          |
| <i>i.</i> adopting, updating and modifying the third-party QCM.  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| <i>ii.</i> ensuring the reliability of the QCM.  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| <i>iii.</i> ensuring the suitability of the QCM for the firm’s practice.   |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| <i>e.</i> have the specific third party QCM used by the firm undergone a QCM review (been “peer reviewed”) (Copies of current QCM review reports and acceptance letters can be obtained either from the AICPA website at <a href="http://www.aicpa.org/InterestAreas/PeerReview/Community/NationalPRC/Pages/QCMReviewResults.aspx">http://www.aicpa.org/InterestAreas/PeerReview/Community/NationalPRC/Pages/QCMReviewResults.aspx</a> or from the reviewed provider)? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <i>i.</i> If “yes,” have you furnished a copy of the provider’s QCM review report to the team captain or, if the provider has elected to have its QCM review documents posted to the AICPA’s website, directed the team captain toward the website?  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |

|  | Yes                      | No                       | N/A                      | Comments   |
|--|--------------------------|--------------------------|--------------------------|--|
| ii. If “no,” identify the QCM used by the firm that have not undergone a QCM review.<br>_____<br>_____<br>_____  |                          |                          |                          | _____<br>_____<br>_____<br>_____   |
| <b><i>The engagement is planned to meet professional, regulatory, and firm requirements.</i></b>   |                          |                          |                          |  |
| 3. Does the firm provide its personnel with documented policies and procedures for planning audit and accounting engagements?  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____<br>_____   |
| a. If “yes,” indicate where that documentation is located (for example, in an audit and accounting manual).<br>_____<br>_____<br>_____   |                          |                          |                          | _____<br>_____<br>_____<br>_____   |
| b. If “no,” briefly describe the procedures the firm performs in planning audit and accounting engagements, including the information obtained and considered and the nature, timing, and extent of partner involvement in the planning process. Also, describe any variations in those procedures based on factors such as the nature and size of the engagement and prior experience on the engagement. _____<br>_____<br>_____<br>_____ |                          |                          |                          | _____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____ |
| 4. Do the firm’s policies and procedures for planning include the following:   |                          |                          |                          |  |
| a. Assigning responsibility for planning the engagement. If “yes,” indicate who is responsible. _____<br>_____   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____  |
| b. Developing or updating background information on the client and the engagement. If “yes,” indicate who is responsible. _____<br>_____   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____  |
| c. Developing a proposed work program tailored to the specific engagement  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____  |
| d. Considering staffing requirements and the need for specialized knowledge  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____  |
| e. Considering the economic conditions affecting the client or its industry and their potential effect on the conduct of the engagement  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____  |

|   | Yes                      | No                       | N/A                      | Comments |
|---|--------------------------|--------------------------|--------------------------|----------|
| f. Considering risks, including fraud, and how they may affect the procedures to be performed   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| g. Preparing a budget that allocates a sufficient amount of time so the engagement will be performed in accordance with professional standards and the firm's quality control procedures  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| h. Describe any other procedures in addition to those covered in 2a–2g. _____<br>_____  |                          |                          |                          |          |
| <b><i>The engagement is performed, supervised, documented, and reported (or communicated) in accordance with the requirements of professional standards, applicable regulators, and the firm.</i></b>   |                          |                          |                          |          |
| 5. Do the firm's policies and procedures do the following:  |                          |                          |                          |          |
| a. Require that a written program tailored to the specific engagement be used on all engagements?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| i. If "yes," is someone with appropriate authority required to review and approve the program?<br>If "yes," describe how this approval is documented _____<br>_____<br>_____  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| ii. If "no," describe how personnel are made aware of the procedures to be performed on engagements.<br>_____<br>_____<br>_____   |                          |                          |                          |          |
| b. Specify the form and content of working papers, such as purchased practice aids, as well as standardized forms, checklists, and questionnaires, that are to be used in engagement performance evaluations?<br>How does the firm integrate such aids into its engagements? _____                                    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| i. List any purchased practice aids or other forms and checklists and describe how they have been developed and updated; then attach the list and indicate whether the use of each is required or discretionary. (Note that the reviewer will want to inspect these forms during the review.) _____<br>_____<br>_____ |                          |                          |                          |          |

