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SEC Practice Section Peer Review Program Manual: Instructions and Checklists

American Institute of Certified Public Accountants. SEC Practice Section

David R. Dacey

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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

SEC Practice Section Peer Review Program Manual

Instructions and Checklists

Prepared by:
The SECPS Peer Review
Committee

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First Edition 1991. Seventeenth Edition 2002.

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July 2002

To the SEC Practice Section Member Firms

Update Number 17 to the *SEC Practice Section Peer Review Program Manual*

In order to provide greater accessibility of the SEC Practice Section Peer Review Program Manual (“Program Manual”) to member firms, the Program Manual is now available on the AICPA’s website at <http://www.aicpa.org/members/div/secps/programmanual.htm>.

In connection with making the Program Manual available on the AICPA’s website, the Program Manual has been reformatted. As a result, in connection with this update, instead of replacing certain pages, all pages for each section of the Program Manual should be replaced with this update. **The tabs denoting the various sections of the Program Manual remain the same, except for Section 19000 – Other Matters, which has been removed; therefore, please keep them in the binder.**

Update Number 17 contains revisions approved by the SEC Practice Section Executive Committee or SEC Practice Section Peer Review Committee, described in more detail below, and also includes reformatting changes.

All checklists have been revised to reflect the following:

- The elimination of procedures related to CART reviews.
- Revision of the membership requirements related to Independence and Procedures in Connection With an Alleged Audit Failure.
- Clarification of procedures related to a member firm’s foreign associated firm(s).
- Revision of procedures related to Statement of Quality Control Standards No. 5, The Personnel Management Element of Quality Control.

In addition, the tab and all pages of Section 19000 – Other Matters has been removed.

If you have any questions concerning this update, please contact the SEC Practice Section staff at (201) 938-3033 or by e-mail at secps@aicpa.org

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SEC Practice Section

Instructions and Checklists

The instructions, checklists and programs contained in this manual have been developed to assist reviewers in performing peer reviews of member firms of the SEC Practice Section of the AICPA Division for CPA Firms. The members of the Peer Review Committee of the SEC Practice Section review these checklists and programs from time to time to determine whether any modification, update, or amendment is required in light of future developments in practice. The checklists and programs are intended to be guides and in application may require modification and tailoring for each firm reviewed.

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SEC Practice Section

Peer Review Program Manual

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PRM Section 11000

Introduction



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PRM Section 11000

Introduction

.01 Members of the American Institute of Certified Public Accountants who are engaged in the practice of public accounting in the United States or its territories are required to be practicing as proprietors, partners, shareholders, or employees of firms enrolled in an approved practice-monitoring program in order to retain their membership in the Institute beyond specified periods. A firm enrolled in the AICPA Division for CPA Firms is deemed to be enrolled in an approved practice-monitoring program (an enrolled firm). A firm auditing one or more SEC clients, as defined by counsel, should be enrolled in the SEC practice section. (See sections 2.2.3, 2.3.4, and 2.3.5 of the bylaws of the AICPA and the implementing Council resolutions under those sections.)

.02 The Council of the AICPA has established an SEC Practice Section (SECPS) of the AICPA Division for CPA Firms, which is governed by executive committee having senior committee status with the authority to carry out the activities of the section. The Committee is called the AICPA SEC Practice Section Executive Committee.

.03 This manual has been prepared by the SECPS peer review committee. The programs and checklists set forth in this manual have been developed to assist—

- a. Reviewers carrying out peer reviews.
- b. Associations of CPA firms that assist their members in arranging and carrying out peer reviews.
- c. State CPA societies that assist their members in arranging and carrying out peer reviews.
- d. The AICPA Peer Review Division itself.

.04 The manual is in loose-leaf format in anticipation of updating and expansion. Changes are expected to arise from three sources:

- a. Comments and suggestions from individuals or groups in the program.
- b. Needs identified by the AICPA Division for CPA Firms' executive committee or the SECPS peer review committee.
- c. Issuance of new official pronouncements by the Financial Accounting Standards Board, the AICPA Auditing Standards Board, and other senior AICPA committees.

.05 Comments and suggestions should be addressed to:

Peer Review Division
American Institute of CPAs
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

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PRM Section 11100

Instructions to Firms



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PRM Section 11100

Instructions to Firms

Introduction

.01 The purpose of these instructions is to provide guidance to firms having peer reviews in accordance with provisions of the membership requirements of the SEC Practice Section (SECPS) of the AICPA Division for CPA Firms. References are to “Standards for Performing and Reporting on Peer Reviews” (Section 2000 in the *SECPS Reference Manual*). All persons in your firm involved in the peer review should read and become familiar with the sections of these standards relative to their part of the review. These instructions should be used for reference on firm-on-firm, association, or state CPA society sponsored reviews. Questions regarding these instructions, other materials, or about the review in general should be directed to the SEC Practice Section at (201) 938-3030.

Prior to the Review

.02 Your firm and the team captain should agree on an appropriate date for the review to take place.

.03 The terms and conditions of the peer review should be summarized in an engagement letter. A copy of the engagement letter should be signed and returned to the AICPA prior to the start of the review.

.04 Accommodations for the review team should be coordinated with the team captain.

.05 The firm is expected to have documented and implemented its quality control policies and procedures for its accounting and auditing practice for the period under review (*Standards*, SECPS §2000.04-.06). The firm should determine that this responsibility has been met.

.06 The review team should be provided with certain background information about the reviewed firm (*Standards*, SECPS §2000.52-.53). You should determine that this background information is available and appropriately summarized. The background information for members of the SEC Practice Section should include:

- a. A list of those SEC clients for which the fees for management advisory services exceed the audit fees.
- b. A list of those SEC engagements accepted since the end of the last peer review year (or for the year under review if the reviewed firm has not previously had a peer review), where, as reported in a Form 8-K, in a similar public filing, such as a document filed with the Office of the Comptroller of the Currency, the Federal Reserve Board or the Federal Deposit Insurance Corporation, or in a document filed with the Office of Thrift Supervision that is available to the successor auditor, the former accountant resigned (or declined to stand for reelection) or there was a reported disagreement over any matter of accounting principles or practices, financial statements disclosure or auditing scope or procedure, or there was a “reportable event” as defined in item 304(a)(1)(v) of SEC Regulation S-K.
- c. A list of all new SEC clients (1) for which there was a predecessor accountant or auditor, and (2) for which the reviewed firm’s first report on accounting and auditing services related to a period that ended during the reviewed firm’s peer review year.

.07 Prior to the arrival of the review team, you should complete the "Quality Control Policies and Procedures Questionnaire" (Section 1 of the "Peer Review Program Guidelines" in PRM §13200 of this manual).

.08 The team captain will arrange for the scheduling of interviews with selected members of the firm's professional staff. You should see that this schedule is communicated to the appropriate individuals and that they understand the importance and purpose of these interviews.

.09 The team captain will select certain engagements for review (SECPS §2000.67-.76 of the *SECPS Reference Manual*) and ask your firm to prepare a profile sheet on each engagement selected. You should see that the profile sheets are appropriately completed and that the working papers and reports for those engagements are assembled and readily accessible to the review team.

.10 A partner, manager, or senior staff member should be designated as a liaison to provide administrative assistance to the review team and should be available throughout the review.

.11 The firm should have prepared a monitoring report (which should be made available to the review team), indicating that the system has been tested, that it has been in place for the required length of time, and that it has been properly documented. The report should also summarize the findings and, if necessary, planned corrective actions. These findings should be communicated to all partners, and responsibility should be assigned to determine that planned corrective actions were taken.

.12 Have your latest independence confirmations available for review.

.13 Have documentation of all independence problems and their final resolution available for review.

.14 Have all documentation regarding the independence of any correspondent firms used during the year available for review.

.15 Have personnel files available for review.

.16 Have available for review appropriate CPE records for all professional staff members for the three most recent educational years. (See SECPS §8000 of the *SECPS Reference Manual*.) In addition, have available for review independence training records for all professional staff members.

.17 Prepare a complete list of the firm's professional staff members showing name, position, and length of service with the firm (if practicable).

.18 Have available for review documentation verifying that each proprietor, shareholder, or partner eligible for membership is a member of the AICPA.

.19 Have available for review copies of the firm's latest annual membership report filed with the SEC Practice Section.

.20 Provide a comfortable, adequate working area for the review team.

.21 If possible, send copies of relevant manuals, checklists, partners' resumes, as well as background information to the team captain.

During the Review

.22 The designated liaison partner or staff member should meet with the reviewers at the beginning of the review to orient them to firm policies and procedures, introduce them to appropriate firm personnel, and provide them with a tour of the office.

.23 During the course of the review, the review team may find it necessary to discuss matters with appropriate firm personnel (aside from PRM §11100.08). Firm personnel should be advised to make themselves available to the review team as necessary during the course of the review. Usually such interviews will not disrupt the firm's operations.

.24 The review team will usually discuss its findings as the review progresses.

.25 The team captain will ask your firm to respond to "Matter for Further Consideration" forms prepared during the course of the review. The firm should carefully review the matters discussed on the forms and should provide a thorough written response to avoid any misunderstandings regarding the facts or the firm's position.

Completion of the Review

.26 Upon completion of the peer review, the review team will communicate its findings through one or more exit conferences. These exit conferences should be attended by appropriate firm personnel as determined by the firm. (It is normally expected that the managing partner and the partners having firm-wide responsibility for quality control and accounting and auditing will attend the final firm-wide meeting.)

.27 The firm will receive a report on the peer review and may receive a letter of comments.

- a. A peer review report contains a statement of the scope of the review, a description of the general characteristics of a system of quality control, and the review team's opinion on the reviewed firm's quality control system for its accounting and auditing practice and its compliance with SECPS membership requirements. (*Note*—If the firm does not have an auditing practice, the report will so state.) The report will also include a reference to the letter of comments, if such a letter is issued.
- b. A letter of comments will be issued if the peer review report is qualified or if the team captain believes there are matters that resulted in conditions being created in which there was more than a remote possibility that the firm would not conform with professional standards on accounting and auditing engagements. These matters may relate to the design of your quality control policies and procedures, or the compliance with such policies and procedures, or with the SECPS membership requirements.
- c. The SECPS specifically prohibits a reviewer from issuing a letter of suggestions.

.28 Upon receipt of the written peer review report and letter of comments, the reviewed firm is required to respond in writing to the team captain's comments on matters in the letter of comments. The response should be addressed to the SECPS Peer Review Committee and should individually describe the action(s) taken or planned with respect to each matter in the letter. If the firm disagrees with one or more comments, it should describe the reasons for such disagreement.

.29 The firm is required to submit a draft of its letter of response to the team captain for review and comment prior to submitting the response to the SECPS Peer Review Committee. This review process should be in sufficient time to allow the firm to submit the letter of response to the SECPS Peer Review Committee within 15 days of issuance of the report and letter of comments by the team captain.

.30 The SECPS Peer Review Committee encourages the reviewed firm to work with the team captain to develop specific recommendations that both parties believe will be effective in correcting the matters noted during the peer review. Experience shows that improvement is more likely to occur when the letter of response describes specific actions to be taken. Therefore, actions such as the reviewed firm will emphasize or reemphasize a policy or procedure should be combined with more specific actions.

.31 The firm must submit a copy of the peer review report, the letter of comments, and the firm's letter of response to the SECPS Peer Review Committee, AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311- 3881. Such submission is due within 15 days of issuance of the peer review report and letter of comments by the team captain. (*Note*—The report received by the firm is *not* official until it has been accepted by the SECPS Peer Review Committee. Therefore, it would not be prudent to have the report printed or published or to make any other reference to it in a public manner until that time.)

.32 When submitting the peer review documents to the SECPS Peer Review Committee, the reviewed firm should also confirm in writing that (1) a draft of the letter of response was sent to the team captain, (2) the draft was discussed with the team captain, and (3) appropriate actions were taken on the comments, if any, received from the team captain on the draft. A suggested transmittal letter for communicating this information to the SECPS Peer Review Committee is included as Appendix B.

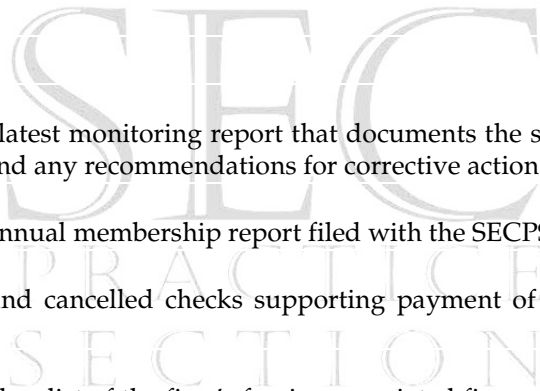
.33 After it has been accepted by the SECPS Peer Review Committee, the report, the letter of comments, and the reviewed firm's response thereto, and the letter indicating that the SECPS Peer Review Committee has accepted the report will be placed in the public files of the Division for CPA Firms and will be retained until completion of the subsequent peer review.

Appendix A

Checklist for Implementation of Your Peer Review

.34 The following checklist is intended to assist your firm in preparing for the review team’s visit. The completion and availability of all items listed will help to ensure a thorough review.

	Initial	Date
1. Obtain the engagement letter.		
2. Set the dates of your peer review and establish the 12-month period to be covered by the review with the team captain.		
3. Arrange for hotel accommodations for the review team and communicate details to the team captain.		
4. Submit the firm’s background information to the team captain.		
5. Forward the following to the team captain when available:		
<i>a.</i> A completed “Quality Control Policies and Procedures Questionnaire.” (This questionnaire, section 1 of the “Peer Review Program Guidelines,” can be found in PRM §13200 of this manual)		
<i>b.</i> The firm’s quality control document or summary statement of the firm’s quality control policies. (This is not required if the firm elects to have the completed questionnaire referred to in 5a. above serve as the firm’s quality control document or summary statement.)		
<i>c.</i> The firm’s written independence policies covering relationships between restricted entities and the member firm (including where applicable, its foreign-associated firms, its benefit plans and its professionals).		
<i>d.</i> All relevant manuals, checklists, partners’ resumes, etc.		
6. Prepare separate lists of your firm’s audit, review, and compilation engagements. The lists should include the following for each engagement:		
<i>a.</i> Total number of auditing or accounting hours or the total fees		
<i>b.</i> Partner-in-charge		
<i>c.</i> Nature of business		
<i>d.</i> Period reported on		



- 17. Have available the firm’s latest monitoring report that documents the scope of the review, the findings, and any recommendations for corrective action.
- 18. Have available the latest annual membership report filed with the SECPS.
- 19. Have available invoices and cancelled checks supporting payment of annual dues to the SECPS.
- 20. If applicable, have available a list of the firm’s foreign associated firms as listed on the firm’s SECPS annual report that have advised by written representation that they have established policies and procedures consistent with Appendix K (SECPS §1000.45).
- 21. Have available supporting documentation pertaining to compliance with Appendix K (e.g., policies and procedures, inspection results, written representations, etc.) for the peer review team to obtain a sufficient understanding of how the firm has complied with the membership requirement set forth in SECPS §1000.08(n).

Initial	Date

Appendix B

Transmittal Letter for Submission of SECPS Peer Review Documents

.35 The following form is intended to assist your firm in submitting its peer review documents to the SECPS peer review committee.

Date: _____

To: SECPS Peer Review Committee
SEC Practice Section
American Institute of CPAs
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

From: _____
(Name of the Review Firm)

Re: Review Number _____

Attached is the report, letter of comments, and letter of response on the peer review of the above firm. A draft of the letter of response was sent to the team captain for review and comment. Appropriate actions were taken on the comments received from the team captain on the draft.

Firm Signature: _____ Date: _____

If the reviewed firm did not send a draft of the letter of response to the team captain and discuss the draft with the team captain, or if the reviewed firm did not make changes recommended by the team captain, the above letter should explain why.

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PRM Section 11200

Instructions to Reviewers



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PRM Section 11200

Instructions to Reviewers

Introduction

.01 The purpose of these instructions is to provide guidance for reviewers assigned to peer reviews under the auspices of the SEC Practice Section of the Division for CPA Firms (SECPS). They should be read in conjunction with other guidance material issued to implement the SECPS Peer Review Program. Questions regarding these instructions or any other materials or about the review in general should be directed to the AICPA Practice Monitoring Department staff at either (888) 817-3277 or (201) 938-3030, or by email, secps@aicpa.org.

.02 Peer reviews are intended to evaluate whether, during the year under review, a reviewed firm's system of quality control for its accounting and auditing practice met the objectives of quality control standards established by the AICPA (Statement on Quality Control Standards No. 2, paragraph 7) and was being complied with to provide the firm with reasonable assurance of conforming with professional standards. Peer reviews are also intended to evaluate the reviewed firm's compliance with the section's membership requirements.

Independence and Conflict of Interest

.03 A peer review is to be conducted with due regard for the confidentiality requirements set forth in the AICPA Code of Professional Conduct. Information obtained as a consequence of the review concerning the reviewed firm or any of its clients is confidential and should not be disclosed by review team members to anyone not associated with the review.

.04 Independence with respect to the reviewed firm must be maintained by the reviewing firm, by review team members, and by consultants who may participate in the review. The AICPA Code of Professional Conduct does not specifically consider relationships between reviewers, reviewed firms, and clients of reviewed firms. However, the concepts pertaining to independence embodied in the Code should be considered for their application.

.05 A reviewing firm or a review team member should not have a conflict of interest with respect to the reviewed firm or to those clients of the reviewed firm that are the subject of engagements reviewed.

.06 The personnel of a reviewing firm and the reviewing firm itself are not precluded from owning securities of clients of the reviewed firm. However, a review team member who owns securities of a reviewed firm's client shall not review the engagement of that client since the reviewer's independence would be considered to be impaired. In addition, the effect of family relationships (spouses, close relatives) and other relationships and the possible loss of the appearance of independence must be considered when assigning team members to review individual engagements.

Organization of the Review Team

.07 A review team is headed by a team captain who directs the organization and conduct of the review, supervises other reviewers, and is responsible for the preparation of a report on the review. The team captain will furnish instructions to the review team regarding the manner in which working papers and other notes relating to the review are to be accumulated to facilitate summarization of the review team's findings and conclusions. **The team captain must notify the AICPA SEC Practice Section staff of changes, if any, in the composition of the review team and in the date of the exit conference.**

The Review

.08 General Considerations

The review should include the following procedures:

a. Planning the Review

1. Obtain a sufficient understanding of the nature and extent of the firm's accounting and auditing practice to plan the review.
2. Obtain a sufficient understanding of the design of the firm's quality control system to plan the review.
3. Obtain a sufficient understanding to the potential effectiveness of the monitoring procedures performed since the prior peer review to plan the review.
4. Assess inherent risk and control risk (including determining whether the firm's inspection program for the current year is likely to enable the review team to reduce the number of offices or engagements to be reviewed or the extent of the functional area reviews, and, if so, perform tests of the findings and conclusions of the current year's inspection program).
5. Use the knowledge obtained from the foregoing to select the offices and the engagements to be reviewed, and to determine the nature and extent of the tests to be applied in the functional areas.

b. Performing the Review

1. Review compliance with the reviewed firm's quality control system at each organizational or functional level within the firm.
2. Review selected engagements, including the relevant working paper files and reports.
3. Review compliance with the Section's membership requirements.
4. Reassess the adequacy of the scope of the review based on the results obtained to determine if additional procedures are necessary.
5. Prepare a written report on the results of the review and, if applicable, a letter of comments.

.09 For the review of a firm that obtains quality control materials from a third party, the review team should obtain the most recent report, letter of comments (if any), and letter of response thereto on those materials, if such documents are available. (For association arranged reviews, see "Standards for Performing and Reporting on Reviews of Quality Control Materials," SECPS §2400 of the *SECPS Reference Manual*.) In addition to considering the report relating to the suitability of design of the quality control materials, reviewers should consider the applicability of such materials to the practice of the firm being reviewed. The report on the reviewed firm should not make reference to the review of the materials.

Scope of Review

.10 Reviewers should recognize that quality control policies and procedures will likely differ between small and large firms (for example, the necessity for job descriptions) and between small and large offices of multi-office firms (for example, the procedures for assigning personnel to engagements.) In testing a firm's quality control policies and procedures, the review should be tailored to the particular firm. Peer review program guidelines have been prepared and are included in PRM §13000.

.11 Although the peer review standards do not suggest minimum or maximum percentages of the reviewed firm's accounting and auditing hours that should be reviewed, historical experience suggests that a range of between 5 and 15 percent of the hours for firms with 15 or fewer offices and between 3 and 6 percent for firms with more than 15 offices ordinarily will provide an adequate scope for a peer review. However, in situations where the combined assessed levels of inherent and control risk are relatively low, and the current year's inspection program is considered effective and will be considered to reduce the scope of the peer review, the application of the peer review standards may result in a scope that is lower than these ranges. Conversely, in situations where the combined assessed levels of inherent and control risk are relatively high, and the firm has not performed an inspection or other monitoring procedures for the review year or its inspection program or other monitoring procedures for the review year is ineffective, the application of the peer review standards may result in a scope that is higher than these ranges.