|  | Yes                      | No                       | N/A                      | Comments |
|--|--------------------------|--------------------------|--------------------------|----------|
| ii. If these are not used, describe the form of documentation used to determine that appropriate work has been performed to justify the firm's conclusions. _____<br>_____<br>_____<br>_____<br>_____  |                          |                          |                          |          |
| c. Was the following verified through required documentation?  |                          |                          |                          |          |
| i. Understanding of the entity and its environment   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| ii. Consideration of internal control structure in planning and performing the engagement  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| iii. Assessment of control risk  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| iv. Consideration of audit risk and materiality when planning and performing an audit  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| v. Audit sampling technique  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| vi. Consideration of fraud in the financial statement audit  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| vii. Conduct of and degree of reliance placed on analytical procedures   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| If "no" to any possibilities covered in items 3c(i) – 3c(vii), describe how the firm determines that appropriate procedures were performed. _____<br>_____<br>_____  |                          |                          |                          |          |
| d. Does the firm have documented procedures to follow when the firm uses other offices or correspondents for audit or accounting engagements?  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| i. If "yes," describe the form in which instructions are given to other offices or correspondents and the extent to which their work is reviewed, or indicate where the firm's procedures for the supervision and control of that work are found.<br>_____<br>_____<br>_____ |                          |                          |                          |          |
| ii. If "no," describe how the firm determines that the work performed was appropriate. _____<br>_____<br>_____<br>_____  |                          |                          |                          |          |

|   | Yes                      | No                       | N/A                      | Comments |
|---|--------------------------|--------------------------|--------------------------|----------|
| <p>e. Does the firm have procedures for documenting the extent of engagement reviews so that the financial statements and communications with management and the board of directors meet professional and firm presentation and disclosure standards?</p> <p>If “no,” describe how the firm determines that an appropriate review was performed and that communications were made in accordance with firm and professional standards. _____</p> <p>_____</p> <p>_____</p> <p>_____</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____    |
| <p>6. Do the firm’s policies and procedures assign responsibility for review of all reports, financial statements, and working papers to a reviewer who is senior (when possible) to the preparer?</p> <p>a. If “yes,” is that review designed to obtain reasonable assurance of the following:</p> <p>i. The procedures performed were consistent with engagement planning and exceptions were appropriately investigated.</p> <p>ii. The appropriateness of planned procedures was reconsidered when significant changes in risk factors were identified during the engagement.</p> <p>iii. Firm-prescribed forms, checklists, questionnaires, and purchased practice aids (as applicable) were used in performing and reporting on the engagement.</p> <p>b. If “no,” describe how the firm obtains assurance that reports, financial statements, and working papers are appropriate. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____    |
| <p>7. Does the firm require that a partner of the firm ultimately be responsible for each engagement (certain standards may require partner responsibility)?</p> <p>If “no,” describe who is responsible for the final approval for issuing the accountant’s or auditor’s report. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____    |

|   | Yes                      | No                       | N/A                      | Comments |
|---|--------------------------|--------------------------|--------------------------|----------|
| 8. Do the firm’s policies and procedures regarding review of reports, financial statements, and working papers, as well as documentation of the review and completion process provide reasonable assurance of the following:                      |                          |                          |                          |          |
| a. All reviewers have appropriate experience, competence, and responsibility.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| b. All engagements performed comply with professional standards and firm policy.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| c. Appropriate documentation is required on all engagements evidencing review of reports, financial statements, and working papers.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| d. Engagement teams complete the assembly of final engagement files on time.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| e. Describe where and how <i>a-d</i> are documented.<br>_____<br>_____<br>_____<br>_____  |                          |                          |                          |          |
| 9. Describe the firm’s policies and procedures for maintaining confidentiality, safe custody, integrity, accessibility, and retrievability of engagement documentation. _____<br>_____<br>_____<br>_____<br>_____                                 |                          |                          |                          |          |
| 10. Describe the firm’s policies and procedures for retaining engagement documentation for a period of time sufficient to meet the needs of the firm, professional standards, and laws and regulations. _____<br>_____<br>_____<br>_____<br>_____ |                          |                          |                          |          |
| 11. Has the firm merged with another firm since the date of its last peer review or in the last three years?<br>If “yes,” answer the following questions:   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| a. Did the firm acquire any personnel in the merger?  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| b. Did the firm acquire and retain any new offices in the merger?<br>If “yes,” indicate the locations of any such offices.<br>_____<br>_____<br>_____   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |

|   | Yes                      | No                       | N/A                      | Comments |
|---|--------------------------|--------------------------|--------------------------|----------|
| <p>c. Have the personnel of the acquired firm adopted the firm’s quality control policies and procedures? If “no,” briefly describe on a separate page the plan for integrating the acquired firm.</p> <p><i>The firm requires that consultations take place when appropriate; that sufficient and appropriate resources are available to enable appropriate consultation to take place; that all the relevant facts known to the engagement team are provided to those consulted; that the nature, scope, and conclusions of such consultations are documented; and that conclusions resulting from such consultations are implemented.</i></p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>12. Does the firm inform personnel of its consultation policies and procedures?</p> <p>a. If “yes,” briefly describe how they are informed.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>b. If “no,” describe how personnel are made aware of what procedures to follow when they encounter areas or situations where consultation is required. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>13. Does the firm require the person ultimately responsible for the engagement to determine the need to consult?</p> <p>a. If “yes,” is that determination based on the following:</p> <p>i. The materiality of the matter</p> <p>ii. The experience of senior engagement personnel in a particular industry or functional area</p> <p>iii. Whether generally accepted accounting principles or generally accepted auditing standards in the functional area are as follows:</p> <p>(a) Based on authoritative pronouncements that are subject to varying interpretations</p> <p>(b) Based on varied interpretations of prevailing practice</p> <p>(c) Developed</p> <p>(d) Under active consideration by an authoritative body</p> <p>(e) Not previously interpreted by the firm (for example, in connection with another engagement)</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |

|  | Yes                      | No                       | N/A                      | Comments                                  |
|--|--------------------------|--------------------------|--------------------------|---|
| (f) Describe where and how (a)–(e) are documented. _____<br>_____<br>_____<br>_____  |                          |                          |                          | _____<br>_____<br>_____<br>_____<br>_____ |
| (g) Title of person responsible:<br>_____  |                          |                          |                          | _____<br>_____<br>_____                   |
| b. If “no,” describe who determines the need to consult.<br>_____<br>_____<br>_____  |                          |                          |                          | _____<br>_____<br>_____<br>_____          |
| 14. Does the firm identify circumstances, including specialized situations, when firm personnel are expected to consult?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____                            |
| a. If “yes,” do those circumstances include the following:   |                          |                          |                          |   |
| i. Application of newly issued technical pronouncements  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____                            |
| ii. Industries with special accounting, auditing, or reporting requirements  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____                            |
| iii. Emerging practice problems  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____                            |
| iv. Choices among alternative generally accepted accounting principles upon initial adoption or when an accounting change is made  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____                   |
| v. Reissuance of a report, consideration of omitted procedures after a report has been issued, or subsequent discovery of facts that existed at the time a report was issued | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____<br>_____          |
| vi. Filing requirements of regulatory agencies   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____                   |
| b. If “no,” describe how personnel are informed of situations when they should consult. _____<br>_____<br>_____<br>_____   |                          |                          |                          | _____<br>_____<br>_____<br>_____<br>_____ |
| 15. Does the firm designate individuals within and outside the firm as consultants in certain areas?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____                            |
| a. If “yes,” complete the following:   |                          |                          |                          |   |
| i. Attach a list of the individuals designated as consultants, identify their specialties, and indicate how personnel have been made aware of this information.              |                          |                          |                          | _____<br>_____<br>_____<br>_____<br>_____ |