.12 The scope of the review should cover a firm's accounting and auditing practice, which encompasses all audit, attest, accounting and review, and other services for which standards have been established by the AICPA Auditing Standards Board or the AICPA Accounting and Review Services Committee under Rule 201 or 202 of the AICPA Code of Professional Conduct (AICPA *Professional Standards*, vol. 2, ET secs. 201 and 202). (Standards may also be established by other senior technical committees; engagements that are performed in accordance with those standards are not encompassed in the definition of an accounting and auditing practice.) Other segments of a firm's practice, such as providing tax services or management advisory services, are not encompassed by the scope of the review except (1) to the extent they are associated with financial statements (for example, reviews of tax provisions and accruals contained in financial statements are included in the scope of the review) or (2) as they relate to compliance with the membership requirements of the section. Review team members are not to have contact with, or access to, any client of the reviewed firm in connection with the review.

.13 The review will be directed to the professional aspects of the reviewed firm's accounting and auditing practice; it will not include the business aspects of that practice. It may be difficult, however, to distinguish between these aspects of the practice since they may overlap. For example, in evaluating whether the supervision of an engagement was adequate, review team members would consider budgeted and actual time spent on the engagement by various categories or classifications of personnel but would not inquire as to fees billed to the client or the relationship of fees billed to time accumulated at usual or standard billing rates.

.14 Further, when reviewing policies and procedures for advancement, review team members would concern themselves with whether professional personnel were promoted based on demonstrated competence and whether criteria for admission of individuals to the firm give appropriate weight to professional qualifications but would not review compensation of professional personnel.

.15 The review team should discuss with the reviewed firm whether litigation, proceedings or investigations against the firm or its personnel reported to the SECPS Quality Control Inquiry Committee (QCIC) since the date of the firm's last peer review involve the same offices, industries, audit areas, or engagement personnel, and whether the firm has considered any such patterns in the scope of its own monitoring or other internal review programs. The review team, giving due regard to the fact that such litigation, proceedings, and investigations will ordinarily involve unproven allegations, should consider this information in setting the scope of the review. In this connection, review teams must recognize that it is not their function to evaluate the merits of litigation or the adequacy of corrective actions, if any, taken by the firm as a result thereof, nor is it their function to duplicate the work of the QCIC. However, a reviewer might decide that an office that is involved in several instances of litigation should be selected for visitation rather than a comparable office with no litigation. Similarly, if a firm is involved in several instances of litigation involving a specific industry, the reviewer might consider whether the scope of his work adequately considers the risk factors inherent in that industry. The review team's documentation of its performance in this regard should be limited to an indication that such matters (without identification of the litigation) were considered in setting the scope of the review.

.16 The review team should also obtain a listing from the firm being reviewed of those SEC engagements accepted since the end of the last peer review year (or for the year under review if the reviewed firm has not previously had a peer review) where, as reported in a Form 8-K, in a similar public filing, such as a document filed with the Office of the Comptroller of the Currency, the Federal Reserve Board or the Federal Deposit Insurance Corporation, or in a document filed with the Office of Thrift Supervision that is available to the successor auditor, the former accountant resigned (or declined to stand for reelection) or there was a reported disagreement over any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure or there was a “reportable event” as defined in item 304(a)(1)(v) of SEC Regulation S-K. For such engagements, the review team should:

- a. Review the existing client-acceptance documentation that relates to the matters or procedures that were the subject of the resignation or disagreement or reportable event.
- b. Review such current or prior periods’ engagement working papers, financial statements, or auditor’s reports to the extent considered necessary to be able to evaluate whether the matters or procedures were handled appropriately.
- c. Determine whether, since the end of the last peer review year (or for the year under review if the reviewed firm has not previously had a peer review), any opinions on the application of generally accepted accounting principles were rendered to the entity prior to acceptance.
- d. Determine whether any such opinion was issued pursuant to the firm’s policies relating to the issuance of such opinions.

This may necessitate a review of engagement files related to the matters or procedures from any or all of the past three years. As part of its normal selection procedures, the review team should also determine whether to select such engagements for review.

.17 The review team should also obtain a listing (“this list”) from the firm being reviewed of all new SEC clients (1) for which there was a predecessor accountant or auditor, and (2) for which the reviewed firm’s first report on accounting and auditing services related to a period that ended during the reviewed firm’s peer review year. In the selection of offices, greater weight should be given to those offices that had the most such SEC engagements. If there are any engagements in the offices selected that are on both this list and the list described in the preceding paragraph, those engagements (or portions of those engagements) should be selected for review. The existing client-acceptance documentation for all other engagements on this list in the offices selected should be reviewed and, based on the results of these reviews, the team should consider the need to select additional engagements (or portions of engagements) on this list for review, particularly in circumstances where the prior accountant’s or auditor’s most recent audit report was qualified or contained explanatory language not relating to consistency or the report of another auditor. In any event, at least one engagement on this list should be reviewed in each office visited.

.18 The review team should obtain the reviewed firm’s latest peer review review report and, if applicable, its letter of comments and response thereto, from the firm or from the AICPA and should consider whether matters discussed therein require additional emphasis in the current review. In all cases, the review team should evaluate the actions taken by the firm in response to the prior report and letter of comments.

.19 The reviews of engagements should usually be directed toward the accounting and auditing work performed by the practice offices visited, including work performed for another office of the reviewed firm, for a correspondent firm, or for an affiliated firm. For those situations in which engagements selected in the practice office reviewed include the use of work of another office, correspondent, or affiliate (domestic or international), the reviewer, however, should evaluate the instructions for the engagement issued by the reviewed office to the parties responsible for performing the work. In addition, the scope of

the review should encompass the procedures by which the reviewed office maintained control over the engagement through supervision (including visits by its supervisory personnel to other locations) and review of the work performed by the other offices, correspondents, or affiliates.

.20 There may be situations when information available to the review team is insufficient to evaluate whether the reviewed firm's quality control policies and procedures have been applied in supervising segments of engagements performed by other offices or firms. In these instances, it will be necessary to obtain documentation from such other offices or firms; usually this may be accomplished by arranging for the forwarding of the requested information to the reviewed office.

.21 The review is office-oriented, not engagement-oriented. However, if the reviewed firm has multi-office engagements, the Sections' standards for performing and reporting on peer reviews require that, for at least one such engagement, the work performed by the office with primary responsibility for the engagement and the work performed on a significant segment of the engagement by at least one of the domestic offices should be reviewed. If the participating office is not selected for visit, the review can be accomplished by having the appropriate working papers sent to the primary office being visited.

Examples of Factors to Consider When Assessing Inherent Risk

.22 Assessing inherent risk involves evaluating the likelihood the reviewed firm will perform engagements that do not comply with professional standards in the absence of a quality control system. The assessed level of inherent risk may be affected by circumstances arising (a) within the firm (for example, individual partners have engagements in numerous specialized industries), or (b) outside the firm that affect its clients (for example, new professional standards being applied for the first time, changes in regulatory requirements, or adverse economic developments in an industry). In addition, the assessed level of inherent risk may vary from engagement to engagement (for example, inherent risk ordinarily will be greater for an initial public offering than for a nondisclosure compilation of a small privately owned entity).

.23 Examples of factors to consider when assessing inherent risk follow. These factors have been classified according to whether they pertain primarily to offices or to specific engagements. This list is for illustrative purposes only, and does not include all possible inherent risk factors, nor is the peer reviewer required to consider every item on the list when assessing inherent risk.

a. Office Selection

- Number and size (in terms of accounting and auditing hours and personnel) of offices.
- Offices with one or a few engagements comprising a significant portion of the office's accounting and auditing practice.
- Offices with concentrations of high risk engagements (see next section).
- Offices with a pattern of litigation or regulatory actions reported to the Quality Control Inquiry Committee.
- Offices identified in the preceding peer review or through monitoring procedures as operating at a level significantly below the firm's quality standards.
- Offices with many SEC clients.
- Offices with concentrations of new engagements that are SEC registrants for which the firm's first report related to a period that ended during the peer review year.
- Offices with new SEC engagements since the prior peer review where, as reported in a form 8-K, or a similar public offering, (1) the former accountant resigned or declined to stand for re-election, (2) there was a reported disagreement over accounting principles or practices,

financial statement disclosure, or auditing scope or procedure, or (3) there was a reportable event as defined in item 304(a)(1)(v)(A) through (D) of SEC Regulation S-K.

- Offices with an unreasonably large number of accounting and auditing hours per engagement partner.
- Offices with only one or a few engagements in a specialized industry.
- Offices recently merged, acquired or opened.
- Offices not subjected to monitoring procedures or not scheduled to be subject to monitoring procedures since the last peer review.
- Offices where individual partners practice in many industries.
- Offices in geographic areas that are experiencing economic hardships.
- Offices with numerous clients in industries experiencing economic hardships.

b. Engagement Selection

- Engagement size, in terms of the number of personnel assigned and the hours required to plan and perform it.
- Level of accounting and auditing services performed (for example, audit, review or compilation of historical financial statements).
- Engagements involving merged personnel, experienced personnel hired from other firms, and partners who also have office, regional or firm-wide management, administrative, or functional responsibilities.
- Engagements where work on segments has been referred to other firms, foreign offices, domestic or foreign affiliates, or correspondents.
- Engagements where one or more affiliated entities (for example, parent companies and subsidiaries or brother/sister companies) constitute a large portion of the firm's overall clientele.
- Engagements identified in the firm's quality control system or guidance material as having a high degree of risk.
- Engagements where departures from professional standards and failures to comply with the firm's quality control policies and procedures were noted in the preceding year's monitoring procedures.
- Engagements that might be affected by possible weaknesses in the design of or compliance with the firm's quality control system alleged in litigation, proceedings or investigations, particularly in matters reported to the Quality Control Inquiry Committee.
- Engagements affected by recently implemented revisions of the firm's quality control policies and procedures.
- Engagements affected by newly effective professional standards.
- Engagements performed by personnel not routinely assigned to accounting and auditing engagements.
- Clients in industries in poor financial condition.
- Clients in poor financial condition.
- Engagements with a high turnover of engagement personnel.
- Clients with complex or sophisticated transactions.

- Engagements from merged-in practices.
- Initial engagements.
- Engagements where reportable conditions in the client's internal controls were reported in the preceding year.
- Engagements where internal audit participation was extensive.
- Engagements where the work of specialists is used in significant areas.
- Engagements that might be affected by the same quality control deficiencies as those that may have been factors in losing other engagements.
- Engagements where MAS fees exceed audit fees.
- SEC Engagements.
- Engagements subject to *Governmental Auditing Standards*.
- Engagements subject to ERISA.
- Engagements subject to FDICIA.

Extent of Engagement Review

.24 The objectives of the review of engagements are to obtain evidence of (1) whether the reviewed firm's system of quality control for its accounting and auditing practice met the objectives of quality control standards established by the AICPA to the extent such objectives are applicable to its practice, (2) whether the reviewed firm complied with the policies and procedures that constituted its system of quality control during the year under review, and (3) whether the reviewed firm complied in all material respects with the applicable membership requirements of the section during the year under review. To the extent necessary to achieve these objectives, the review of engagements should include review of financial statements, accountants' reports, working papers, and correspondence, and should include discussions with appropriate personnel of the reviewed firm.

.25 Since, in most cases, the engagement personnel will not be responsible for establishing firm policies, the reviewer should not challenge firm policies in discussions with engagement personnel. If any questions or observations regarding the appropriateness of the firm's policies and procedures develop as a result of the engagement reviews, these matters should be discussed with the team captain.

.26 On individual engagements, reports other than on the basic financial statements (special reports, limited reviews, etc.) may have been issued during the period under review. If such reports have been issued or if separate financial statements have been issued on subsidiaries, the team captain should be consulted regarding the amount of work to be done in these areas on each engagement.

.27 If significant parts of the firm's practice include compilation or review services, other comprehensive basis of accounting financial statements, financial forecasts and projections, etc., certain of those reports and related working papers should be reviewed.

Engagement Review Technique

.28 Background information about an engagement should be obtained by discussion with the engagement partner and by reading the engagement profile sheet (which should be completed by the reviewed firm prior to commencement of the review of the engagement), the primary financial statements and any program sections, memoranda or other working papers describing the company and its business,

the firm's audit approach and problem areas. Work is most efficiently completed by first reviewing the "top files," applicable sections of the work programs, correspondence files, consolidating working papers and other key audit area working papers and then completing the engagement review checklist. Then, any unanswered questions on the checklist can be completed by additional reference to the engagement files.

Approach to the Review

.29 The review should give primary emphasis to the reviewed firm's overall approach to the engagement, rather than the specific procedures performed. The engagement review checklists (which can be used for most engagements) contain the following sections:¹

- a. The first section of each checklist contains questions on the accountant's report and the accompanying financial statements and footnotes. This section of the checklist ordinarily would be completed for engagement reviews. However, on peer reviews of firms that have their own report and financial statement disclosure checklist that is completed by the firm's personnel and filed with the engagement working papers, this section may not have to be completed for each engagement. In such situations, the comprehensiveness of the firm's checklist and the appropriateness of its use on specific engagements should be tested by the review team. Any disclosure or reporting deficiencies identified by the reviewer should be noted in the comments section of the engagement checklist or on a "Matter for Further Consideration" form.
- b. The second section of the checklists contains questions concerning planning, preliminary and general procedures that normally should be performed for the applicable type of engagement. This section should be completed for each engagement reviewed.
- c. The third section included in the audit engagement checklist contains questions relating to specific audit areas. Although frequently it will not be necessary to answer all of these questions for an audit engagement because of the emphasis on key audit areas, they should be used for guidance concerning the type of questions to be considered when reviewing the audit procedures performed.
- d. The fourth section of the checklist for review of audit engagements and the third section of the checklists for review of review and compilation engagements contains questions concerning the functional areas of a firm's quality control system. These questions are based on the typical policies and procedures that might be established by a firm. All the policies and procedures included in these questions will not have been adopted by all firms. Therefore, the team captain should determine, before the engagement reviews are conducted, if modifications to the checklists are necessary to fit the policies and procedures adopted by the reviewed firm, as detailed in the completed peer review program guidelines. For example, a number of the questions are not applicable to sole practitioners without full-time professional staff or additional questions may have to be added regarding the use of required standard forms. These sections should be completed for each engagement reviewed.
- e. The fifth section of the audit engagement questionnaire includes a separate list of questions to be answered on SEC engagements. In order to answer these questions it may be necessary for the reviewer to refer to an SEC or other specialized disclosure checklist.

.30 All "no" answers for each type of engagement should be summarized to assist reviewers in answering questions in PRM §13300, "Guidelines for Review of Quality Control Policies and Procedures," and in preparing the summary review memorandum.

¹ The "Checklist for Review of Audit Engagements of Not-For-Profit Organizations" and the "Checklist for Review of Audit Engagements of State or Local Governmental Entities," include the first four sections discussed herein. In addition, the former checklist includes an additional section for engagements subject to *Government Auditing Standards*. In addition, the "Checklist for Review of Compilation Engagements" includes an additional Section on Compilations that omit substantially all disclosures.

.31 The general checklists for audit, review and compilation engagements were developed for use in reviewing engagements of “for-profit” companies and probably will require extensive modification or supplementation for engagements involving companies in specialized industries (for example, insurance and finance companies). Specialized checklists have been developed for review of audits of state or local government entities, including those receiving federal financial assistance, not-for-profit entities, prospective financial statements and employee benefit plans. In certain specialized industries/areas, supplemental checklists have been developed and should be used in addition to the primary checklists (Audit, Review and Compilation). Industries/areas that have supplemental checklists include: depository institutions, voluntary health and welfare organizations, construction contractors, common interest realty associations, providers of healthcare services and HUD.

.32 Generally, a “no” answer to a question indicates possible noncompliance with a firm policy and/or professional standards. All “no” answers should be cross-referenced to either: (1) an MFC form, or (2) if no MFC was generated, to the standardized comment sheets provided at the end of each checklist. The MFC forms and standardized comment sheets should include a description of the disposition of each “no” answer.

.33 The explanatory comments to “no” answers should be reviewed with the engagement partner to obtain the partner’s agreement or to note a disagreement and the reasons.

.34 Except where specifically requested, it is not necessary to document the work the reviewer performed to form an opinion on each question. The answer to the question and the signing of the checklist indicate that the reviewer has completed the necessary testing to answer the question through reading documents or discussions with firm personnel. Naturally, when documentary evidence is available, it should be reviewed. Discussions with personnel should be used only for background purposes, to clarify points, or to provide satisfaction when documentation is not available.

Emphasis on Key Audit Areas

.35 The depth of the review of working papers for particular engagements is left to the judgment of the reviewers; however, the review should ordinarily include all the key areas of an engagement. Thus, a **page-by-page review of all working papers is not contemplated**. Points to consider in determining the key areas include—

- a. Key areas in the client’s industry (for example, revenue recognition for construction companies; inventory and accounts receivable for manufacturing and retail concerns; policy reserves for insurance companies; or loan loss allowances for financial institutions).
- b. Key areas noted during the review of the financial statements and discussions with engagement personnel (for example, review of loan defaults or follow-up of litigation matters).
- c. Key areas identified by the firm in planning or conducting the engagement.
- d. Recent accounting and auditing developments and pronouncements.
- e. Weaknesses noted in other engagements reviewed.
- f. Weaknesses noted by the firm through its monitoring procedures.
- g. Weaknesses noted in the prior peer review.

.36 The selection of the key areas should be directed toward maximizing the effectiveness of the review, as well as determining the extent to which the firm’s personnel recognized the key areas. Ordinarily, in applying the “key area” concept, all key areas should be reviewed. However, to keep time requirements within reasonable limits, reviewers may decide not to review all key areas of a specific engagement. For example, in some of the initial audit engagements or specialized industry engagements

selected for review, attention might be limited to the special areas of the engagements since the engagements were specifically selected to test those areas. In such cases, the reviewer should document in the working papers the reasons why all key areas were not reviewed.² (See Appendix D, SECPS §2000 “Selecting Engagements for Review,” in the *SECPS Reference Manual* for additional guidance on the application of the key area concept.)

.37 No definitive guidance can be provided regarding the depth of review to be given to these key areas, but the reviewer should evaluate whether the firm has obtained sufficient competent evidential matter to form conclusions concerning the validity of the assertions of material significance embodied in the financial statements (*AICPA Professional Standards*, Vol. 1, AU Section 326.)

Findings and Conclusions

.38 For each SEC engagement accepted since the end of the last peer review year (or for the year under review if the reviewed firm has not previously had a peer review) which was reviewed because of a reported disagreement with or the resignation of the former accountant, or because there was a “reportable event” as defined in item 304(a)(1)(v) of SEC Regulation S-K, the review team should conclude, based upon its review of the existing client-acceptance documentation and current or prior periods’ files, whether anything came to the review team’s attention to cause it to believe the matters or procedures that were the subject of the resignation or disagreement may not have been handled appropriately by the reviewed firm.

.39 For each engagement reviewed, the review team must evaluate and document, based on its review of the engagement working papers and representations from the reviewed firm’s personnel, whether anything came to the review team’s attention that caused it to believe that (1) the financial statements were not presented in all material respects in accordance with generally accepted accounting principles, (2) the firm did not have a reasonable basis under the applicable professional standards for the report issued, (3) the documentation on the engagement did not support the report issued, or (4) the firm did not comply with its quality control policies and procedures in all material respects. Accordingly, a “conclusions” page must be completed for each engagement reviewed to summarize the results of that review.

.40 In performing engagement reviews, the review team may encounter (a) indications of significant failures by the reviewed firm to reach appropriate conclusions in the application of professional standards which include generally accepted auditing standards, standards for attestation engagements, standards for accounting and review services, and generally accepted accounting principles (for example, the reviewed firm may have issued an inappropriate report on a client’s financial statements or omitted a necessary auditing procedure), or (b) situations in which the documentation on the engagement does not appear to support the report issued. In either case, the team captain shall promptly inform an appropriate authority within the reviewed firm (generally on an MFC form). In such circumstances the reviewed firm should investigate the matter questioned by the review team and determine what action, if any, should be taken.³

² In such cases, the reviewer must exercise judgment in determining how many accounting and auditing hours to claim with respect to the engagement. If only one or a few specific key areas out of many key areas are reviewed on the engagement, such as only the referring office’s supervision and control of the work performed by foreign offices or by domestic or foreign affiliates or correspondents, only the hours devoted to the specific area(s) should be claimed. Conversely, if all but one or two specific key areas out of many key areas are reviewed, the review team ordinarily would be justified in claiming all the hours devoted to the engagement except for those devoted to the key areas that were not reviewed. In situations that fall in between the preceding two cases—that is, when the reviewer has reviewed many, but not virtually all, of the key areas—the review team generally would be justified in claiming a percentage of the total hours on the engagement (or on the unit actually reviewed) equal to the hours on the key areas reviewed divided by the hours devoted to all the key areas on the engagement (or on the unit actually reviewed).