|   | Yes                      | No                       | N/A                      | Comments                |
|---|--------------------------|--------------------------|--------------------------|-------------------------|
| ii. Describe how differences of opinion between engagement personnel and specialists are resolved.<br>_____<br>_____<br>_____   |                          |                          |                          | _____<br>_____<br>_____ |
| iii. Describe how the firm determines when to consult with outside parties and with whom to consult.<br>_____<br>_____<br>_____   |                          |                          |                          | _____<br>_____<br>_____ |
| iv. If, during the year of review, the firm sought advice from outside parties to resolve questions involving professional standards or specialized industry practices, describe the situation and the outcome. _____<br>_____<br>_____ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____ |
| v. SEC pronouncements?  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____ |
| b. If “no,” describe how personnel are made aware of whom they should consult. _____<br>_____<br>_____<br>_____   |                          |                          |                          | _____<br>_____<br>_____ |
| 16. Does the firm maintain or provide its personnel access to adequate and current reference materials, including materials related to its clients?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____ |
| a. If “yes,” do those materials include the following:  |                          |                          |                          |                         |
| i. AICPA <i>Professional Standards</i>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____ |
| ii. AICPA industry audit guides relevant to the firm’s practice   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____ |
| iii. FASB pronouncements  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____ |
| iv. GASB pronouncements, <i>Government Auditing Standards</i> (the “Yellow Book”), and other government audit guides relevant to the firm’s practice  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____ |
| v. SEC pronouncements   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____ |
| vi. Describe the means of access to i–v.<br>_____<br>_____<br>_____   |                          |                          |                          | _____<br>_____<br>_____ |

|  | Yes                      | No                       | N/A                      | Comments |
|--|--------------------------|--------------------------|--------------------------|----------|
| <p>b. If “no,” describe how personnel are kept aware of current professional standards related to the firm’s clients. _____<br/>                     _____<br/>                     _____<br/>                     _____<br/>                     _____</p>  |                          |                          |                          |          |
| <p>17. Does the firm require documentation of consultation? <input type="checkbox"/></p> <p>a. If “yes,” does that documentation include the following:</p> <p>i. All relevant facts and circumstances <input type="checkbox"/></p> <p>ii. References to professional literature used in the determination <input type="checkbox"/></p> <p>iii. Conclusions reached <input type="checkbox"/></p> <p>iv. Signatures of engagement partner and consultant <input type="checkbox"/></p> <p>v. Reference to the engagement working papers <input type="checkbox"/></p> <p>vi. Describe where documentation of i-v is maintained. _____<br/>                     _____<br/>                     _____<br/>                     _____</p> <p>b. If “no,” describe how the firm justifies its position on consultation. _____<br/>                     _____<br/>                     _____<br/>                     _____<br/>                     _____</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| <p>18. Does the firm have policies and procedures for personnel to follow to resolve differences of professional judgment within an engagement team? (See AU-C section 220, <i>Quality Control for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards</i> [AICPA, <i>Professional Standards</i>].) <input type="checkbox"/></p> <p>a. If “yes,” answer the following questions:</p> <p>i. Are conclusions reached appropriately documented? <input type="checkbox"/><br/>                     If “yes,” describe where. _____<br/>                     _____<br/>                     _____</p> <p>ii. Who is responsible for resolving such matters? <input type="checkbox"/><br/>                     _____<br/>                     _____</p>   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |

|  | Yes                      | No                       | N/A                      | Comments |
|--|--------------------------|--------------------------|--------------------------|----------|
| iii. Do the procedures allow assistants to document their disagreement with the conclusion reached and disassociate themselves from the resolution of the matter?  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| iv. Does the policy require that the matter be resolved before the report is released?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| v. Describe where the documentation is maintained.<br>_____<br>_____<br>_____  |                          |                          |                          |          |
| b. If “no,” describe how personnel know what procedures to follow in the event of a difference in professional judgment. _____<br>_____<br>_____<br>_____  |                          |                          |                          |          |
| <b><i>An engagement quality control review includes reading the financial statements or other subject matter information and the report and considering whether the report is appropriate. The engagement quality control review also includes a review of selected engagement documentation relating to the significant judgments the engagement team made, conclusions they reached, and discussion with the engagement partner regarding significant findings and issues.</i></b> |                          |                          |                          |          |
| 19. Describe the criteria the firm has established for determining whether an engagement quality control review should be performed (include the nature of the firm’s practice, nature of the engagement, unusual circumstances or risk, and whether laws or regulations require an engagement quality control review).<br>_____<br>_____<br>_____<br>_____  |                          |                          |                          |          |
| 20. Does the firm have any engagements that meet the criteria for an engagement quality control review?  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| a. If “no,” an engagement quality control review is not required and the remainder of this section is not applicable.  |                          |                          |                          |          |
| b. If “yes,” has the firm considered the following:  |                          |                          |                          |          |
| i. The engagement partner should not select the engagement quality control reviewer.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| ii. The engagement quality control reviewer has sufficient technical expertise and experience.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |

|   | Yes                      | No                       | N/A                      | Comments |
|---|--------------------------|--------------------------|--------------------------|----------|
| iii. The engagement quality control reviewer meets the independence requirements relating to the engagements reviewed, even though the reviewer is not a member of the engagement team.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| iv. The engagement partner remains responsible for the engagement and its performance, despite involvement of the engagement quality control reviewer.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| v. The engagement quality control review may be conducted at various stages throughout the engagement.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| vi. The engagement quality control review includes a discussion with the engagement partner about significant findings and issues.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| vii. The engagement quality control review be completed before the report is released.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| viii. The engagement quality control review be documented.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| ix. Before reports are released, matters that would cause the reviewer to question the engagement team's judgments and conclusions are resolved.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| x. Describe how and where i-ix are documented.<br>_____<br>_____<br>_____<br>_____  |                          |                          |                          |          |
| <b>F. Monitoring</b><br><br><i>Quality control policies and procedures for monitoring provide the firm and its engagement partners with reasonable assurance that the policies and procedures related to the system of quality control are relevant, adequate, operationally effective, and followed.</i><br><br><i>The firm considers and evaluates, on an ongoing basis, the design and effectiveness of its quality control policies and procedures operation.</i><br><br>1. Indicate who has been assigned the responsibility for the firm's quality assurance process. _____<br>_____<br>_____<br><br>2. Describe how the firm determines that individuals responsible for the quality assurance process have sufficient experience and authority to assume that responsibility.<br>_____<br>_____<br>_____<br>_____ |                          |                          |                          |          |

|  | Yes                      | No                       | N/A                      | Comments                |
|--|--------------------------|--------------------------|--------------------------|-------------------------|
| 3. Describe how the firm considers the following quality assurance matters:  |                          |                          |                          |                         |
| a. The need to review the relevance and adequacy of the firm’s audit methodology for the following factors:                              |                          |                          |                          |                         |
| i. Mergers and divestitures of portions of the practice _____<br>_____<br>_____  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____ |
| ii. Changes in professional standards and SEC or other regulatory requirements applicable to the firm’s practice _____<br>_____<br>_____ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____ |
| iii. Results of inspections and peer reviews _____<br>_____<br>_____   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____ |
| iv. Review of litigation and regulatory enforcement actions against the firm and others _____<br>_____<br>_____                          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____ |
| v. The impact that changes in technology may have on clients’ methods of doing business _____<br>_____<br>_____                          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____ |
| vi. Changes in clients’ industries that affect their operations _____<br>_____<br>_____  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____ |
| vii. Changes in applicable AICPA membership requirements _____<br>_____<br>_____   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____ |