³ The reviewed firm is required under generally accepted auditing standards and the standards for accounting and review services to take appropriate action under certain circumstances with respect to (1) subsequently discovered information that relates to a previously issued report or (2) the omission of one or more procedures considered necessary to support a previously expressed opinion. (See *AICPA Professional Standards*, Vol. 1, AU Sections 561 and 390 and Vol. 2, AR Section 100.42.)

The reviewed firm should advise the review team of the results of its investigation and document the actions taken or planned or its reasons for concluding that no action is required.

.41 If the reviewed firm believes after investigating the matter that it can continue to support its previously issued report, it should provide the review team with a written explanation of the basis for its conclusion (generally on an MFC form). If the explanation appears reasonable, the review team should consider whether the documentation of the engagement supports the report issued. In evaluating the responses, the review team should recognize that it has not performed an audit of the financial statements in accordance with generally accepted auditing standards (or reviewed or compiled them in accordance with the standards for accounting and review services) and that it has not had the benefit of access to the client's records, discussions with the client, or specific knowledge of the client's business.

.42 After reviewing the documentation supporting the actions planned or the documentation explaining why no action is required, the review team may continue to question whether there is a significant failure to reach appropriate conclusions in the application of professional standards. In such cases, the review team would promptly inform an appropriate authority in the reviewed firm and pursue any remaining questions. At this time, the reviewed firm should also be aware that any unresolved issues will be referred promptly to the SECPS Peer Review Committee for resolution.

.43 When the reviewed firm concludes there is a significant failure to reach an appropriate conclusion on the application of professional standards on an engagement, the review team should review the firm's plan for addressing the questioned matter and document in the summary review memorandum whether the plan appears appropriate in the circumstances. If those actions are taken prior to the issuance of the peer review report (for example, the report and financial statements are reissued, omitted auditing procedures are performed, or a previously issued report is recalled), the review team should review the documentation supporting such actions. If the actions are not taken prior to the issuance of the report, the review team should advise the reviewed firm that it may be asked by the SECPS Peer Review Committee to allow the reviewer to review the documentation supporting such actions when those actions are completed.

Expansion of Scope

.44 If, during the course of the peer review, the reviewed firm concludes that there was a significant failure to reach an appropriate conclusion on the application of professional standards on one or more of its engagements, the review team should consider whether the application of additional review procedures is necessary.⁴ This consideration should be documented in the peer review working papers. The objective of the application of additional procedures would be to determine whether the significant failure is indicative of a pattern of such failures and/or of a significant weakness in the reviewed firm's system of quality control or in compliance with the system. Under some circumstances, the reviewer may conclude that, because of compensating controls, or for other reasons, further procedures are unnecessary. If, however, additional procedures are deemed necessary, they may include an expansion of scope to review all or relevant portions of one or more additional engagements. Such additional engagements may be in the same industry, or supervised by the same individual in the reviewed firm, or otherwise have characteristics associated with the failure to apply professional standards.

Review Team Working Papers

.45 The peer review working papers should include documentation, on an MFC form, of matters that, in the reviewer's opinion, could indicate (1) that one or more of the applicable objectives of quality control

⁴ See SECPS §2000.90 of the *SECPS Reference Manual* for action(s) required regarding the specific engagement involved.

standards were not accomplished by the reviewed firm's policies or procedures, or (2) that the reviewed firm did not comply with professional standards, or the policies and procedures that constitute its quality control system or (3) that the reviewed firm did not comply with a membership requirement. The MFC form should include the reviewer's description of the matters, the reviewed firm's agreement or disagreement with the description and its comments on the matter, and the reviewer's and team captain's comments. The MFC form is to be signed in the places indicated by the reviewer, the team captain and an appropriate partner in the reviewed firm (generally the engagement partner or the partner responsible for the applicable area).

- .46 On each MFC form, the reviewer should classify the matter into one of the following:
- a. Design—The reviewer believes that the firm's quality control policies and procedures, even if fully complied with, are not likely to accomplish an applicable quality control objective.
 - b. Performance—The reviewer believes that the reviewed firm failed to adhere to professional standards, including generally accepted accounting principles, generally accepted auditing standards, statement on standards for accounting and review services, and statements on standards for attestation engagements, even if such deficiencies would not result in a situation where the firm should consider taking action pursuant to the *AICPA Professional Standards*, Vol. 1, AU Sections 390 or 561.
 - c. Compliance-Membership Requirement—The reviewer believes that the reviewed firm did not comply with an applicable membership requirement of the section.
 - d. Compliance-Other—The reviewer believes that the reviewed firm did not comply with one of its prescribed policies or procedures even though it did comply with professional standards.
 - e. Documentation—The reviewer believes that the work performed in a particular area was not documented but, through inquiry or other means, the reviewer is satisfied that the work was performed.

.47 To the extent that there are disagreements or differences of opinion between the reviewed firm and the team captain with respect to the interpretation or effect of matters included on an MFC form, the staff of the AICPA Practice Monitoring Department should be consulted. The results of all consultations should be documented on the MFC form.

Completion of the Review

.48 At the conclusion of field work, the reviewers should (1) summarize all of their findings (including all "no" answers to the individual engagement checklists and MFCs); (2) evaluate the nature, causes, pattern, pervasiveness, and significance of the deficiencies noted in the design of the firm's quality control system and in the firm's compliance with its system, with professional standards, and with the membership requirements of the section; and (3) consider whether such matters should result in a qualified report, be included in the letter of comments, or otherwise be communicated to the firm.

.49 Prior to the issuance of its report and, if applicable, letter of comments, the review team should communicate its conclusions to the reviewed firm. This communication ordinarily would take place at a meeting (exit conference) attended by appropriate representatives of the review team and the reviewed firm. It is normally expected that the managing partner and the partners having firm-wide responsibility for quality control and accounting and auditing will attend this meeting. The review team should notify the AICPA Practice Monitoring Department staff of the date and time of the scheduled exit conference to permit representatives of the SECPS Peer Review Committee and/or staff of the Public Oversight Board to attend the exit conference, if they so elect. The parties should discuss the report and letter of comments, if any, as well as any suggestions. Accordingly, the review team, except in rare instances, should not hold the

exit conference until the results of the peer review have been summarized and the report and letter of comments, if any, have been drafted or a detailed outline has been prepared of the matters to be included in these documents. If there is uncertainty as to the opinion to be expressed, the review team should postpone the exit conference until a decision has been reached. When discussing its findings, recommendations and suggestions at the conference, the review team should give an in-depth explanation of each matter or suggestion.

.50 For the review of a multi-office firm, in addition to the communication described in the preceding paragraph, the review team for a practice office should communicate its findings to appropriate individuals at the office reviewed.

.51 The peer review program provides that, within 30 days of the date of the exit conference, the review team should submit to the reviewed firm a written report and, if applicable, a letter of comments. A copy of the report, the letter, and a response thereto should be submitted by the reviewed firm to the SECPS Peer Review Committee within 15 days of the date the report and letter were issued.

.52 The reviewed firm is required to submit a draft of its letter of response to the team captain for review and comment prior to submitting the response to the SECPS Peer Review Committee. Because the reviewed firm is required to submit its letter of response to the SECPS Peer Review Committee within 15 days of issuance of the peer review report and letter of comments by the team captain, the team captain should provide his or her comments, if any, to the reviewed firm in a timely manner.

.53 A disagreement regarding the type of report to be issued or the comments to be included in the letter of comments may arise among the review team members. When the members are unable to resolve such a disagreement, the matter should be documented and referred, through the AICPA Practice Monitoring Department staff, to the SECPS Peer Review Committee for resolution.

Retention of Peer Review Working Papers

.54 The following materials should be retained by the entity that formed the review team until the completion of the subsequent review required for continued membership or until the time for such review has elapsed:

- a. The peer review report.
- b. The letter of comments and the firm's response thereto, if applicable.
- c. The letter accepting the peer review report.
- d. The engagement letter.
- e. The scheduling information forms.
- f. The team appointment acceptance letters.
- g. Any extension requests.
- h. The letter documenting the firm's compliance with actions taken as a result of the committee's consideration of the peer review report.

All other materials should be discarded 90 days after acceptance by the SECPS Peer Review Committee. If the peer review is intended to meet the requirements of Section 36 of the Federal Deposit Insurance Act, the review team should retain the working papers for a period of 120 days after the date that the reviewed firm files the peer review documents with the Federal Deposit Insurance Corporation.

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PRM Section 12000

Team Captain Checklists

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PRM Section 12110

Guidelines for Testing Compliance With MAS Membership Requirements

.01 This section describes the MAS membership requirements and provides suggested work programs for testing compliance with the requirements at a firm's executive office and as part of the engagement reviews of SEC audit clients.

MAS Membership Requirements

.02 The "Organizational Structure and Functions," SECPS §1000.8(h) and (i) of the *SECPS Reference Manual* requires that member firms:

- a. Adhere to the portions of the AICPA Code of Professional Ethics and Statements on Standards for Management Advisory Services dealing with independence in performing management advisory services for audit clients whose securities are registered with the SEC. Refrain from performing for such clients services that are inconsistent with the firm's responsibilities to the public¹ or that consist of the following types of services:
 - (1) Psychological testing
 - (2) Public opinion polls
 - (3) Merger and acquisition assistance for a finder's fee
 - (4) Executive recruitment as described in Appendix A²
 - (5) Actuarial services to insurance companies as described in Appendix A²
- b. Report annually to the audit committee or board of directors (or its equivalent in a partnership) of each SEC audit client on the total fees received from the client for management advisory services during the year under audit and a description of the types of such services rendered.³

Code of Professional Conduct

.03 When providing management advisory services, a firm must, as in all areas of practice, give consideration to its independence as set forth in the AICPA *Code of Professional Conduct* particularly in Rule 101. That rule precludes a firm from expressing an opinion on the financial statements of an enterprise which it services in any capacity equivalent to that of a member of management or of an employee. In rendering management advisory services to an audit client, a firm must take steps to ensure that such services do not place the firm in a position similar to that of a member of management or an employee.

¹ In evaluating whether a service is "inconsistent with the firm's responsibilities to the public," the SECPS Executive Committee has determined that reviewers should be concerned with the firm's role in providing that service and with the firm's independence.

² See Appendix A to the "Organizational Structure and Functions" section (SECPS §1000 of the *SECPS Reference Manual*).

³ See also SECPS §1000.8(g)(13) of the "Organizational Structure and Functions" section for the requirement that member firms provide in its annual report to the SEC practice section information concerning the fees for MAS services performed for SEC audit clients.

Role of MAS Practitioner

.04 The first Statement on Standards for Consulting Services issued by the AICPA Management Consulting Services Executive Committee specifically deals with independence: "In performing an MAS engagement, an MAS practitioner should not assume the role of management or take any positions that might impair the MAS practitioner's objectivity."

Evaluating a Firm's Role

.05 To obtain a general familiarity with and to evaluate a firm's role in a particular MAS engagement, pertinent engagement documents should be reviewed. Considerations in evaluating a firm's role in a particular MAS engagement include—

- a. The firm's understanding with the client regarding the respective roles and responsibilities of the firm and the client.
- b. Management's participation in the engagement.
- c. The firm's communications to the client on the significant alternatives considered and the reasoning supporting any recommendations.

TESTING COMPLIANCE WITH MAS MEMBERSHIP REQUIREMENTS
SUGGESTED EXECUTIVE OFFICE WORK PROGRAM

(Name of Firm)

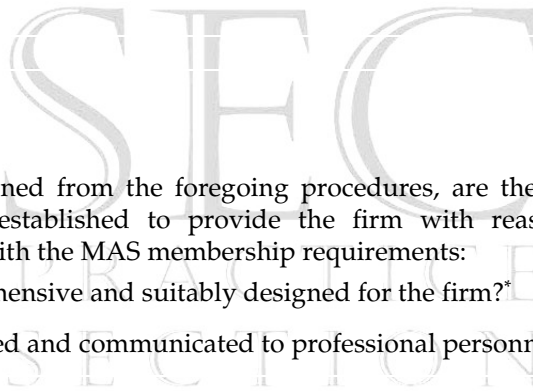
Before Practice Office Reviews

1. If applicable, obtain from the firm and read a description of:
 - a. The firm’s policies and procedures established to provide the firm with reasonable assurance of compliance with the MAS membership requirements.
 - b. How the firm monitors compliance with such policies and procedures.
2. If the firm has monitoring procedures that test for compliance with the MAS membership requirements, review the scope, findings, and conclusions of the most recent monitoring procedures as they relate to the MAS membership requirements.
3. To the extent compliance can be tested at the executive office, test compliance with the firm’s policies and procedures established to provide the firm with reasonable assurance of compliance with the MAS membership requirements.
4. Consider the results obtained from the above procedures and make appropriate changes to the suggested engagement work program.

Initial	Date

After Practice Office Reviews

5. Summarize the scope, findings, and conclusions of the engagement reviews.



Conclusions

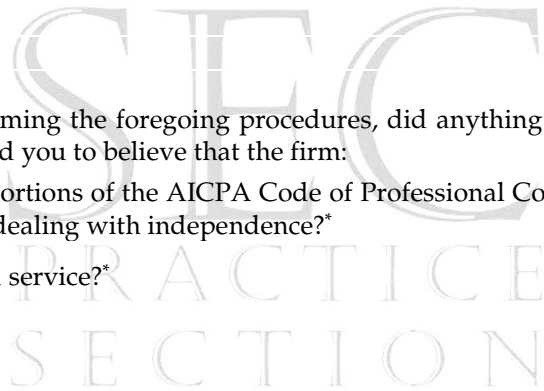
- 6. Based on the results obtained from the foregoing procedures, are the firm’s policies and procedures established to provide the firm with reasonable assurance of conforming with the MAS membership requirements:
 - a. Appropriately comprehensive and suitably designed for the firm?*
 - b. Adequately documented and communicated to professional personnel?*

- 7. While performing the foregoing procedures, did anything come to your attention that caused you to believe that the firm:
 - a. Did not adhere to the portions of the AICPA Code of Professional Conduct or the MAS Standards dealing with independence when performing management advisory services for SEC audit clients?*
 - b. Performed proscribed services for SEC audit clients?*

Yes	No

* Although it may be desirable, a firm is not required to establish policies and procedures to provide it with reasonable assurance of conforming with the MAS membership requirements; accordingly, a “no” answer could result in a comment in the letter of comments, but it would not result in a modified report.

** A “yes” answer probably would result in a comment in the letter of comments and perhaps in a modified report.



4. Conclusions—While performing the foregoing procedures, did anything come to your attention that caused you to believe that the firm:
- a. Did not adhere to the portions of the AICPA Code of Professional Conduct or the MAS Standards dealing with independence?*
 - b. Performed a proscribed service?*

Initial	Date

[The next page is 12121.]

* If yes, explain the findings that led to this conclusion.

PRM Section 12120

Review Team Captain Checklist

This checklist should be used on peer reviews in conjunction with the General Instructions to Reviewers and other guidance material issued to implement the peer review program of the SEC Practice Section of the AICPA Division for CPA Firms. A copy of this checklist should be submitted to the AICPA together with a copy of the firm-wide summary review memorandum (Appendix A), including copies of any documents incorporated by reference. References are to *Standards for Performing and Reporting on Peer Reviews*. (Section 2000 in the *SECPS Reference Manual*, loose-leaf edition.)

Questions regarding the use of this checklist or any other materials or about the review in general should be directed to the AICPA SEC Practice Section at either (888) 817-3277 or (201) 938-3030, or by email, secps@aicpa.org.

I. Prior to the Review

1. Review background information furnished by the firm for completeness and obtain additional information, if needed (*Standards*, SECPS §2000.52). (If the information provided to the AICPA by the firm differs significantly from the information provided by the firm to you, please reconcile and notify the administrating entity, if necessary.) If the firm has had a significant acquisition of another practice, or divestiture of a portion of its practice including the sale of any portion of the firm’s non-attest practice to a non-CPA owned entity during or subsequent to the peer review year, consult with the SECPS Peer Review Committee or its staff to determine the structure of the firm and the scope of the review (*Standards*, SECPS §2000.49).

2. Discuss with AICPA Practice Monitoring staff the composition of the review team. Consider the need for individuals with expertise in specialized areas (*Standards*, SECPS §2000.27–.31) and the requirement that reviewers be independent of the reviewed firm (*Standards*, SECPS §2000.12–.23 and Appendix A, SECPS §2000.142). Review and approve the composition of the review team.

3. Discuss with AICPA Practice Monitoring staff the estimated date of the firm-wide exit conference.¹

4. Call (or visit) the firm sufficiently in advance (ordinarily three weeks) of the review in order to make necessary arrangements. During the call (or visit):
 - a. Make certain that the reviewed firm has received a letter from the AICPA Practice Monitoring Department confirming that it has received the information about the firm and the review team. If the letter was not received, contact the AICPA Practice Monitoring Department.

Initial	Date

¹ The review team ordinarily should not hold the exit conference until the results of the peer review have been summarized and the report and letter of comments, if any, have been drafted, or a detailed outline has been prepared of the matters to be included in these documents. If there is uncertainty about the type of report to be issued, the review team should postpone the exit conference until a decision is reached (*Standards*, SECPS §2000.92–.93).

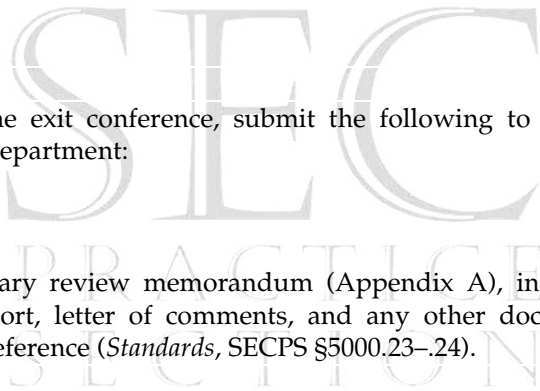
- SEC clients where the fees for management advisory services exceed the audit fees. [Standards, SECPS §2000.77(a)]
- Engagements subject to the Government Auditing Standards if the review is intended to satisfy the requirements of those standards [Standards, SECPS §2000.77(f)].
- Federally insured depository institution engagements with more than \$500 million in total assets subject to Section 36 of the Federal Deposit Insurance Act if the peer review is intended to satisfy the requirements of that Act established by the Federal Deposit Insurance Corporation Improvement Act of 1991 [Standards, SECPS §2000.77(g)].
- Multi-office engagements (the work performed by the office with primary responsibility for the engagement and by at least one of the domestic offices that performs work on a significant segment of the engagement) [Standards, SECPS §2000.77(e)].
- All engagements, or portions of all engagements, in the offices visited that are on both the list described in the second bullet (new SEC engagements) and the list described in the third bullet (resignations or reported disagreements on new SEC engagements) of step I.4(e) in PRM §12100. In any event, at least one engagement on the list described in the second bullet should be reviewed in each office visited [Standards, SECPS §2000.77(b) and (c)].
- In addition, because of the attention focused by regulators and legislators on audits conducted pursuant to the Employee Retirement Income Security Act (ERISA) of 1974, the peer review should include at least one such audit engagement if the firm intends to continue to perform such audits pursuant to that Act [Standards SECPS §2000.77(h)].

(Deviations from these requirements may be necessary. In such cases, consider consultation with the AICPA SECPS staff.)

- r. For those engagements selected, request the firm to complete the profile sheets of the engagement review checklists.³ In order to maintain client confidentiality, code numbers should be assigned to engagements selected. If the engagement working papers are not located at the practice office to be visited, request the firm to arrange for the working papers to be forwarded [Standards, SECPS §2000.148)].

Initial	Date

³ To minimize any inference that advance selections may afford undue opportunities for last minute “clean-up” of the files, it is preferable that the selection of some engagements not be made known to the firm (or office) until the review team arrives (Standards, Appendix E SECPS §2000.147).



7. Within 30 days of the exit conference, submit the following to AICPA Practice Monitoring Department:
 - a. This checklist.
 - b. Firm-wide summary review memorandum (Appendix A), including copies of the report, letter of comments, and any other documents incorporated by reference (*Standards*, SECPS §5000.23–.24).
8. Communicate any suggestions on how to improve auditing standards to the AICPA Auditing Standards Division. (See attached Appendix B.) (This communication is optional.)
9. Notify SECPS staff that the review has been completed and that report and letter of comments, if any, have been issued. (Use attached notification form—Appendix D.)
10. When completed and in condition for review, send all working papers to the SECPS by an insured carrier. The files should be segregated as follows and should be sent under separate cover:
 - Working papers dealing with individual engagement reviews.
 - Remainder of working papers, including office and firm-wide summary review memorandums and summary engagement checklists.
11. Notify AICPA Practice Monitoring Department staff that review has been completed and that report and letter of comments, if any, have been issued. (Use attached notification form—Appendix D.)

Initial	Date

[The next page is 12133.]

Appendix A

Instructions for Use of Summary Review Memorandum Questionnaire

The “Standards for Performing and Reporting on Peer Reviews” require that a summary review memorandum (SRM) be prepared. The purpose of the SRM is to document (1) the planning of the review, (2) the scope of the work performed, (3) the findings and conclusions supporting the report and letter of comments issued, and (4) the comments communicated to senior management of the reviewed firm that were not deemed of sufficient significance to include in the letter of comments.

Separate SRMs ordinarily should be prepared for each office visited, and a firm-wide SRM should be prepared describing the overall findings and conclusions.

The attached questionnaire, if properly completed, should provide the documentation necessary to meet the aforementioned objectives. If there is insufficient space in the questionnaire to fully describe any matters, additional sheets should be used and attached to the questionnaire.

Experience indicates that the questionnaire can best be utilized for peer reviews of firms with three or fewer offices. Peer reviews of firms with more than three offices may require a separately prepared and more detailed memorandum.

A copy of the firm-wide summary review memorandum and of an appropriate team captain checklist must be submitted to the staff of the SEC Practice Section for all reviews, whether conducted by committee-appointed review teams, firms, or teams appointed by authorized associations or state societies.

[The next page is 12135.]

SEC PRACTICE SECTION
PEER REVIEW PROGRAM
SUMMARY REVIEW MEMORANDUM
Firm-Wide

Reviewed Firm's Name _____

Reviewed Firm's Address _____

Peer Review Year End _____

Timing of Review:

Commencement _____

Exit Conference _____

Issuance of report and, if applicable, letter of comments _____

Mailing of working papers to the AICPA Practice Monitoring or the POB, if requested. _____

I. Description of Firm

A. Professional Staff Profile (if the firm has more than one office, consider providing the breakdown by office):

	TOTAL
Partners (or equivalent)	_____
Managers (or equivalent)	_____
Other Professionals	_____

B. Indicate extent of industry specializations, if any:



II. Scope of Work Performed

A. Accounting and Auditing Statistics:

	TOTAL		OFFICES					
	Hrs.	No. of Engs.	Hrs.	No. of Engs.	Hrs.	No. of Engs.	Hrs.	No. of Engs.
Audits:								
SEC Clients ¹								
Other SEC Engagements ²								
"Yellow Book" ³								
ERISA								
Other								
Reviews ⁴								
Compilations ⁴								
Other Accounting Services ⁵								
	=====	=====	=====	=====	=====	=====	=====	=====

B. Engagements Reviewed:

	TOTAL		OFFICES					
	Hrs.	No. of Engs.	Hrs.	No. of Engs.	Hrs.	No. of Engs.	Hrs.	No. of Engs.
Audits:								
SEC Clients ¹								
Other SEC Engagements ²								
"Yellow Book" ³								
ERISA								
Other								
Reviews ⁴								
Compilations ⁴								
Other Accounting Services ⁵								
	=====	=====	=====	=====	=====	=====	=====	=====
Percentage of A&A Practice Reviewed								
	=====	=====	=====	=====	=====	=====	=====	=====

¹ Includes clients for which the firm is the principal auditor-of-record pursuant to the first paragraph of the definition contained in Appendix D SECPS §1000.38 of the *SECPS Reference Manual*.

² Includes other engagements defined as SEC engagements pursuant to the second paragraph of the definition contained in Appendix D SECPS §1000.38 of the *SECPS Reference Manual*.

³ Includes audits of entities subject to *Generally Accepted Government Auditing Standards* ("Yellow Book").

⁴ The number of engagements should include all monthly, quarterly, and annual reports issued.

⁵ Encompasses all other accounting and auditing services for which professional standards have been established, including engagements to report on an entity's system of internal accounting control, its financial forecast, the results of applying agreed-upon procedures to specified elements, accounts, or items of a financial statement, etc.

- C. Did the firm perform any audits of federally insured depository institutions with more than \$500 million in total assets subject to Section 36 of the Federal Deposit Insurance Act? Yes ___ No ___. If yes, how many were included in the scope of the peer review? ___.
- D. Did the Firm perform any auditing procedures, (including subsequent event procedures), either during or subsequent to the peer review year in connection with any filing under the Securities Act of 1933? Yes ___ No ___. If yes, were any such engagements included in the scope of the peer review (See SECPS §2000.77d.)? Yes ___ No ___. If applicable, did such reviews include (1) the review of the 1933 Act Filing? Yes ___ No ___ N/A ___. And (2) the procedures required by AU 711? Yes ___ No ___ N/A ___.
- E. Has the firm had a significant increase in new clients and/or experienced personnel during the peer review year or subsequently up to the date of the peer review report? Yes ___ No ___. If yes, refer to the SECPS Practice Aid titled "Assessing the Effect on a Firm's System of Quality Control Due to a Significant Increase in New Clients and/or Experienced Personnel", describe the effect these matters had on the scope of the peer review, and include your observations about how the firm dealt with the types of matters described in the Practice Aid.

III. Planning the Review

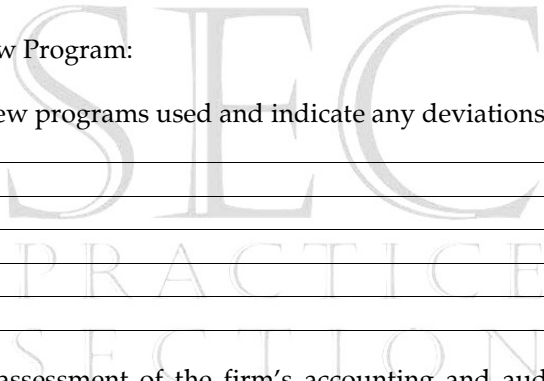
A. Composition of Review Team:

- 1. Team Captain _____
 Position _____
 Areas of Experience⁶ _____
- 2. Team Member _____
 Position _____
 Areas of Experience⁶ _____
- 3. Team Member _____
 Position _____
 Areas of Experience⁶ _____

B. Describe basis for and degree of reliance on the firm's inspection program. (Reliance should not be placed on the firm's inspection program when one was not performed during the current year.)

C. If the firm was previously reviewed, indicate, based on your evaluation of the actions taken by the firm in response to the matters in the prior report and letter of comments, whether such matters required additional emphasis in the current review.

⁶ As it relates to the reviewed firm's practice.



D. Development of Review Program:

- 1. Describe peer review programs used and indicate any deviations therefrom:

- 2. Describe the risk assessment of the firm’s accounting and auditing practice and its quality control system, the number of offices and engagements selected for review, and the basis for that selection in relation to the risk assessment. (Attach a memorandum if more space is needed.)

- E. Since the prior peer review, or since joining the Section if less than 3 years, has the Firm or its personnel been named in any litigation, proceeding or publicly announced investigation by a regulatory agency alleging deficiencies in the conduct of an audit of the financial statements of a present or former SEC client? Yes ___ No ___.

If yes, please complete the following. *However, specific litigation should not be identified:*

- 1. In planning the peer review, did the review team obtain permission from the firm and either:
 - a. Read the complaint(s) or
 - b. Review the QCIC file or otherwise contact the SECPS QCIC Staff to obtain further background on such matters and consider the alleged quality control issues cited in the allegations? Yes ___ No ___.

Explain No answer or nature of consideration given:

- 2. Describe the review team’s (1) consideration of the effect of such matter(s) on the scope of the peer review and (2) the results of the firm’s compliance with SECPS membership requirements (e.g. timeliness of notifying the SECPS Quality Control Inquiry Committee regarding the complaint(s), the firm’s policies and procedures with respect to matters referred to the AICPA Professional Ethics Division and subsequently deferred, policies with respect to newly admitted partners, etc. (See SECPS Membership Requirement Appendix M §1000.47)):

- F. If the reviewed firm performs management advisory services for SEC audit clients and the fees for such services exceed the audit fees, did you select one or more such audit engagements for review? Yes ___ No ___ N/A ___. If no, give reasons.

IV. Functional Areas and Engagements Not Reviewed

- A. Indicate functional areas not reviewed and give reasons:

- B. Were you requested not to review any engagements? Yes ___ No ___. If yes, describe the reason for the request and whether you were satisfied as to the reason and the effect on the scope of the review.

V. Overall Findings and Conclusions:

- A. Based on reading the information obtained from the questionnaire filled out by the reviewed firm and other relevant written firm materials, discussions with firm personnel, the results of the specific procedures performed and engagements reviewed and giving due consideration to factors such as the size of the firm, the degree of operating autonomy allowed its personnel and its practice offices, the nature of its practice, its organization, and appropriate cost-benefit considerations, do you conclude that the firm’s policies and procedures were appropriately designed and the firm complied with its policies and procedures with respect to the following quality control elements? For any deficiencies uncovered by your review indicate below the effect of those deficiencies:

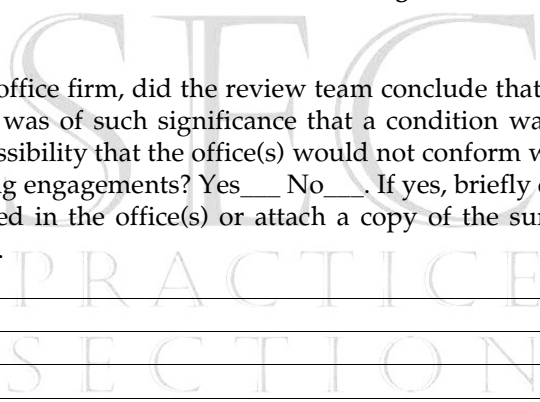
	Deficiencies						Reporting Implications					
	Conclusion		A Design Deficiency		Noncompliance with system of quality control		Result in modified or adverse report		Included in the letter of comments		Discussed at exit conference ⁷	
	Yes	No	Yes ⁸	No	Yes ⁸	No	Yes	No	Yes	No	Yes	No
1. Independence, Integrity and Objectivity	___	___	___	___	___	___	___	___	___	___	___	___
2. Personnel Management	___	___	___	___	___	___	___	___	___	___	___	___
3. Acceptance and Continuance of Clients and Engagements	___	___	___	___	___	___	___	___	___	___	___	___
4. Engagement Performance	___	___	___	___	___	___	___	___	___	___	___	___
5. Monitoring	___	___	___	___	___	___	___	___	___	___	___	___
6. Membership Requirements	___	___	___	___	___	___	___	___	___	___	___	___

B. Attach a copy of the report issued.

C. Was a letter of comments issued? Yes ___ No ___. If yes, attach a copy. If no, give reason why no letter of comments was issued.

D. If the firm was previously peer reviewed, were any matters noted on the previous peer review repeated in the letter of comments on the current review? Yes ___ No ___. If yes, please describe what the firm has done or plans to do to prevent a recurrence of the matter(s) and whether you concur with the actions taken or planned.

⁷ The nature and extent of the deficiency communicated should be summarized on page 12143 of this form.
⁸ Yes answers should be supported by Matters for Further Consideration Forms that are summarized on the Summary of Matters for Further Consideration and Conclusion form.



G. In a review of a multi-office firm, did the review team conclude that the degree of noncompliance at one or more offices was of such significance that a condition was created in which there was more than a remote possibility that the office(s) would not conform with professional standards on accounting and auditing engagements? Yes ___ No ___. If yes, briefly describe the nature and extent of the deficiencies noted in the office(s) or attach a copy of the summary review memorandum prepared on that office.

Horizontal lines for handwritten response to question G.

H. If a letter of comments was issued, were there any matters included in the letter that did not result in a modified report for which the review team considered modifying the report? Yes ___ No ___. If yes, describe such matters fully, including the basis for the conclusion that a report modification was not warranted.⁹

Horizontal lines for handwritten response to question H.

⁹ In such circumstances, AICPA Practice Monitoring staff should be consulted.

J. Did the review disclose any situations that led the reviewers to conclude that the financial statements did not conform in all material respects with generally accepted accounting principles (or, if applicable, a comprehensive basis of accounting other than GAAP) and the auditor's/accountant's report was not appropriately modified? (AU561 and ET203) Yes ___ No ___. If yes:

1. Describe such situations fully:

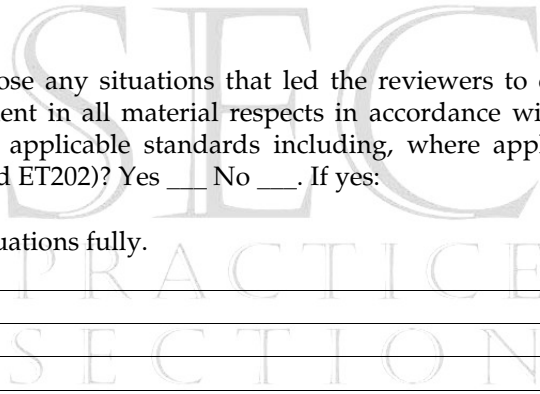
2. Indicate whether the firm considered the matter.

3. Describe the actions the firm has taken or plans to take.

4. If the firm has taken the necessary actions, indicate whether you have reviewed documentation of such actions (for example, reissued report and financial statements or letter recalling previously issued reports) and whether the actions are appropriate.

5. If the firm has not taken the necessary actions, indicate whether you concur with its planned actions.¹⁰

¹⁰ If corrective actions are taken prior to the SECPS Peer Review Committee's acceptance of the peer review documents, review the documentation of such action and submit an addendum to this document describing that review and indicating whether you concur with the action.



K. Did the review disclose any situations that led the reviewers to conclude that the firm did not perform an engagement in all material respects in accordance with generally accepted auditing standards and other applicable standards including, where applicable, governmental auditing standards (AU390 and ET202)? Yes ___ No ___. If yes:

1. Describe such situations fully.

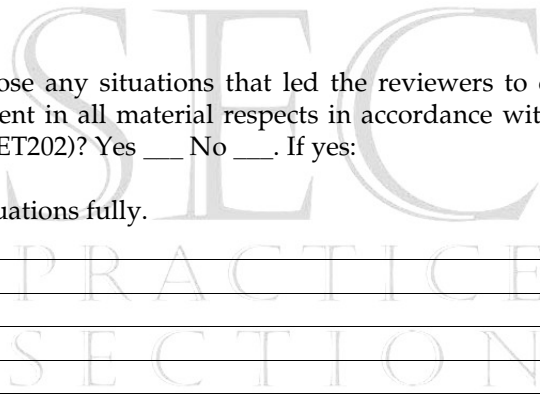
2. Indicate whether the firm considered the matter.

3. Describe the actions the firm has taken or plans to take.

4. If the firm has taken the necessary actions, indicate whether you have reviewed documentation of such actions (for example, reissued report and financial statements or letter recalling previously issued reports) and whether the actions are appropriate.

5. If the firm has not performed the necessary procedures, indicate whether you concur with its planned actions.¹¹

¹¹ See footnote 10.



M. Did the review disclose any situations that led the reviewers to conclude that the firm did not perform an engagement in all material respects in accordance with the standards for accounting and review services (ET202)? Yes ___ No ___. If yes:

1. Describe such situations fully.

Horizontal lines for text entry.

2. Indicate whether the firm considered the matter.

Horizontal lines for text entry.

3. Describe the actions the firm has taken or plans to take.

Horizontal lines for text entry.

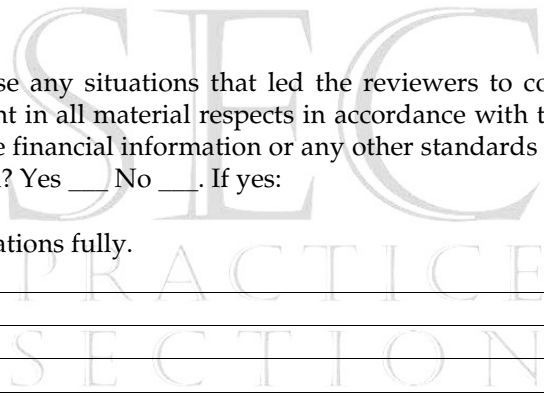
4. If the firm has completed the necessary actions, indicate whether you have reviewed the documentation of such actions and whether the actions are appropriate.

Horizontal lines for text entry.

5. If the firm has not yet taken the necessary actions, indicate whether you concur with its planned actions.¹²

Horizontal lines for text entry.

¹² See footnote 10.



N. Did the review disclose any situations that led the reviewers to conclude that the firm did not perform an engagement in all material respects in accordance with the standards for accountant's services on prospective financial information or any other standards not encompassed in items I, J, K, and L of this section? Yes ___ No ___. If yes:

1. Describe such situations fully.

Four horizontal lines for writing the answer to question 1.

2. Indicate whether the firm considered the matter.

Four horizontal lines for writing the answer to question 2.

3. Describe the actions the firm has taken or plans to take.

Four horizontal lines for writing the answer to question 3.

4. If the firm has completed the necessary actions, indicate whether you have reviewed the documentation of such actions and whether the actions are appropriate.

Four horizontal lines for writing the answer to question 4.

5. If the firm has not yet taken the necessary actions, indicate whether you concur with its planned actions.¹³

Four horizontal lines for writing the answer to question 5.

¹³ See footnote 10.

Appendix B

Comments to Improve Auditing and Quality Control Standards

A significant potential benefit of the AICPA peer review programs is the opportunity it provides to identify areas of practice where improvements can be made in the professional standards. Representatives of the SECPS Peer Review Committee and the AICPA Peer Review Board meet periodically with representatives of the Auditing Standards Board to discuss the implications of peer review results for standard setting. However, the committees believe the personal advice of those participating in peer reviews needs to be added to the process.

Your observations of the policies and practices in many different firms and your judgments about the efficient and effective application of professional standards are potentially valuable sources of input for the Auditing Standards Board. The Auditing Standards Board would appreciate receiving your comments on the attached questions as well as any other information that would be helpful to the standard-setting process. Responses should address areas where standards can be improved rather than specific peer review engagements and should not include the names of any reviewed firms. Responses should be sent directly to the SEC Practice Section along with the peer review working papers. The SECPS Peer Review Committee, the AICPA Peer Review Board and the Auditing Standards Board thanks you in advance for your contribution.

American Institute of Certified Public Accountants
SEC Practice Section

Questionnaire

(use additional sheets for your comments, if necessary)

- 1. Is there particular guidance in any Statement on Auditing Standards, auditing interpretations, Statement on Standards for Attestation Engagements or Statements on Quality Control Standards that practitioners have difficulty applying? Yes ___ No ___. Please cite specific paragraph numbers of the pronouncements to which the problems relate and descriptions of those problems.

- 2. If you identified a problem above please make specific suggestions for making the pronouncements clearer or more useful.

- 3. Have you identified any other areas of practice where additional guidance is needed? Yes ___ No ___. If yes, please provide a description of those areas.

Team Captain _____

Address _____

Date _____

Appendix C

Early Notification Form

Instructions

Team captains are asked to complete the following information after holding the exit conference and to mail the form to the address noted below within three days of the exit conference. Team captains are also asked to communicate any changes in the exit conference date on a peer review to the AICPA Practice Monitoring Department (201/938-3030) as soon as that change takes place.

Requested Information

1. Firm Name _____.
2. Firm Number or Review Number _____.
3. The exit conference was held on (date) _____.
4. The review team (circle) **DOES/DOES NOT** anticipate problems issuing the peer review report and letter of comments within 30 days of the exit conference date, as required.
5. The review team anticipates issuing an (circle) **UNQUALIFIED/MODIFIED/ADVERSE** report on this peer review.
6. There (circle) **ARE/ARE NOT** unresolved questions about the firm's compliance with professional standards for one or more engagements.

Team Captain Signature: _____

Date: _____

When completed, this form should be immediately sent to:

SEC Practice Section
American Institute of CPAs
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881
FAX: 201/521-5436

[The next page is 12155.]



Appendix D

Review Completion Notification Form

Date: _____

To: SEC Practice Section
American Institute of CPAs
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

From: _____
(Name of the Team Captain)

Re: Review of _____
Firm Number _____ Review Number _____

- 1. On what date was the firm-wide exit conference held? _____ / ____ / ____
- 2. When was the report delivered to the reviewed firm? _____ / ____ / ____
- 3. What was the general nature of the report?* _____
- 4. If the report was qualified, what were the reasons for the qualification? _____
- 5. When will the working papers be shipped to the AICPA Practice Monitoring Department? _____ / ____ / ____

* * * * *

Team Captain Signature: _____

Date: _____ / ____ / ____

* Please use the report codes on reverse. More than one reason can be indicated.