|  | Yes                      | No                       | N/A                      | Comments |
|--|--------------------------|--------------------------|--------------------------|----------|
| <p>b. Whether personnel have been appropriately informed of their responsibilities for maintaining the firm's standards of quality</p> <p>_____</p> <p>_____</p> <p>_____</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____    |
| <p>c. Compliance, effectiveness, and appropriateness of the other elements of quality control in the firm's practice</p> <p>_____</p> <p>_____</p> <p>_____</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____    |
| <p><i>The firm considers and evaluates, on an ongoing basis, the appropriateness of its guidance materials and any practice aids.</i></p>  |                          |                          |                          |          |
| <p>4. Describe the firm's quality control policies and procedures to monitor that the firm's guidance, and quality control materials (QCM) (for example, an audit and accounting manual, standardized forms, checklists, templates, practice aids tools, questionnaires, and the like), are updated for new professional pronouncements and are reliable and suitable for the firm's practice.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> |                          |                          |                          | _____    |
| <p>5. Describe how the firm informs and provides guidance to its personnel regarding new professional standards, regulatory requirements, and related changes to firm policy or practice aids. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>   |                          |                          |                          | _____    |
| <p><i>The firm considers and evaluates, on an ongoing basis, the effectiveness of professional development activities.</i></p>   |                          |                          |                          |          |
| <p>6. Who is responsible for monitoring the firm's professional development programs? Indicate name. _____</p> <p>_____</p>  |                          |                          |                          | _____    |
| <p>a. Does the firm accomplish the following:</p>  |                          |                          |                          |          |
| <p>i. Evaluate training programs to determine whether they achieve their objectives.</p>   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____    |

|  | Yes                      | No                       | N/A                      | Comments |
|--|--------------------------|--------------------------|--------------------------|----------|
| ii. Review summaries of CPE records to track each of its personnel’s compliance with the requirements of the AICPA and other regulatory bodies.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| iii. Consider whether the firm’s professional development programs should be revised based on the results of the firm’s inspection or peer review.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| iv. Solicit information from its personnel regarding effectiveness of the firm’s training programs.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| b. If “no” to any of the preceding items describe how the firm determines that its professional development programs are appropriate.  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| _____  |                          |                          |                          |          |
| <b><i>The firm considers and evaluates, on an ongoing basis, compliance with its policies and procedures and communicates the results of the monitoring process to relevant firm personnel at least annually.</i></b>  |                          |                          |                          |          |
| 7. Does the firm perform timely inspections, <sup>4</sup> post-issuance reviews of engagement working papers, reports, and clients’ financial statements for selected engagements, or both to evaluate the firm’s compliance with its policies and procedures as part of its monitoring process? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| If “yes,” answer the following questions:  |                          |                          |                          |          |
| a. Does the firm assign responsibility for performing the inspections or post-issuance reviews to a partner or manager-level individual not associated with the engagement?  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| b. Does the firm’s inspections or post-issuance reviews include the following:   |                          |                          |                          |          |
| i. Establishing an approach and timetable for performing the inspection or post-issuance review procedures and determining the forms and checklists to be used and the extent of documentation required  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| ii. Performing appropriate tests of compliance with the firm’s policies and procedures on a sample basis   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |

<sup>4</sup> Paragraphs .A72–.A73 of SQCS No. 8 provides guidance for inspection and monitoring procedures for small firms with a limited number of persons with sufficient and appropriate experience to effectively monitor compliance.

|   | Yes                      | No                       | N/A                      | Comments |
|---|--------------------------|--------------------------|--------------------------|----------|
| iii. Reviewing correspondence and documentation, as well as interviewing personnel, to determine the firm's compliance with its policies and procedures regarding leadership responsibilities for quality within the firm, relevant ethical requirements (including independence, integrity, and objectivity), acceptance and continuance of client relationships and specific engagements, human resources, engagement performance, and monitoring | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| iv. Reviewing a cross section of engagements considering the following criteria:  |                          |                          |                          |          |
| (a) All partners and managers with significant accounting and auditing responsibilities   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| (b) Significant specialized industries with emphasis given to high-risk industries  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| (c) The size of the firm, number and geographical location of offices, and the degree of authority  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| (d) Significant client engagements  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| (e) First-year engagements  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| (f) Level of service performed (that is, audit, review, compilation, preparation and attestation engagements)   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| (g) Engagements for which there have been complaints or allegations from firm personnel, clients, or other third parties that the work performed by the firm failed to comply with professional standards, regulatory requirements, or the firm's system of quality control   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| (h) Engagements in which there were significant disagreements between the quality review partner and the engagement partner   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| (i) Engagements performed under <i>Government Auditing Standards</i> (the Yellow Book)  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| (j) Engagements for employee benefit plans (ERISA)  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |
| (k) Engagements for financial institutions  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |          |