REPORT CODES**GENERAL NATURE OF THE REPORT**

- 1 Unqualified Without a Letter of Comments
- 2 Unqualified With a Letter of Comments
- 3 Modified—Quality Control System (only)
- 4 Modified—Membership Requirements of the Division for CPA Firms (only)
- 5 Modified—Scope Limitation (only)
- 6 Modified—Quality Control System and Membership Requirements of the Division for CPA Firms
- 7 Adverse

REASONS FOR QUALITY CONTROL SYSTEM MODIFICATIONS

- 351 Independence, Integrity and Objectivity
- 352 Engagement Performance
- 353 Personnel Management
- 354 Acceptance and Continuance of Clients
- 355 Monitoring
- 401 Continuing Professional Education
- 402 Partner Rotation
- 403 Concurring Partner Review
- 404 Reporting to Audit Committees
- 405 Reporting to QCIC
- 406 Statement of Philosophy
- 499 Other

[The next page is 13001.]



SEC Practice Section

**PEER REVIEW PROGRAM
QUESTIONNAIRES
AND GUIDELINES**

SEC
PRACTICE
SECTION

PRM Section 13000

Peer Review Program Questionnaires and Guidelines



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[The next page is 13101.]

PRM Section 13100

Instructions for Use of Peer Review Program Questionnaires and Guidelines

General

- .01** A peer review is an independent evaluation of whether, during the year under review—
- The reviewed firm's system of quality control for its accounting and auditing practice met the objectives of quality control standards established by the AICPA (as set forth in Statement on Quality Control Standards No. 1, paragraph 7).
 - The reviewed firm's quality control policies and procedures were being complied with in order to provide the firm with reasonable assurance of conforming with professional standards.
 - The reviewed firm was complying with the applicable section's membership requirements.

.02 Peer reviews are to be conducted under the standards prescribed in the sections entitled "Standards for Performing and Reporting on Peer Reviews" (section 2000, *SECPS Reference Manual*). These sections provide guidance for selecting the offices and engagements to be reviewed, and include examples of peer review reports and a letter of comments. Review team members are expected to be thoroughly familiar with the applicable section's standards prior to commencing a review.

.03 These guidelines have been designed to facilitate evaluation of the reviewed firm's system of quality control, testing its compliance therewith, and testing compliance with the membership requirements of the applicable section. Although departures from these guidelines may occur in particular situations, with the approval of the team captain, reviewers should provide adequate documentation of the type contemplated in these guidelines.

Quality Control Policies and Procedures and Membership Requirements Questionnaire

.04 In advance of the review, the team captain should request that the reviewed firm complete the quality control policies and procedures questionnaire included in PRM §13200, and return it to the team captain prior to the review team's visit. Completion of the questionnaire assists the firm in accumulating and organizing the information regarding its quality control system and the section's membership requirements and expedites the work of the reviewers. Because the extent of documentation of quality control policies and procedures may vary from firm to firm, all firms should complete the questionnaire.¹

.05 In completing the questionnaire, the reviewed firm should use the response column or attach other sheets as necessary. Lengthy and elaborate answers are not expected. Rather, wherever practicable, the reviewed firm should provide references to policies and procedures in the firm's quality control document, staff manuals or other reference materials, which adequately convey the response to the particular

¹ To assist it in evaluating whether it is ready for its initial peer review and in determining whether its quality control policies and procedures should be revised, a firm would be wise to complete the applicable questionnaire in PRM §13200 shortly after joining the AICPA Division for CPA Firms.

question. Such references will assist reviewers in finding the indicated policy or procedure in the reviewed firm's materials. In addition to responding to the questions, the reviewed firm should indicate any significant changes made in its quality control policies and procedures during the period or since the last peer review.

Suggested Review Procedures

.06 To assist the review team in performing its work, suggested review procedures have been organized in two sections (PRM §13300 and PRM §13400) as hereinafter discussed. The team captain is responsible for the assignment of the various quality control elements for review to individual team members. Prior to performing the procedures suggested for the element assigned, the team member should compare the relevant sections of the firm's quality control policies and procedures with its responses to the quality control policies and procedures questionnaire and determine, to the extent applicable, the reasons for any significant differences between them. The extent of the review team's testing and the nature of its findings should be documented on appropriate pages of the guidelines and supplemented as necessary with additional pages.

.07 The team member(s) responsible for engagement reviews should, in particular, be familiar with the reviewed firm's policies and procedures for supervision and for consultation. If the AICPA engagement checklists are used, the questions should be augmented to include the reviewed firm's specific quality control policies and procedures applicable to engagements.

.08 The scope and adequacy of the reviewed firm's inspection program may affect the scope of the review. Therefore, the review of the firm's inspection program should be completed as soon as possible to determine whether the initial anticipated scope requires modification.

Peer Review Procedures

.09 Suggested procedures for evaluating the appropriateness of the reviewed firm's quality control policies and procedures and for testing the firm's compliance therewith and with the applicable section's membership requirements have been included in PRM §13300 Series. The suggested procedures should be tailored by the reviewer as the circumstances may require. [For example, due to the size and nature of a firm's practice, a reviewer may decide to limit his review in such areas as assignment of personnel, hiring, or advancement to testing during engagement reviews. On all reviews, however, a reviewer must review in depth the functional areas of independence, supervision, professional development, inspection, consultation and acceptance and continuance of clients.]

.10 Some of the suggested peer review procedures include interviewing personnel of the reviewed firm who are knowledgeable about particular quality control functions or have responsibility for a function (for example, assigning personnel to engagements, making hiring decisions, resolving independence questions). The objectives of these interviews include (a) corroborating the information provided to the reviewer in the firm's documented policies and procedures and in the questionnaire completed by the reviewed firm; (b) determining whether the firm's policies and procedures have been effectively communicated to the individual responsible for the particular quality control function; (c) determining as to whether the individual believes that he has sufficient authority to perform the assigned duties; and (d) obtaining additional information that may be deemed necessary.

Staff Interview Questionnaire

.11 Certain of the suggested review procedures also call for interviewing selected staff other than those responsible for a particular quality control function. The objective of these interviews is to provide corroborative evidence that certain policies and procedures have been properly communicated. In evaluating the answers to the questions, the interviewer should carefully consider the interviewee's background, level of experience and position in the reviewed firm. The interviews are not necessarily determinative in regards to the nature of the report or the matters to be included in the letter of comments. Responses should be compared to other review findings.

.12 The individuals selected should have varying levels of experience and backgrounds. The number of individuals selected will be affected by the size and nature of the reviewed firm's practice.

.13 Generally, the review team should select one individual at each level of responsibility below partner (for example, manager, supervisor, senior and staff accountant) in each office visited. If a firm does not designate levels of responsibility, the review team should select a cross section of the professional staff in each office visited based on other criteria, such as years of experience and responsibilities. A suggested questionnaire for such interviews is included in PRM §13400. To minimize disruptions to the reviewed firm's normal operations, all questions relative to the quality control system should be discussed, to the extent possible, at the same time with each of the individual(s) selected for interview. [The interviewer should not indicate the name of the individual(s) interviewed on the questionnaire.]

Matters for Further Consideration

.14 Exhibit A, PRM §13600, contains a sample form captioned "Matters for Further Consideration" (MFC). Reviewers should exercise professional judgment in determining whether a "no" answer is significant enough to warrant the preparation of an MFC form. The purpose of the form is to communicate to the reviewed firm:

- a. A matter that, in the reviewer's opinion, could represent a significant design deficiency in the reviewed firm's quality control policies and procedures, or significant noncompliance therewith, or with a membership requirement, and that might affect the report or letter of comments of the review team.
- b. Other matters that, in the reviewer's opinion, should be communicated to the reviewed firm as matters that may require corrective action, and/or recommendations for improvement in the design of the quality control system.

.15 Completion of the form requires a description of the matter, the reviewed firm's comments thereon, and information on the resolution of the matter. The form should be signed in the places indicated by the reviewer, the team captain, and an appropriate partner in the reviewed firm. The team captain should evaluate the substance of the matters described and their resolution and, after reviewing all such forms, should decide if, individually or collectively, they should affect the report of the review team or should be included in a letter of comments to the reviewed firm. (The team captain should be consulted when there are disagreements or differences in opinion between the reviewed firm and the review team members with respect to the interpretation of such matters.)

.16 The reviewer should also identify matters that, in his or her opinion, do not require corrective action, but that should be communicated to the reviewed firm as suggestions for improvements in the firm's quality control policies and procedures or compliance therewith. These suggestions should be summarized by the team captain, in whatever manner is most convenient, for communication to the appropriate partner(s) of the reviewed firm.

Summarization of Peer Review Findings

.17 The “Standards for Performing and Reporting on Peer Reviews” requires that reviewers, at the conclusion of field work, summarize all of their findings, including all “no” answers to the individual engagement questions and MFCs. These summaries should be used to evaluate the nature, causes, pattern, pervasiveness, and significance of the deficiencies noted in (a) the design of the firm’s quality control system, (b) compliance with the system or with professional standards, and (c) compliance with the membership requirements of the Section.

Reviews of Multi-Office Firms

.18 When a reviewed firm has more than one office, the procedures followed by both the reviewed firm and by the reviewers will be similar, but not identical, to the procedures followed in the review of a single office. Accordingly, the materials contained in these guidelines should be tailored as follows:

- a. In preparing the questionnaire in PRM §13200, the reviewed firm should be careful to explain any variations among offices in policies and procedures, if they exist, and to identify locations where functions related to the entire firm are centralized.
- b. When visits are made to more than one office, the team captain should prepare a copy of the appropriate portions of PRM §13300 for each office visited. Obviously, certain items will be addressed at only one location, such as evaluating firm policy or interviewing the individual responsible for a firm-wide function. Other items will be addressed at more than one location, such as reviewing certain types of files or interviewing persons responsible for functions administered on a decentralized basis.
- c. PRM §13400 ordinarily should be used in each office visited.
- d. Summaries of “no” answers and of MFCs ordinarily should be prepared so that findings at individual locations, as well as firm-wide totals, are readily identifiable.

[The next page is 13201.]

PRM Section 13200

Quality Control Policies and Procedures Questionnaires

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PRM Section 13210¹

Quality Control Policies and Procedures Questionnaire for a Sole Practitioner With No Professional² Staff

.01 This section of the manual contains a questionnaire that a reviewed firm must complete prior to the commencement of the review. This questionnaire has been developed for a sole practitioner with no professional staff. Completion of the questionnaire assists a firm in accumulating and organizing the information regarding its quality control system.

.02 The reviewed firm should respond directly with “Yes,” “No,” or “N/A” answers and briefly describe, where appropriate, the policies and procedures they have in effect that relate to the questions asked. Where appropriate, firms 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. Lengthy and elaborate answers are not expected.

.03 This questionnaire was developed from the AICPA *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm’s Accounting and Auditing Practice*. **The reviewed firm should be aware that each question does not relate to explicit requirements of professional standards; the questionnaire was prepared based on a model of suggested policies and procedures that firms are encouraged to consider in designing and maintaining a quality control system.** As such, a “No” answer to a question does not necessarily indicate a problem with the firm’s system of quality control. A firm’s policies and procedures should be sufficient for it to obtain reasonable assurance of complying with professional standards.

.04 In the questionnaire there are a number of questions that refer to SECPS member firms. If the reviewed firm is not a member of the SEC Practice Section (SECPS), these questions should be marked N/A. However, if the reviewed firm has any SEC engagements, and is not a member of the SECPS, they are required to join SECPS and should contact the AICPA for guidance.

Firm

Prepared By

Date

¹ This questionnaire is to be used on SECPS peer reviews of sole practitioners with no professional staff *only*.

² The term professional refers to all individuals who perform professional services for which the firm is responsible, whether or not they are CPAs (SQCS No. 2 par. 3, footnote 4).

**Quality Control Policies and Procedures Questionnaire
for a Sole Practitioner With No Professional Staff**

This questionnaire provides the reviewer with basic information. It is not necessarily a checklist of all the policies and procedures that might be applicable to a practice. Firms about to be reviewed should respond directly with "Yes," "No," or "N/A" answers and briefly describe, where requested, the policies and procedures they have in effect that relate to the questions asked. If necessary additional pages should be added. Where appropriate, make reference to any documents that describe those policies and procedures in more detail. Examples of such documents might be audit and accounting manuals and forms and checklists used in the practice.

	Yes	No	N/A	Comments
A. Independence, Integrity, and Objectivity				
<i>Personnel will adhere to applicable independence, integrity, and objectivity requirements. These requirements include regulations, interpretations, and rulings of the AICPA, state CPA societies, state boards of accountancy, state statute, the Securities and Exchange Commission, and other regulatory agencies where applicable.</i>				
1. Do you have a current edition of the AICPA <i>Professional Standards</i> which contains the profession's interpretations related to potential issues or situations related to independence, integrity, and objectivity? If "no," describe how you obtain reasonable assurance that you are aware of the applicable independence, integrity and objectivity rules. _____ _____ _____ _____				
2. Do you review relevant pronouncements related to independence, integrity, and objectivity in the <i>Journal of Accountancy</i> and retain copies of them? If "no," describe how you remain current. _____ _____ _____ _____				

	Yes	No	N/A	Comments
<p>3. Do you document your independence on each engagement on a program step and require each per diem personnel to do the same? If "no," describe how independence is monitored? _____ _____ _____ _____ _____</p>				
<p>4. Do you review unpaid fees from clients to ascertain whether any outstanding amounts impair the firm's independence? If "no," describe how this is determined. _____ _____ _____ _____ _____ _____ _____ _____ _____</p>				
<p>5. Are per diem personnel made aware that the following financial or other relationships may be prohibited, such as—</p> <ul style="list-style-type: none"> a. Business relationships with clients or with non-clients that have investor or investee relationships with clients? b. Loans from client financial institutions? c. Family members in director, officer, manager or audit sensitive positions with client entities, including not-for-profit organizations? d. Past-due fees for professional services? e. Accounting or advisory services that have evolved into situations where the CPA has assumed some of the responsibilities of management? f. Bookkeeping services to SEC clients? 				

	Yes	No	N/A	Comments
Describe any potential conflicts. _____ _____ _____ _____ _____ _____				
6. Did you establish written independence policies covering relationships between restricted entities and the member firm (including where applicable, its foreign-associated firms, its benefit plans and its professionals). If "no," describe how independence is monitored for these relationships. _____ _____ _____ _____				
7. Did you periodically complete independence training as required by your firm's policies?				
8. A) Do you maintain a database ("Restricted Entity List") that includes all restricted entities? B) If "no," how do you monitor independence with restricted entities? _____ _____ _____				
9. Does your independence policies and procedures specifically require the following: <ul style="list-style-type: none"> • Prior to you, your spouse, and your dependents acquiring any security or other financial interest in an entity, obtaining a loan from an entity, opening or modifying a brokerage account with an entity, did you review the Restricted Entity List? • You shall certify initially and at least annually thereafter that you have read the firm's independence policies, understand their applicability to your activities and those of your spouse and dependents, and have complied with the requirements of the firm's independence policies since the prior certification? • You shall report apparent violations of policies involving yourself and your spouse and dependents when identified and the corrective action taken or proposed to be taken on a timely basis? • You shall have a monitoring system to determine that adequate corrective steps are taken and documented on all apparent violations? 				

	Yes	No	N/A	Comments
<ul style="list-style-type: none"> • You shall develop as part of your policies, guidelines for actions to be taken for violation of independence? <ul style="list-style-type: none"> a. If "yes," are the above policies and procedures documented? b. If "no," describe how these policies and procedures are conveyed to you. _____ _____ _____ c. If the above policies and procedures are not required by you, describe how independence is monitored for each policy and procedure. _____ _____ _____ 				
<p>10. Does your monitoring system include procedures to ensure that information received from you is complete and accurate as to the requirements described in the second bullet in 9. above?</p> <ul style="list-style-type: none"> a. If "yes," describe the procedures performed to ensure that the information is complete and accurate. _____ _____ b. If "no," describe how you ensure that the information is complete and accurate. _____ _____ _____ <p><i>When the sole practitioner acts as principal auditor, confirm the independence of another firm performing parts of an engagement.</i></p>				
<p>11. Does the sole practitioner have any engagements where it acts as principal auditor or accountant and another firm of CPAs is engaged to perform segments of the engagement? If "yes,"—</p> <ul style="list-style-type: none"> a. Describe how you confirm the independence of such other firm(s). The description should include the form and content of the confirmation. _____ _____ _____ 				

b. If "no," how often is the confirmation obtained?

Yes	No	N/A	Comments

B. Personnel Management

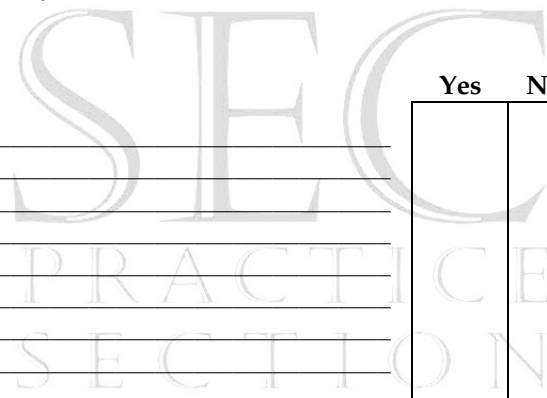
The sole practitioner will maintain the degree of technical training and proficiency required in the circumstances.

1. Do you evaluate the knowledge and expertise required to perform an engagement prior to accepting the engagement? If "no," describe how you determine that you can complete the engagement competently.

2. For each of the firm's accounting, auditing, and attestation engagements, have you determined that you possess the following knowledge, skills and abilities (competencies) to allow you to fulfill your engagement responsibilities:

- a. An understanding of the role of your firm's system of quality control and the AICPA's Code of Professional Conduct.
- b. An understanding of the performance, supervision, and reporting aspects of the engagement.
- 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.
- 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.

	Yes	No	N/A	Comments
<p>e. Skills that indicate sound professional judgment.</p>				
<p>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.</p>				
<p>3. If you use per diem employees, have you set criteria which the individuals employed must meet in order to perform engagements competently? If "no," describe how you determine if a per diem employee is capable of performing an engagement. _____ _____ _____</p>				
<p><i>The sole practitioner will participate in general and industry-specific continuing professional education and professional development activities that satisfy responsibilities and fulfill applicable continuing professional education requirements of the AICPA and regulatory agencies.</i></p>				
<p>4. Do you develop a professional development program considering the requirements of the AICPA and state boards of accountancy? If "no," describe how you maintain appropriate professional competency and compliance with AICPA, state boards, and other regulatory agencies' CPE requirements. _____ _____ _____</p>				
<p>5. Are you and, if applicable, per diem personnel in compliance with the professional education requirements of the board(s) of accountancy in state(s) where licensed, the AICPA (if applicable), the state CPA society (if applicable), the Private Companies Practice Section (if applicable), the SEC Practice Section (if applicable) and <i>Government Auditing Standards</i>—the "Yellow Book" (if applicable)? If the answer is "no,"—</p> <p>a. Explain instances of noncompliance. _____ _____ _____ _____ _____</p>				



	Yes	No	N/A	Comments

C. Acceptance and Continuance of Clients and Engagements

The sole practitioner will evaluate factors that have a bearing on management’s integrity.

1. Do you obtain information such as the following before accepting or continuing an engagement:
 - a. Available information regarding the client and its operations from sources such as prior-year reports, interim financial information, reports to regulatory agencies, enforcement actions by regulators, income tax returns, internally generated financial statements, credit reports, and for SEC registrants registration statements, Forms 10-K, Forms 8-K?
 - b. The nature and purpose of the services to be provided to the client by making inquiries of client management?
 - c. Information regarding the client and its management by making inquiries of third parties such as bankers, legal counsel, underwriters, and other members of the financial or business community who may have appropriate knowledge?
2. Do you document your communications with predecessor accountants, including inquiries regarding the nature of any disagreements and other events required to be reported on Form 8-K, and whether evidence of “opinion shopping” exists?
3. Do you evaluate the information obtained regarding management’s integrity?

	Yes	No	N/A	Comments
<p>4. If the answer is "no" to questions 1, 2, or 3 briefly describe the procedures you follow in making acceptance and continuance decisions, including the information obtained and considered. Also, describe any variations in those procedures based on factors such as the nature and size of the engagement and prior experience with the client. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p><i>The sole practitioner will evaluate whether the engagement can be completed with professional competence and, accordingly, undertake only those engagements that can be completed with professional competence, and appropriately consider the risk associated with providing professional services in particular circumstances.</i></p>				
<p>5. Do you consider conditions that require evaluation of a client or a specific engagement and obtain relevant information to determine whether a relationship should be continued? If "yes," do the conditions include:</p> <p>a. Establishing a time period for the evaluations?</p> <p>b. Significant changes in the client (such as change in ownership, senior personnel, directors, nature of business, or the financial stability of the client)?</p> <p>c. Client delinquent in paying fees?</p> <p>d. Engagements in specialized industries?</p> <p>e. Engagements where there are burdensome number of hours required to complete the engagement?</p> <p>f. Engagements for entities in the development stage?</p> <p>If "no," how do you determine whether a client or engagement should be continued, please describe:</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				

	Yes	No	N/A	Comments
<p>6. Did you consider discontinuing any audit and accounting client relationships during the year under review but decide to continue? If "yes," explain: _____ _____ _____</p>				
<p>7. For SECPS firms, if there has been a cessation of the client-auditor relationship with an SEC registrant, did you communicate in writing within 5 business days of the cessation to the SEC registrant with a copy to the Office of the Chief Accountant of the SEC that the client-auditor relationship has ceased [membership requirement SECPS §1000.08(m)]?</p> <p><i>The sole practitioner will obtain an understanding with the client regarding services to be performed.</i></p>				
<p>8. Do you adhere to all requirements set forth in professional standards regarding obtaining an understanding with the client?</p>				
<p>9. Do you document your understanding with the client regarding the services to be performed by either obtaining 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 documenting the understanding in a memorandum? If not, describe how you obtain assurance that your understanding is in agreement with the client's understanding of the work to be performed. _____ _____ _____ _____</p>				
<p>D. Engagement Performance</p>				
<p><i>The sole practitioner will plan engagements to meet professional standards and the firm's requirements.</i></p>				
<p>1. Do your planning procedures include:</p> <p style="padding-left: 20px;">a. Developing or obtaining background information on the client and the engagement?</p> <p style="padding-left: 20px;">b. Obtaining an understanding of the engagement by use of an engagement letter or documentation in the working papers?</p>				

	Yes	No	N/A	Comments
<p>c. Reviewing prior financial statements and accountant/auditor's report?</p>				
<p>d. Using work programs?</p>				
<p><i>The sole practitioner will perform, supervise, review document, and communicate in accordance with the requirements of professional standards and the firm.</i></p>				
<p>2. Do you use purchased practice aids in the performance of the engagements? If "no," what do you use, please describe: _____ _____ _____ _____ _____ _____ _____ _____</p>				
<p>3. Do you prepare workpapers and checklists to document the work performed on engagements? If "no," how do you determine that appropriate work has been performed to justify the opinion expressed, please describe: _____ _____ _____ _____ _____ _____</p>				
<p>4. Do you require documentation of:</p> <p>a. Consideration of internal control structure in planning and performing the engagement?</p> <p>b. Assessment of control risk?</p> <p>c. Consideration of audit risk and materiality when planning and performing an audit?</p> <p>d. Audit sampling techniques?</p> <p>e. Consideration of fraud in the financial statement audit?</p> <p>f. Conduct of and degree of reliance placed on analytical procedures?</p>				

	Yes	No	N/A	Comments
<p>5. For per diem employees used, do you review and initial all workpapers prepared by them? If "no," how is the review documented, please describe: _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>6. Describe the steps you follow when you use other accounting firms for audit or accounting engagements? In the description, describe the form in which instructions are given to the other firms and the extent to which their work is reviewed, or indicate where your procedures for the supervision and control of that work is found. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>7. For SECPS firms, do you have a concurring partner review performed on all SEC engagements in accordance with SECPS §1000.08(f)?</p>				
<p><i>The sole practitioner will identify areas and specialized situations where consultation is required and will refer to authoritative literature and practice aids and will consult, on a timely basis, with individuals outside the firm when appropriate (for example, when dealing with complex, unusual, or unfamiliar issues).</i></p>				
<p>8. Do you maintain appropriate up-to-date technical reference materials? If "no," how do you determine that appropriate technical standards are followed, please describe: _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				

	Yes	No	N/A	Comments
<p>9. Do you consult based on the following factors:</p> <ul style="list-style-type: none"> a. The materiality of the matter? b. Your experience in a particular industry or functional area? c. Whether generally accepted accounting principles or generally accepted auditing standards in the area: <ul style="list-style-type: none"> i. Are based on authoritative pronouncements that are subject to varying interpretations? ii. Are based on varied interpretations of prevailing practice? iii. Have yet to be developed? iv. Are under active consideration by an authoritative body? v. Have not previously been interpreted by the firm, for example, in connection with another engagement? 				
<p>10. Do you consult with outside parties, such as the AICPA Technical Hotline, or another CPA qualified in the area, when a technical question arises? If "no," how are technical questions resolved, please describe:</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>11. Do you document consultations including all of the relevant facts and circumstances and references to professional literature and where is this documentation maintained? If "no," how do you justify your conclusions, please describe: _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>E. Monitoring</p> <p><i>The sole practitioner will consider and evaluate, on an ongoing basis, the relevance and adequacy of quality control policies and procedures.</i></p>				

	Yes	No	N/A	Comments
1. Do you revise your policies and procedures that are ineffective due to changes in professional standards?				
2. Do you improve your compliance, as needed, with your policies and procedures?				
<i>The sole practitioner will consider and evaluate, on an ongoing basis, the appropriateness of guidance materials and any practice aids.</i>				
3. Do you review your practice aids to determine that they are up-to-date on a regular basis? How often is this done? _____ _____ _____				
<i>The sole practitioner will consider and evaluate, on an ongoing basis, the effectiveness of professional development activities.</i>				
4. Do you review your CPE records to determine that the courses you have taken are appropriate considering your firm's practice?				
5. Do you review your CPE records to determine compliance with the requirements of the AICPA and other regulatory bodies?				
<i>The sole practitioner will consider and evaluate, on an ongoing basis, compliance with policies and procedures.</i>				
6. Do you perform a timely postissuance review of selected engagements?				
7. Do you summarize the findings noted on the postissuance reviews?				
8. Do you place additional emphasis on deficient areas in future engagements?				
9. Do you determine if existing policies and procedures should be modified so any deficiencies noted do not recur?				
10. Do you, on an ongoing basis, review your compliance with your policies and procedures for independence, integrity and objectivity, personnel management, acceptance and continuance of clients and engagements, and engagement performance?				

11. In review of your compliance with your policies and procedures for personnel management, did you consider the results of the firm's monitoring procedures to ensure that you possess the necessary knowledge, skills and abilities (competencies) to allow you to fulfill your responsibilities related to your accounting, auditing, and attestation engagements?

F. Membership Requirements (SECPS Only)

1. Does the firm have policies and procedures to ensure that—

- a. Your membership with the AICPA is current [membership requirement SECPS §1000.08(a)]?
- b. For each fiscal year of the firm an appropriate annual report is filed [membership requirement SECPS §1000.08(g)]?
- c. You refrain from proscribed management advisory services [membership requirement SECPS §1000.08(h)]?
- d. You report annually to the audit committee or board of directors (or its equivalent in a partnership) of each SEC audit client the total fees received from the client for management advisory services during the year under audit and a description of the types of such services rendered [membership requirement SECPS §1000.08(i)]?
- e. Regarding Quality Control Inquiry Committee (QCIC) matters:

Since the prior peer review, or since joining the Section if less than 3 years, have you been named in any litigation, proceeding or publicly announced investigation by a regulatory agency alleging deficiencies in the conduct of an audit of the financial statements of a present or former SEC client?

If yes,

- i. Has the complaint(s) against you been reported to the QCIC within 30 days of being served? Explain No answer: _____

Yes	No	N/A	Comments

	Yes	No	N/A	Comments
ii. In the event the QCIC referred the case to the AICPA Professional Ethics Division (PEEC), and the matter was subsequently deferred by the PEEC, did you comply with the SECPS Membership Requirement §1000.47 (Appendix M)? Explain No answer: _____ _____ _____ _____ _____				
f. Your statement of philosophy is communicated to all per diem personnel [membership requirement SECPS §1000.08(l)]?				
g. The Section’s dues are paid yearly [membership requirement SECPS §1000.08(j)]?				

[The next page is 13241.]

PRM Section 13240¹

Quality Control Policies and Procedures Questionnaire for Firms With Two or More Professional² Staff

.01 This section of the manual contains a questionnaire that a reviewed firm must complete prior to the commencement of the review. This questionnaire has been developed for firms with two or more professional staff. Completion of the questionnaire assists a firm in accumulating and organizing the information regarding its quality control system.

.02 The reviewed firm should respond directly with “Yes,” “No,” or “N/A,” answers and briefly describe, where appropriate, the policies and procedures they have in effect that relate to the questions asked. Where appropriate, firms 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. Lengthy and elaborate answers are not expected.

.03 This questionnaire was developed from the AICPA *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm’s Accounting and Auditing Practice*. **The reviewed firm should be aware that each question does not relate to explicit requirements of professional standards; the questionnaire was prepared based on a model of suggested policies and procedures that firms are encouraged to consider in designing and maintaining a quality control system.** As such, a “No” answer to a question does not necessarily indicate a problem with the firm’s system of quality control. A firm’s policies and procedures should be sufficient for it to obtain reasonable assurance of complying with professional standards.

.04 In the questionnaire, there are a number of questions that refer to SECPS member firms. If the reviewed firm is not a member of the SEC Practice Section (SECPS), these questions should be marked N/A. However, if the reviewed firm has any SEC engagements, and is not a member of the SECPS, they are required to join SECPS and should contact the AICPA for guidance.

.05 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 control of a non-CPA owned entity with which the reviewed firm is closely aligned through common employment, leasing of employees, equipment, facilities, etc., or other similar arrangements. This would generally include policies and procedures relating to the following elements of quality control: (1) independence, integrity and objectivity, (2) personnel management, and (3) monitoring of the elements noted in (1) and (2). If this arrangement applies to the reviewed firm, please also refer to and complete **PRM Section 13500, *Quality Control Policies and Procedures Questionnaire for Non-CPA Owned Entities Closely Aligned With a CPA Firm***.

Firm

Prepared By

Date

¹ This questionnaire is to be used on SECPS peer reviews of firms with two or more professionals.

² The term professional refers to all individuals (including leased and per diem employees who devote at least 25% of their time at the reviewed firm in performing audits, reviews, compilations, or other attest engagements, or those professionals who have the partner/manager level responsibility for the overall supervision or review of such engagements) who perform professional services for which the firm is responsible, whether or not they are CPAs (SQCS No. 2 par 3, footnote 4).

SEC Practice Section
Peer Review Program

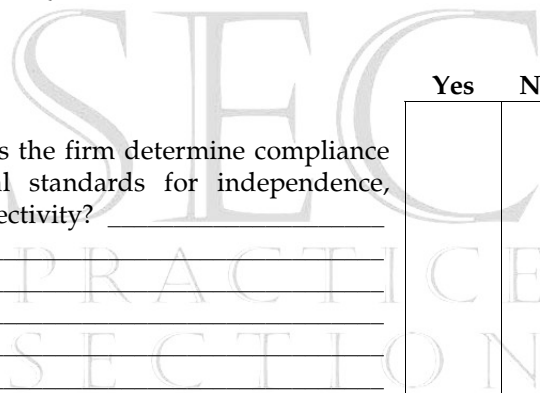
Quality Control Policies and Procedures Questionnaire
for Firms With Two or More Professional Staff

This questionnaire provides the reviewer with basic information. It is not necessarily a checklist of all the polices and procedures that might be applicable to a practice. Firms about to be reviewed should respond directly with "Yes," "No," or "N/A" answers and briefly describe, where requested, the policies and procedures they have in effect that relate to the questions asked. If necessary additional pages should be added. Where appropriate, make reference to any documents that describe those policies and procedures in more detail. Examples of such documents might be audit and accounting manuals and forms and checklists used in the practice.

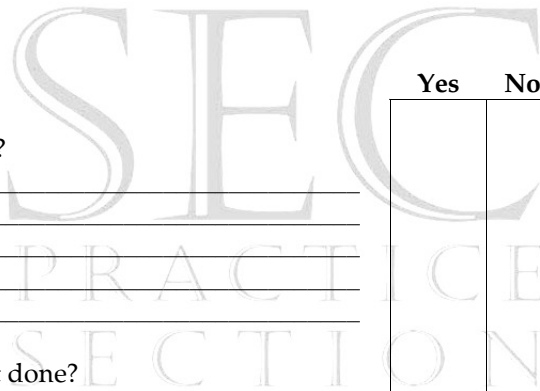
	Yes	No	N/A	Comments
<p>A. Independence, Integrity, and Objectivity (If the reviewed firm is closely aligned with a non-CPA owned entity, and certain portions of this element of the reviewed firm's system of quality control reside at or operate in conjunction with the system of control of the non-CPA owned entity, please also refer to and complete PRM Section 13500, Quality Control Policies and Procedures Questionnaire for Non-CPA Owned Entities Closely Aligned With a CPA Firm.)</p>				
<p><i>Personnel will adhere to applicable independence, integrity, and objectivity requirements to the extent required. These requirements include regulations, interpretations, and rulings of the AICPA, state CPA societies, state boards of accountancy, state statute, the Independence Standards Board (ISB) the Securities and Exchange Commission (SEC), and other regulatory agencies where applicable.</i></p>				
<p>1. Does the firm have a system for identifying all services performed for clients, including services performed by entities closely aligned through common employment, etc., including the effect on independence, integrity and objectivity of services provided to clients of the firm by entities with which the firm is closely aligned through the leasing of employees, facilities, etc. or other similar arrangements?</p>				
<p>a. If "yes," identify the relevant policies and procedures. _____ _____ _____ _____ _____ _____</p>				

	Yes	No	N/A	Comments
<p>b. If "no," describe how the firm differentiates the types of services performed. _____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>2. Does the firm have policies and procedures in place to ensure the independence of the firm as required by the AICPA, State CPA societies, state boards of accountancy, state statute, the ISB, the SEC, and other regulatory bodies if applicable?</p> <p>a. If "yes," how is the information documented (e.g., memorandum, manuals, etc.)? _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>b. If "no," how does the firm obtain reasonable assurance that its personnel are aware of the pertinent regulations, interpretations and rulings of regulatory agencies that impact the firm? _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>3. Does the firm have policies and procedures that contain the firm's interpretations of professional and regulatory requirements and guidance for resolving potential issues or situations related to its independence, integrity and objectivity including the effect on independence, integrity and objectivity of services provided to clients of the firm by entities with which the firm is closely aligned through the leasing of employees, facilities, etc. or other similar arrangements?</p> <p>a. If "yes," are they documented? _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				

	Yes	No	N/A	Comments
<p>b. If "no," describe how the firm obtains reasonable assurance that its personnel comply with the independence, integrity and objectivity rules?</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>4. Is there an individual within the firm responsible for providing guidance, answering questions, monitoring compliance, and resolving matters with respect to independence, integrity, and objectivity?</p> <p>a. If "yes," identify. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>b. If "no," describe how the firm handles these matters. _____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>5. In connection with the resolution of independence, integrity, and objectivity questions—</p> <p>a. Are there circumstances which would ordinarily cause the firm to document the resolution to such questions? If "yes," briefly describe _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>and indicate where the documentation is maintained (for example, the working paper files or other specific firm or client files). _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				



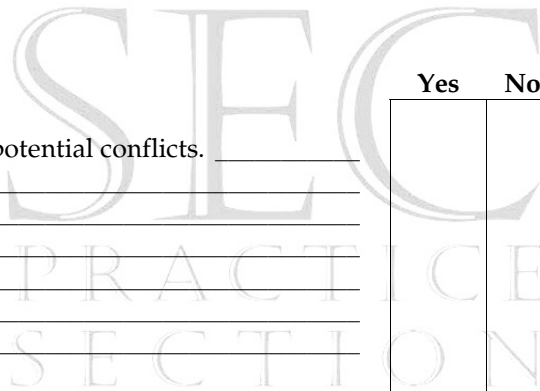
	Yes	No	N/A	Comments
<p>If "no," how does the firm determine compliance with professional standards for independence, integrity, and objectivity? _____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>b. Has the firm found it necessary within the last year to consult with individuals outside the firm on independence, integrity, or objectivity concerns? If "yes," please describe. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>6. Does the firm obtain written representations from all professional personnel, upon hire and on an annual basis, stating whether they are familiar with and are in compliance with professional standards and the firm's policies and procedures regarding independence, integrity, and objectivity?</p>				
<p>a. If "yes," where are the representations maintained and who is responsible for maintaining them?</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>b. If "no," how does the firm monitor compliance with its independence, integrity, and objectivity policies? _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>7. Does the firm review unpaid fees from clients to ascertain whether any outstanding amounts may impair the firm's independence?</p>				
<p>a. If "yes," please specify</p>				



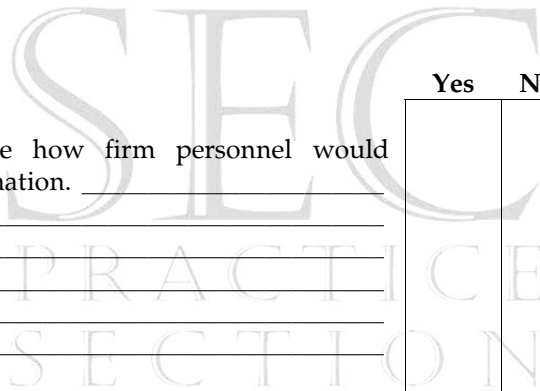
	Yes	No	N/A	Comments
i. Who does this? _____ _____ _____ _____				
ii. How often is it done? _____ _____ _____ _____ _____				
iii. Whether there have been any such situations during the year under review?				
b. If "no," how does the firm monitor its independence with respect to clients with unpaid fees? _____ _____ _____ _____ _____ _____ _____ _____ _____ _____				
8. Does the firm communicate at least annually with audit committees (or the boards of directors in those cases where there is no audit committee) of its SEC clients? If "yes," do those communications include:				
a. All relationships between the auditor and its related entities that in the firm's professional judgment may reasonably be thought to bear on independence? If "yes," is this disclosure made in writing?				
b. A letter confirming that, in the firm's professional judgement, it is independent of the company within the meaning of the Securities Acts?				
c. A discussion regarding the firm's independence with the audit committee?				

	Yes	No	N/A	Comments
<p>If "no" has the firm taken any remedial actions to provide the appropriate communications to the audit committee? _____</p> <p>_____</p> <p><i>Personnel will be familiar with policies and procedures relating to independence, integrity, and objectivity.</i></p> <p>9. Are firm personnel and per diem employees made aware that the following financial or other relationships may be prohibited, such as—</p> <p><i>a.</i> Business relationships with clients or with non-clients that have investor or investee relationships with clients?</p> <p><i>b.</i> Loans to and from clients, including loans from financial institutions clients?</p> <p><i>c.</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 organizations?</p> <p><i>d.</i> Past-due fees for professional services from clients?</p> <p><i>e.</i> Accounting or advisory services that have evolved into situations where the service provider has assumed some of the responsibilities of client management?</p> <p><i>f.</i> Bookkeeping services to SEC clients, if applicable?</p> <p><i>g.</i> Direct and material investments in clients?</p> <p><i>h.</i> Client relationships with a non-CPA owned entity³ with whom the firm may lease employees, facilities, etc., if applicable?</p> <p><i>i.</i> Positions where personnel in a non-CPA owned entity act as promoters, underwriters, voting trustees, directors, or officers of the firm's clients?</p> <p><i>j.</i> Material investments of firm clients in a non-CPA owned entity that allow the clients to exercise significant influence over the non-CPA owned entity?</p>				

³ If this exists, please also complete Section 13510, "Quality Control Policies and Procedures Supplemental Questionnaire for Non-CPA Owned Entities Closely Aligned With a CPA Firm."