|  | Yes                      | No                       | N/A                      | Comments   |
|--|--------------------------|--------------------------|--------------------------|--|
| v. Describe the firm’s approach to determining the completeness of the engagement population upon which the inspection and peer review samples are based. _____<br>_____<br>_____<br>_____<br>_____  |                          |                          |                          | _____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____ |
| c. Does the firm summarize and communicate at least annually to relevant engagement partners and other appropriate individuals with the firm, including the firm’s leadership, the monitoring process results and any recommended changes to the firm’s policies and procedures?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____ |
| d. Does the firm take specific corrective actions or steps based upon the results of the monitoring process, and does the firm follow up on such planned corrective actions to assure compliance with its policies and procedures?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____ |
| If “no,” to any item between 7a–7d, explain the firm’s rationale. _____<br>_____<br>_____<br>_____   |                          |                          |                          | _____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____ |
| 8. Does the firm, on an ongoing basis, review its compliance with its policies and procedures regarding leadership responsibilities for quality within the firm, relevant ethical requirements (including independence, integrity and objectivity), acceptance and continuance of client relationships and specific engagements, human resources, engagement performance and monitoring? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____ |
| 9. Does the firm test compliance with its policies and procedures through other monitoring procedures (such as engagement quality control reviews) not described in items 7 and 8?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____ |
| If “yes,” describe. _____<br>_____<br>_____<br>_____<br>_____  |                          |                          |                          | _____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____ |

|   | Yes                      | No                       | N/A                      | Comments |
|---|--------------------------|--------------------------|--------------------------|----------|
| <p>10. Does the firm’s quality control policies and procedures state that a peer review conducted under the standards established by the AICPA substitute for the firm’s inspection of engagement working papers, reports, and clients’ financial statements for some or all engagements for the period covered by the peer review? <i>(Note: A peer review does not substitute for all monitoring procedures.)</i> If so, describe the scope of other monitoring procedures performed in that year: _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p><i>The firm deals appropriately with complaints and allegations.</i></p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____    |
| <p>11. Does the managing partner inform personnel that they may raise any concerns about noncompliance with professional standards, regulatory and legal requirements, or the firm’s system of quality control with any partner without fear of reprisals? If “no,” describe why not. _____</p> <p>_____</p> <p>_____</p> <p>_____</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____    |
| <p>12. Does the firm assign a partner who is not otherwise involved in the engagement to investigate complaints and allegations and the responses to them? If “no,” describe why not. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p><i>The firm prepares appropriate documentation as evidence of the operation of each quality control system element.</i></p>   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____    |
| <p>13. Describe how the firm documents the evidence of the operation of each quality control system element (through its summary monitoring report, electronic databases, manual notes, checklists, and forms). _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____    |

|   | Yes                      | No                       | N/A                      | Comments   |
|---|--------------------------|--------------------------|--------------------------|--|
| 14. Describe the firm’s policies and procedures for document retention so that those performing monitoring procedures and peer reviews may evaluate the firm’s compliance with its system of quality control. _____<br>_____<br>_____<br>_____<br>_____ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____ |
| <b>G. SQCS No. 8 Implementation</b>   |                          |                          |                          |  |
| 1. Describe any substantial changes made to the system of quality control as a result of implementing SQCS No. 8.<br>_____<br>_____<br>_____<br>_____   |                          |                          |                          | _____<br>_____<br>_____<br>_____<br>_____                            |

[The next page is 4501.]