	Yes	No	N/A	Comments
<p>If "yes," describe any potential conflicts. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>If "no," how does the firm determine that its personnel are aware of prohibited relationships? _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>10. Does the firm communicate its policies and procedures for independence, integrity, and objectivity to its personnel?</p> <p>a. If "yes," describe how the firm communicates its policies and procedures for independence, integrity, and objectivity to its professional personnel. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>b. If "yes," do professional personnel have access to guidance materials regarding the applicable independence, integrity, and objectivity requirements? For example, through computer software that has access to databases containing professional and regulatory literature, or by subscribing to the AICPA <i>Professional Standards</i> loose-leaf service and other services pertaining to the firm's practice. If "yes," are professional personnel encouraged to become familiar with these materials, including discussing the implications on engagements? For example, complying with <i>Statements on Standards for Accounting and Review Services</i> with respect to disclosing instances where the firm is not independent in the accountant's compilation report.</p>				



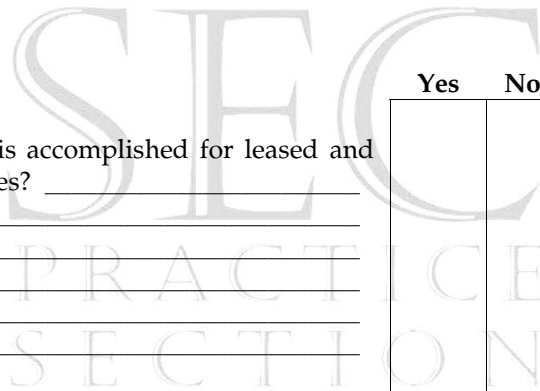
	Yes	No	N/A	Comments
<p>c. If "no," describe how firm personnel would obtain this information. _____ _____ _____ _____</p>				
<p>11. Does the firm inform its professional personnel on a timely basis as to any changes in the firm's client list?</p> <p>a. If "yes," describe how the firm communicates these changes to professional personnel. _____ _____ _____ _____</p> <p>b. If "no," how does the firm ensure that all professional personnel are aware of any changes to the firm's client list? _____ _____ _____ _____</p>				
<p>12. Does the firm inform its professional personnel, on a timely basis of those entities to which independence policies apply? If "yes," how does the firm inform its professionals? For example, does the firm—</p> <p>a. Prepare and maintain lists of entities for which independence applies?</p> <p>b. Make lists available to personnel who need them to determine their independence?</p> <p>c. Other _____ _____ _____ _____</p> <p>If "no," how does the firm determine that its personnel know to which entities independence policies apply? _____ _____ _____ _____</p>				

	Yes	No	N/A	Comments
<p>13. Did the firm establish independence policies covering relationships between the firm, its benefit plans, and its professionals (and the close relatives of such professionals), and "restricted entities" of the firm?</p> <p><i>a.</i> If "yes," are they documented?</p> <p><i>b.</i> If "no," describe how independence is monitored for these relationships. _____ _____</p>				
<p>14. Are the firm's independence policies made available to each professional and are changes thereto communicated on a timely basis?</p> <p><i>a.</i> If "yes," where are they maintained and who is responsible for maintaining them?</p> <p><i>b.</i> If "no," how does the firm determine compliance with its independence policies? _____ _____</p>				
<p>15. Does each professional performing services for clients complete near the time of initial employment and periodically thereafter, independence training as required by the firm's policies?</p> <p><i>a.</i> If "yes," please describe the training.</p> <p><i>b.</i> If "no," describe how each professional remains current with independence issues. _____ _____</p>				
<p>16. Does the firm maintain a database ("Restricted Entity List") that includes all restricted entities? (For member firms with more than 500 SEC registrant audit clients, an automated tracking system and automated restricted entity database are required. The electronic tracking system must be in place by December 31, 2000 for all firms with more than 500 SEC registrant audit clients).</p> <p><i>a.</i> If "yes," please specify</p> <p><i>i.</i> Who is the senior-level partner responsible for keeping the Restricted Entity List updated on at least a monthly basis? _____ _____</p>				

	Yes	No	N/A	Comments
ii. How is it made readily available? _____ _____ _____				
iii. How are additions communicated on a timely basis? _____ _____ _____				
iv. How the senior-level partner oversees the adequate functioning of the independence policies of and the consultation process within the firm? _____ _____ _____				
b. If "no," how does the firm monitor independence with restricted entities? _____ _____ _____ _____				
17. Does the firm's independence policies and procedures specifically require the following: <ul style="list-style-type: none"> • Prior to acquiring any security in an entity, obtaining a loan from an entity, opening or modifying a brokerage account with an entity, professionals required to comply with restrictions should review the Restricted Entity List? • Each professional shall certify near the time of initial employment and at least annually thereafter that he or she has read the firm's independence policies, understands their applicability to his or her activities and those of his or her spouse and close relatives, and has complied with the requirements of the firm's independence policies since the prior certification? • Each professional shall report apparent violations of policies involving himself or herself and his or her spouse and dependents when identified and corrective action taken or proposed to be taken on a timely basis? • The firm shall have a monitoring system under the supervision of the senior-level partner designated in 16 above to determine that adequate corrective steps are taken and documented on all apparent violations reported by professionals within the firm? 				

	Yes	No	N/A	Comments
<ul style="list-style-type: none"> • The firm shall develop as part of its policies, guidelines for actions to be taken against individuals for violation of independence by its professionals? <ul style="list-style-type: none"> a. If "yes," are the above policies and procedures documented? b. If "no," describe how the firm conveys these policies and procedures to its professionals. <hr/> <hr/> c. If the above policies and procedures are not required by the firm, describe how independence is monitored for each policy and procedure. <hr/> <hr/> 				
<p>18. Does the firm's monitoring system include procedures to ensure that information received from its U.S. partners and managers is complete and accurate as to the requirements described in the second bullet in 17 above?</p> <ul style="list-style-type: none"> a. If "yes," describe the procedures performed to ensure that the information is complete and accurate. <hr/> <hr/> b. If "no," describe how the firm ensures that the information is complete and accurate. <hr/> <hr/> <p><i>When the firm acts as principal auditor confirm the independence of another firm performing parts of an engagement.</i></p>				
<p>19. Does the firm have any engagements where it acts as principal auditor or accountant and another firm of CPAs is engaged to perform segments of the engagement? If "yes"—</p> <ul style="list-style-type: none"> a. Describe how the firm confirms the independence of such other firm(s). The description should include the form and content of the confirmation. <hr/> <hr/> <hr/> 				

	Yes	No	N/A	Comments
<p>b. Does the firm confirm the independence of such other firm(s) for each reporting engagement? If "no," how often is the confirmation obtained? _____</p> <p>_____</p> <p>_____</p>				
<p>B. Personnel Management (If the reviewed firm is closely aligned with a non-CPA owned entity, and certain portions of this element of the reviewed firm's system of quality control reside at or operate in conjunction with the system of control of the non-CPA owned entity, please also refer to and complete PRM Section 13500, Quality Control Policies and Procedures Questionnaire for Non-CPA Owned Entities Closely Aligned With a CPA Firm.)</p>				
<p><i>Personnel who are hired will possess the appropriate characteristics to enable them to perform competently.</i></p>				
<p>1. Does the firm have an individual who is responsible for the firm's hiring and human resources management, including evaluation of personnel needs, establishment of hiring objectives and providing final approval?</p>				
<p>a. If "yes," please identify. _____</p> <p>_____</p> <p>_____</p>				
<p>b. If "no," how is this accomplished? _____</p> <p>_____</p> <p>_____</p>				
<p>If "no," how does the firm determine that it has adequate staff to perform its professional engagements? _____</p> <p>_____</p> <p>_____</p>				
<p>2. Does the firm have an arrangement with the non-CPA owned entity, whereby an individual is responsible for the firm's acquiring of or contracting with leased and per-diem employees, including evaluation of personnel needs, establishment of hiring objectives and providing final approval?</p>				
<p>a. If "yes," please identify. _____</p> <p>_____</p> <p>_____</p> <p>_____</p>				



	Yes	No	N/A	Comments
<p>b. If "no," how is this accomplished for leased and per-diem employees? _____ _____ _____ _____</p> <p>If "no," how does the firm determine that it has qualified leased and per-diem staff to perform its professional engagements? _____ _____ _____ _____ _____</p>				
<p>3. Does the firm have hiring criteria? If "yes," briefly describe—</p> <p>a. The attributes, achievements, and experiences desired in entry-level and experienced personnel to enable them to perform completely within the firm. Highlight any items which represent requirements for hire. _____ _____ _____ _____ _____</p> <p>b. How the firm evaluates the personal characteristics such as integrity, competence, and motivation of new hires. _____ _____ _____ _____ _____</p> <p>c. Any additional information the firm requires for experienced hires, such as background checks, and inquiries about any outstanding regulatory actions. _____ _____ _____ _____ _____</p>				

	Yes	No	N/A	Comments
<p>If "no," how does the firm determine that the personnel hired are appropriate for the position they are hired to fill? _____ _____ _____ _____</p>				
<p>4. Does the firm have criteria for determining which individuals will be involved in the interviewing and hiring process?</p> <p>a. If "yes," how are the individuals trained? _____ _____ _____ _____</p> <p>b. If "no," how does the firm determine who is appropriate for this role? Please describe _____ _____ _____ _____</p>				
<p><i>The firm will make personnel assignments based on the degree of technical training and proficiency required in the circumstances, including the competencies of the practitioner-in-charge of the firm's accounting, auditing, and attestation engagements and the nature and extent of supervision to be provided.</i></p>				
<p>5. Does the firm have policies and procedures to ensure professional 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? If "yes," describe and in that description, include—</p> <p>a. Who is responsible for the assignment of personnel to engagements, including high-risk engagements and industries? _____ _____ _____ _____</p>				

	Yes	No	N/A	Comments
<p>b. What are the factors 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>_____</p> <p>_____</p> <p>_____</p> <p>If "no," how does the firm determine that the personnel assigned to engagements are qualified to perform the engagement? _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>6. Does the firm specify the knowledge, skills and abilities (competencies) the practitioner in charge of the firm's accounting, auditing or attestation engagements (or other person who is responsible for supervising those type of engagements and signing or authorizing someone to sign the accountants' report on such engagements) (except for SEC engagements, whose accountants' reports must be signed by a partner) should possess to fulfill their engagement responsibilities?</p> <p>a. Do such competencies for the practitioner in charge include:</p> <p>i. An understanding of the role of your firm's system of quality control and the AICPA's Code of Professional Conduct</p> <p>ii. An understanding of the performance, supervision, and reporting aspects of the engagement</p>				

	Yes	No	N/A	Comments
<p>iii. An understanding of the applicable accounting, auditing, or attestation professional standards including those standards directly related to the industry in which a client operates</p> <p>iv. 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</p> <p>v. Skills that indicate sound professional judgment</p> <p>vi. 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.</p> <p><i>Personnel will participate in general and industry-specific continuing professional education and other professional development activities that enable them to satisfy responsibilities assigned and fulfill applicable continuing professional education requirements of the AICPA and regulatory agencies.</i></p> <p>7. Does the firm have an individual who is responsible for the firm's CPE and professional development activities?</p> <p>a. If "yes," please identify _____ _____ _____ _____ _____ _____</p> <p>b. If "no," how does the firm monitor the firm's CPE and professional development activities? Please explain. _____ _____ _____ _____ _____ _____</p>				

	Yes	No	N/A	Comments
<p>8. Do professional personnel assigned to audit and accounting engagements take courses related to those engagements?</p> <p>a. Please 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 professional personnel participate in CPE related to accounting and auditing assignments including specialized industries. _____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>9. Are all professional 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), the SEC Practice Section (if applicable) and <i>Government Auditing Standards</i>—the “Yellow Book” (if applicable)? If the answer is “no,”</p> <p>a. Explain why the personnel are not in compliance.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>b. Attach a list of those personnel who are not in compliance and indicate the firm’s plan for correcting the situation. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				

	Yes	No	N/A	Comments
<p>10. Does the firm have an individual who maintains CPE records and course materials for professional personnel? If "yes," please identify. _____</p> <p>_____</p> <p>_____</p> <p>If "no," how does the firm determine that all professional personnel are in compliance with applicable CPE requirements? _____</p> <p>_____</p> <p>_____</p>				
<p>11. Does the firm have an orientation and training policy for new hires?</p> <p>a. If "yes," briefly describe the policy. _____</p> <p>_____</p> <p>_____</p> <p>b. If "no," describe how the firm trains new hires.</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>12. Does the firm inform professional personnel of changes in accounting and auditing standards, independence, integrity, and objectivity requirements and the firm's technical policies and procedures with respect to them?</p> <p>For example, by distributing technical pronouncements and holding training courses on recent changes and areas noted by the firm as needing improvement. If "yes," briefly describe. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>If "no," how does the firm determine that professional personnel are informed of changes in professional standards? _____</p> <p>_____</p> <p>_____</p> <p>_____</p>				

13. Are personnel encouraged to participate in other professional development activities, such as graduate level courses, membership in professional organizations, serving on professional committees, and writing for professional publications?

Personnel selected for advancement will have the qualifications necessary to fulfill the responsibilities they will be called on to assume.

14. Does the firm have different levels of responsibility within the firm (e.g., partner, manager, senior)? If "yes," briefly describe. _____

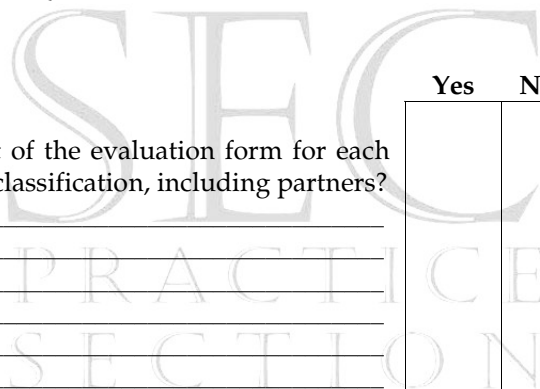
15. Does the firm have an individual responsible for advancement and termination decisions?

a. If "yes," who is responsible for:

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. _____

ii. Making advancement and termination decisions, including identifying responsibilities and requirements for evaluation at each level and deciding who will prepare evaluations?

Yes	No	N/A	Comments



	Yes	No	N/A	Comments
iii. Development of the evaluation form for each professional classification, including partners? _____ _____ _____ _____				
b. If "no," how are these decisions made and implemented? _____ _____ _____ _____ _____ _____				
16. Does the firm have an arrangement with the non-CPA owned entity for an individual to be responsible for advancement and termination decisions concerning acquired and contracted leased and per diem employees? a. If "yes," who is responsible for: i. Determining whether they performed adequately? _____ _____ _____ ii. Evaluating their abilities and qualifications based on performance? iii. Determining how they should be used on future engagements? b. If "no," how are these decisions made and implemented? _____ _____ _____ _____ _____				
17. Does the firm periodically evaluate the performance of professional personnel and advise them of their progress in the firm? If "yes,"—				

	Yes	No	N/A	Comments
<p>a. Who is responsible for performing the evaluation?</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>b. How often are these evaluations performed?</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>c. Are standard evaluations used? If not, briefly describe whether they are documented by another means. _____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>If "no," how are firm personnel informed of their performance and progress in the firm? _____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>18. Does the firm counsel personnel regarding their progress and career opportunities by—</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.</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.</p>				

C. Acceptance and Continuance of Clients and Engagements

The firm will evaluate factors that have a bearing on management's integrity.

1. Does the firm have documented policies and procedures for accepting prospective clients and the continuance of current clients? If "yes," describe where that documentation is located. _____

and whether the firm's policies and procedures include obtaining and evaluating—

a. Information regarding the client and its operations such as annual reports, interim financial information, reports to regulatory agencies, enforcement actions by regulators, income tax returns and for SEC registrants registration statements, Forms 10-K, Forms 8-K,?

b. The nature and purpose of the services to be provided to the client by making inquiries of client management?

c. Information regarding the client and its management by making inquiries of third parties such as bankers, legal counsel, underwriters, and other members of the financial or business community who may have appropriate knowledge?

If the answer is "no," describe the procedures the firm performs in making acceptance and continuance decisions, including the information obtained and considered. Also, describe any variations in those procedures based on factors such as the nature and size of the engagement and prior experience with the client. _____

Yes	No	N/A	Comments

2. Does the firm document its communication with predecessor accountants, including inquiries regarding the nature of any disagreements and other events required to be reported on Form 8-K, and whether evidence of "opinion shopping" exists? If "yes," where is the documentation maintained? If "no," how does the firm document compliance with SAS 84? _____

3. Does the firm's policies and procedures require information be obtained regarding management's integrity? If "no," how does the firm determine that management's integrity is appropriate? _____

4. Are personnel informed of the firm's acceptance and continuance policies and procedures? If "yes," briefly describe how they are informed. _____

If "no," how do personnel know what policies and procedures should be followed for accepting and continuing clients? _____

The firm will evaluate whether the engagement can be completed with professional competence and, accordingly, undertake only those engagements that can be completed with professional competence, and appropriately consider the risk associated with providing professional services in particular circumstances.

5. Does the firm evaluate whether it has obtained or can reasonably expect to obtain the knowledge and expertise necessary to perform the engagement? If "yes," how is this decision reached and is it documented? _____

Yes	No	N/A	Comments

	Yes	No	N/A	Comments
<p>If "no," how does the firm determine that it can perform engagements? _____ _____</p>				
<p>6. Does the firm specify conditions that require evaluation of a 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> <p>If "yes," are the following conditions considered—</p> <ul style="list-style-type: none"> a. Changes in the client, such as change in ownership, senior personnel, directors, advisors, the nature of its business or its financial stability? b. Changes in the nature or scope of the engagement, including requests for additional services? c. Changes in the strategic focus or composition of the firm, such as, the inability to replace the loss of key personnel or the decision to discontinue services to clients in a particular industry? d. The existence of conditions that would have caused the firm to reject the engagement had such conditions existed at the time of the initial acceptance such as unreliable processes for making accounting estimates, questionable estimates by management, questions regarding an entity's ability to continue as a going concern, and any other factors that may increase the risk of being associated with the client? e. Client delinquent in paying fees? f. Engagements in specialized industries? g. Engagements where there are a burdensome number of hours required to complete the engagement? h. Engagements for entities in the developing stage? <p>If "no," how does the firm obtain assurance that it is not continuing a client relationship which should be discontinued? _____ _____ _____ _____</p>				

	Yes	No	N/A	Comments
<p>7. For SECPS firms, if there has been a cessation of the client-auditor relationship with an SEC registrant, does the firm communicate in writing within 5 business days of the cessation to the SEC registrant with a copy to the Office of the Chief Accountant of the SEC that the client auditor relationship has ceased [membership requirement SECPS §1000.08(m)]?</p>				
<p>8. Does the firm designate individuals to evaluate and make a recommendation as to whether the client should be accepted or the engagement should be continued?</p>				
<p><i>a.</i> If "yes," do the individuals:</p>				
<p><i>i.</i> Evaluate all the information obtained about the client or the specific engagement and make a recommendation about whether the client or engagement should be accepted or continued?</p>				
<p><i>ii.</i> Document the decision and have an individual at an appropriate level approve the decision?</p>				
<p><i>b.</i> If "no," describe how the decision to accept or continue a client or engagement is made. _____ _____ _____ _____ _____ _____ _____</p>				
<p>9. Did you consider discontinuing any audit and accounting client relationships during the year under review but decide to continue? If "yes," explain _____ _____ _____ _____ _____ _____ _____ _____</p>				

The firm will obtain an understanding with the client regarding the services to be performed.

10. Does the firm document its understanding with the client regarding the services to be performed by obtaining an engagement letter for all engagements, thus minimizing the risk of misunderstandings regarding the nature, scope, and limitation of the services to be performed? If not, describe how the firm obtains assurance that its understanding is in agreement with the client's understanding of the work to be performed. _____

D. Engagement Performance

Planning for engagements will meet professional, regulatory, and the firm's requirements.

1. Does the firm provide its personnel with documented policies and procedures for planning audit and accounting engagements?

a. If "yes," indicate where that documentation is located (e.g., in an audit and accounting manual).

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. _____

Yes	No	N/A	Comments

	Yes	No	N/A	Comments
<p>2. Do the firm's policies and procedures include—</p> <p>a. Who has responsibility for planning the engagement? If "yes," please indicate. _____ _____ _____</p> <p>b. Developing or updating background information? If "yes," who is responsible? _____ _____ _____</p> <p>c. Development of a proposed work program, tailored to the specific engagement?</p> <p>d. Staffing requirements, and specialized knowledge?</p> <p>e. Considering economic conditions affecting the client or its industry and their potential impacts on the conduct of the engagement?</p> <p>f. Considering risks and how they may affect the procedures to be performed?</p> <p>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?</p> <p><i>The engagement will be performed, supervised, reviewed, documented, and communicated in accordance with the requirements of professional standards, regulatory authorities, and the firm.</i></p>				
<p>3. Do the firm's policies and procedures—</p> <p>a. Require that a written program be used on all engagements? If "yes," is someone with appropriate authority required to review and approve the program, and how is this approval documented? _____ _____ _____ _____ _____</p>				

	Yes	No	N/A	Comments
<p>If "no," how are personnel made aware of the procedures to be performed on engagements?</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>b. Specify the form and content of working papers, including standardized forms, checklists, and questionnaires that are to be used in the performance of engagements and the method by which the firm integrates such aids into engagements? If "yes," describe and attach a 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.) _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>If "no," how does the firm determine that the working papers, including standardized forms, checklists, and questionnaires that are used in the performance of engagements and the method by which they are used is appropriate? _____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>c. Require documentation of:</p> <p>i. Consideration of internal control structure in planning and performing the engagement?</p> <p>ii. Assessment of control risk?</p> <p>iii. Consideration of audit risk and materiality when planning and performing an audit?</p> <p>iv. Audit sampling technique?</p> <p>v. Consideration of fraud in the financial statement audit?</p> <p>vi. Conduct of and degree of reliance placed on analytical procedures?</p>				

	Yes	No	N/A	Comments
<p>If "no," how does the firm determine that appropriate procedures were performed? _____ _____ _____</p>				
<p>d. Describe the steps to follow when the firm uses other offices or correspondents for audit or accounting engagements? 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. _____ _____ _____ _____ _____</p>				
<p>If "no," how does the firm determine that the work performed was appropriate? _____ _____ _____</p>				
<p>e. Specify the extent of engagement review so that the financial statements, communications with management and the board of directors meet professional and firm presentation and disclosure standards? If "no," how does the firm determine that an appropriate review was performed and that communications were in accordance with firm and professional standards? _____ _____ _____ _____ _____</p>				
<p>4. 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? If "yes," is that review designed to obtain reasonable assurance that—</p> <p>a. The procedures performed are consistent with engagement planning and that exceptions are appropriately investigated?</p>				

	Yes	No	N/A	Comments
<p>b. The appropriateness of planned procedures was reconsidered when significant changes in risk factors were identified during the engagement?</p>				
<p>c. Firm-prescribed forms, checklists, questionnaires, and purchased practice aids (as applicable) were used in performing and reporting on the engagement?</p> <p>If "no," how does the firm obtain assurance that the financial statements and working papers are appropriate? _____</p> <p>_____</p> <p>_____</p>				
<p>5. Does the firm require that an owner of the firm be assigned as the person ultimately responsible for each engagement (certain standards may require owner responsibility)? If "no," who is responsible for the final approval for issuing the accountant's/auditor's report, please describe. _____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>6. For SECPS firms, does the firm require partner rotation on SEC engagements in accordance with SECPS §1000.08(e) of the membership requirements?</p>				
<p>7. Does the firm require a second review of the report, financial statements, and selected working papers by a partner or manager having no other significant responsibility for the engagement? If "yes," indicate who performs such second reviews and briefly describe the extent of the review and how the review is documented, indicating the types of engagements to which the procedures are applicable. _____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>8. For SECPS firms, does the firm require a concurring partner review be performed on SEC engagements in accordance with SECPS §1000.08(f) of the membership requirements?</p>				

	Yes	No	N/A	Comments
<p>9. Are the firm’s policies and procedures regarding review of working papers, financial statements, and for documentation of the review process designed to ensure that—</p> <p>a. All reviewers have appropriate experience, competence and responsibility?</p> <p>b. All engagements performed comply with professional standards and firm policy?</p> <p>c. Appropriate documentation is required on all engagements evidencing review of working papers, financial statements, and reports?</p>				
<p>10. Has the firm established policies and procedures to follow to resolve differences of professional judgment within an engagement team (see AICPA <i>Professional Standards</i>, AU section 311.14)? If “yes”—</p> <p>a. Are they documented? If “yes,” where? _____ _____ _____</p> <p>b. Do they identify who is responsible for resolving such matters? _____ _____ _____</p> <p>c. Do those procedures allow an assistant to document his or her disagreement with the conclusion reached? _____ _____ _____</p> <p>If “no,” how do firm personnel know what procedures to follow in the event of a difference in professional judgment? _____ _____ _____</p>				
<p>11. Has the firm merged with any other firm since the date of its last peer review or in the last three years? If “yes”—</p>				

	Yes	No	N/A	Comments
<p>a. Did the firm acquire any professional personnel in the merger?</p>				
<p>b. Did the firm acquire and retain any new offices in the merger (indicate the locations of any such offices)? _____ _____ _____</p>				
<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 will identify areas and specialized situations where consultation is required and will require personnel to refer to authoritative literature and practice aids and to consult, on a timely basis, with individuals within or outside the firm when appropriate (for example, when dealing with complex, unusual, or unfamiliar issues).</i></p>				
<p>12. Are personnel informed of the firm's consultation policies and procedures? If "yes," briefly describe how they are informed. _____ _____ _____ _____</p>				
<p>If "no," how are personnel made aware of what procedures to follow when they encounter areas or situations where consultation is required? _____ _____ _____ _____</p>				
<p>13. Does the firm, even though not specifically identified by the firm such as in 14 below, require the person ultimately responsible for the engagement to determine the need to consult based on the following factors:</p> <p>a. The materiality of the matter?</p> <p>b. The experience of senior engagement personnel in a particular industry or functional area?</p>				

	Yes	No	N/A	Comments
<p>c. Whether generally accepted accounting principles or generally accepted auditing standards in the area:</p> <ul style="list-style-type: none"> i. Are based on authoritative pronouncements that are subject to varying interpretations? ii. Are based on varied interpretations of prevailing practice? iii. Have yet to be developed? iv. Are under active consideration by an authoritative body? v. Have not previously been interpreted by the firm, for example, in connection with another engagement? <p>If "no," who determines the need to consult? _____ _____ _____</p>				
<p>14. Has the firm appropriately identified circumstances, including specialized situations when firm personnel are expected to consult, for example—</p> <ul style="list-style-type: none"> a. Application of newly issued technical pronouncements? b. Industries with special accounting, auditing, or reporting requirements? c. Emerging practice problems? d. Choices among alternative generally accepted accounting principles upon initial adoption or when an accounting change is made? e. 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? f. Filing requirements of regulatory agencies? 				

	Yes	No	N/A	Comments
<p>g. Meetings with the SEC and other regulators, at which the firm is to be called on to support the applications of generally accepted accounting principles which have been questioned?</p> <p>If "no," how are personnel informed of situations when they should consult? _____</p> <p>_____</p> <p>_____</p>				
<p>15. Does the firm designate individuals within and outside the firm as consultants in certain areas? If "yes,"—</p> <p>a. Attach a list of the individuals designated as consultants and what their specialties are and indicate how personnel have been made aware of this information. _____</p> <p>_____</p> <p>_____</p> <p>b. Indicate how differences of opinion between engagement personnel and consultants are resolved.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>c. Indicate how the firm determines when to consult with outside parties and with whom to consult.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>d. During the year under review, has the firm sought advice from outside parties to resolve questions involving professional standards or specialized industry practices? If "yes," please describe.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>If "no," how are personnel made aware of whom they should consult? _____</p> <p>_____</p> <p>_____</p>				

	Yes	No	N/A	Comments
<p>16. Does the firm maintain or provide its personnel access to adequate and up-to-date reference materials which includes materials related to the clients it serves? If "yes," indicate whether your materials include—</p> <ul style="list-style-type: none"> a. AICPA <i>Professional Standards</i>? b. AICPA industry audit guides relevant to the firm's practice? c. FASB pronouncements? d. GASB pronouncements, <i>Government Auditing Standards</i> (the "Yellow Book") and other government audit guides relevant to the firm's practice? e. SEC pronouncements? <p>If "no," how are firm personnel kept aware of current professional standards related to its clients? _____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>17. Does the firm require documentation of consultation? If "yes," does that documentation include—</p> <ul style="list-style-type: none"> a. All relevant facts and circumstances? b. References to professional literature used in the determination? c. Conclusions reached? d. Signatures of engagement partner and consultant? e. Reference to the engagement working papers? <p>If "no," how does the firm justify the position taken on the consultation? _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				

	Yes	No	N/A	Comments
<p>18. Has the firm issued guidance to its professional personnel regarding reports on the application of accounting principles as described in SAS 50? Also, indicate whether the firm issued any such reports during the year under review.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>E. Monitoring (If the reviewed firm is closely aligned with a non-CPA owned entity, and certain portions of this element of the reviewed firm’s system of quality control reside at or operate in conjunction with the system of control of the non-CPA owned entity, please also refer to and complete PRM Section 13500, Quality Control and Procedures Questionnaire for Non-CPA Owned Entities Closely Aligned With a CPA Firm.)</p>				
<p><i>The firm will consider and evaluate, on an ongoing basis, the relevance and adequacy of its quality control policies and procedures.</i></p>				
<p>1. Does the firm have a partner or a manager-level individual who is responsible for its quality assurance?</p>				
<p>a. If “yes,” please identify. _____</p> <p>_____</p> <p>_____</p>				
<p>b. If “no,” how does the firm determine that its quality control policies and procedures are adequate? _____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>2. Are the following quality assurance matters considered:</p>				
<p>a. The need to review the relevance and adequacy of the firm’s audit methodology for the following factors—</p> <p>i. Mergers and divestitures of portions of the practice?</p>				

	Yes	No	N/A	Comments
<p>ii. The impact on the firm’s system of quality control that emanated from the sale of a portion of the firm’s non-attest practice to a non-CPA owned entity, when the firm also engaged in a service arrangement with that non-CPA owned entity. (For example, the non-CPA owned entity provides employees, office space, equipment, etc. for which the firm remits a percentage of its revenues or profits.) Also, the impact on the controls in place at the non-CPA owned entity, that are part of the firm’s system of quality control.</p> <p>iii. Changes in professional standards and SEC or other regulatory requirements applicable to the firm’s practice?</p> <p>iv. Results of annual inspections and peer reviews?</p> <p>v. Review of litigation and regulatory enforcement actions against the firm and others?</p> <p>vi. The impact that changes in technology may have on clients’ methods of doing business?</p> <p>vii. Changes in clients’ industries that impact their operations?</p> <p>viii. Changes in applicable AICPA and SECPS membership requirements?</p> <p>b. The need to see whether personnel have been appropriately informed of their responsibilities for maintaining the firm’s standards of quality in performing their duties?</p> <p>c. The need to check the compliance, effectiveness and appropriateness of the other elements of quality control in the firm’s practice?</p> <p><i>The firm will consider and evaluate, on an ongoing basis, the appropriateness of its guidance materials and any practice aids.</i></p>				
<p>3. Does the firm have policies and procedures to assure that the firm’s practice aids, such as audit programs, forms, and checklists, are updated for new professional pronouncements and are effective for the firm’s practice?</p>				

	Yes	No	N/A	Comments
<p>If “no,” how does the firm determine that its practice aids are current? _____</p> <p>_____</p> <p>_____</p>				
<p>4. Does the firm inform and provide guidance to its personnel regarding new professional standards, regulatory requirements, and related changes to firm policy or practice aids? If “no,” how are personnel kept current?</p> <p><i>The firm will consider and evaluate, on an ongoing basis, the effectiveness of professional development programs.</i></p>				
<p>5. Does the firm monitor its professional development programs? For example, does the firm—</p> <p>a. Evaluate training programs to determine whether they are achieving their objectives and whether those programs are appropriate for leased and per diem employees?</p> <p>b. Review summaries of CPE records to track an individual’s compliance with the requirements of the AICPA and other regulatory bodies?</p> <p>c. Consider whether the firm’s professional development programs should be revised based on the results of the firm’s inspection or peer review?</p> <p>d. Solicit information from its personnel regarding effectiveness of the firm’s training programs?</p> <p>If “no,” how does the firm determine that its professional development programs are appropriate?</p> <p>_____</p> <p>_____</p> <p>_____</p> <p><i>The firm will consider and evaluate, on an ongoing basis, compliance with its policies and procedures.</i></p>				
<p>6. Does the firm perform timely inspections to evaluate its compliance with its policies and procedures? If “no,” skip to question 7.</p>				

	Yes	No	N/A	Comments
<p>a. If "yes," does the firm assign responsibility for performing the inspections to a partner or manager-level individual? If "yes," do the inspections include—</p> <ul style="list-style-type: none"> i. Appropriate tests of compliance with the firm's policies and procedures on a sample basis? ii. Reviewing correspondence and documentation, and interviewing personnel to determine the firm's compliance with its policies and procedures regarding independence, integrity, and objectivity, personnel management, acceptance and continuation of clients, engagement performance and monitoring? iii. Reviewing a cross section of engagements considering the following criteria: <ul style="list-style-type: none"> (a) All partners and managers with significant accounting and auditing responsibilities? (b) Financial institution engagements? (c) First-year engagements? (d) Significant specialized industries with emphasis given to high-risk industries? (e) Level of service performed (that is, audit, review, compilation, and attestation engagements)? (f) SEC engagements? (g) Engagements for employee benefit plans (ERISA)? (h) Governmental engagements? <p>b. Has the firm timely summarized and communicated the results of the inspection and any suggested changes to the firm's policies and procedures to appropriate levels of professional personnel?</p> <p>c. Has the firm taken specific corrective actions or steps based upon the results of the inspection to assure compliance with its policies and procedures? If "no," explain rationale</p> <p>_____</p> <p>_____</p> <p>_____</p>				

	Yes	No	N/A	Comments
<p>7. Does the firm perform pre- or postissuance reviews of selected engagements as part of its monitoring procedures? If "yes," do those procedures include:</p> <p><i>a.</i> For a sufficiently comprehensive selection of engagements, designating a qualified partner or management-level individual not associated with the performance of those engagements to perform a preissuance review of the engagement working papers and financial statements or postissuance review of the engagement working papers and financial statements shortly after release of the report?⁴</p> <p><i>b.</i> Periodically summarizing deficiencies noted as a result of the pre- or postissuance reviews and evaluate on a timely basis whether—</p> <p><i>i.</i> Additional emphasis should be placed on the specific areas or industries in future engagements?</p> <p><i>ii.</i> Existing policies or procedures should be modified so any deficiencies noted do not recur?</p> <p><i>iii.</i> Periodically summarizing deficiencies noted and the agreed upon quality control changes communicated to all professional personnel on a timely basis?</p> <p><i>iv.</i> Has the firm taken specific corrective actions or steps based upon the results of the pre- or postissuance reviews to assure compliance with its policies and procedures? If "no," explain rationale. _____ _____ _____ _____ _____ _____</p>				

⁴ Per Statement on Quality Standards No. 3, par. 9, "In small firms with a limited number of qualified management-level individuals, postissuance review of engagement working papers, reports and client's financial statements by the person with final responsibility for the engagement may constitute inspection procedures."

8. If the firm tests compliance with its policies and procedures through other monitoring procedures, please describe. _____

F. Membership Requirements (SECPS Only)

1. Does the firm have policies and procedures in place to comply with all of the membership requirements of the SEC Practice Section, which include but are not limited to the following:
- a. Each member of the firm residing in the United States and eligible for AICPA membership is a member of the AICPA [membership requirement SECPS §1000.08(a)]?
 - b. For each fiscal year of the United States firm an appropriate annual report is filed with the section [membership requirement SECPS §1000.08(g)]?
 - c. The firm refrains from proscribed management advisory services [membership requirement SECPS §1000.08(h)]?
 - d. The firm reports annually to the audit committee or board of directors (or its equivalent in a partnership) of each SEC audit client the total fees received from the client for management advisory services during the year under audit and a description of the types of such services rendered [membership requirement SECPS §1000.08(i)]?
 - e. Regarding Quality Control Inquiry Committee (QCIC) matters:
 - Since the prior peer review, or since joining the Section if less than 3 years, has the Firm or its personnel been named in any litigation, proceeding or publicly announced investigation by a regulatory agency alleging deficiencies in the conduct of an audit of the financial statements of a present or former SEC client?

If yes,

 - i. Has the complaint(s) against the Firm or its personnel been reported to the QCIC within 30 days of being served? Explain
 No answer: _____

	Yes	No	N/A	Comments

	Yes	No	N/A	Comments
<p>ii. In the event the QCIC referred the case to the AICPA Professional Ethics Division (PEEC), and the matter was subsequently deferred by the PEEC, did the review team ascertain that the Firm complied with the SECPS Membership Requirement §1000.47 (Appendix M)? Explain No answer: _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<ul style="list-style-type: none"> • Does the firm have policies and procedures to perform appropriate background investigations for newly admitted partners to determine whether there are any outstanding disciplinary actions against the individual prior to their admittance to the Firm (Appendix M §1000.47)? <p>Explain No answer or nature of consideration given: _____</p> <p>_____</p> <p>_____</p> <p>Did such actions exist against newly admitted partners? If yes, did the Firm apply the actions as described in Appendix M §1000.47 on such partners?</p> <p>Explain No answer or nature of consideration given: _____</p> <p>_____</p> <p>_____</p>				
<p>f. The firm’s statement of philosophy is communicated to firm personnel [membership requirement SECPS §1000.08(i)]?</p>				
<p>g. The Section’s dues are paid yearly [membership requirement SECPS §1000.08(j)]?</p>				
<p>h. If the firm reports in its most recent annual report to the Section that it is subject to the membership requirement for member firms with foreign associated firms that have established certain policies and procedures consistent with Appendix K [SECPS §1000.45],</p>				

	Yes	No	N/A	Comments
<p>i. Has the firm obtained either the written representations from the foreign associated firms or from the international organization of which the firm is a member that the listed firms have established such policies and procedures?</p> <p>ii. Are the policies and procedures established by the firm's international organization or the firm's individual foreign associated firms consistent with the following objectives (based on the review of supporting documentation pertaining to compliance with Appendix K, such as policies and procedures, inspection results, written representations, etc.)</p> <p>(a) The performance of procedures consistent with those described in Appendix K with respect to certain SEC filings by foreign registrants is done by a person or persons knowledgeable in accounting, auditing, independence standards generally accepted in the U.S., independence requirements of the SEC and ISB, and pertinent SEC rules and regulations?</p> <p>(b) The firm reviews a sample of audit engagements performed by foreign associated firms for clients that are SEC registrants during the international organization's or the foreign associated firm's annual inspection? The performance of inspection reviews is done by a person or persons knowledgeable in accounting, auditing, independence standards generally accepted in the U.S., independence requirements of the SEC and ISB, and pertinent SEC rules and regulations?</p> <p>(c) Disagreements between the filing or inspection reviewer and the audit partner-in-charge of the engagement while performing the procedures for certain filings or inspection are appropriately resolved?</p>				

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PRM Section 13300

Guidelines for Review of Quality Control Policies and Procedures



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PRM Section 13310¹

Guidelines for Review of Quality Control Policies and Procedures for Sole Practitioners With No Professional² Staff

.01 This section of the manual contains a questionnaire that the reviewer should complete when reviewing the reviewed firm's responses to the *Quality Control Policies and Procedures Questionnaire*. This questionnaire has been developed for sole practitioners with no professional staff. Completion of this questionnaire assists the reviewer in analyzing the firm's quality control policies and procedures.

.02 The reviewer should respond directly with "Yes," "No," or "N/A" answers and briefly describe, where appropriate, the results of his/her evaluation of the policies and procedures the firm has in effect. Lengthy and elaborate answers are not expected.

.03 These guidelines should **not** be used for reviews of firms with two or more professional staff. Suggested review procedures for these firms are contained elsewhere in this section.

.04 This questionnaire was developed from the AICPA *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice*. **The reviewer should be aware that each question does not relate to explicit requirements of professional standards; the questionnaire was prepared based on a model of suggested policies and procedures that firms are encouraged to consider in designing and maintaining a quality control system.** As such, a "No" answer to a question does not necessarily indicate a problem with the firm's system of quality control. A firm's policies and procedures should be sufficient for it to obtain reasonable assurance of complying with professional standards.

Reviewed Firm

Period Covered

¹ These guidelines are to be used on SECPS peer reviews of sole practitioners with no professional staff only.

² The term professional refers to all individuals who perform professional services for which the firm is responsible, whether or not they are CPAs (SQCS No. 2 par 3, footnote 4).

SEC Practice Section³
Peer Review Program

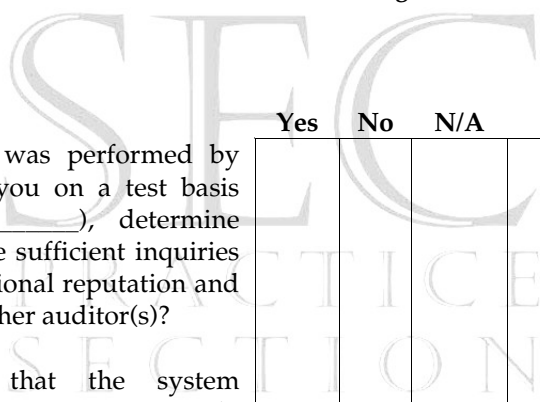
Guidelines for Review of Quality Control Policies and Procedures
for Sole Practitioners With No Professional⁴ Staff

	Yes	No	N/A	Comments, Findings, Extent of Testing
<p>A. Independence, Integrity and Objectivity</p> <p><i>The sole practitioner will adhere to applicable independence, integrity, and objectivity requirements. These requirements include regulations, interpretations, and rulings of the AICPA, state CPA societies, state boards of accountancy, state statutes, the Securities and Exchange Commission, and other regulatory agencies where applicable.</i></p> <p>1. Did you obtain an understanding of the practitioner’s policies and procedures by a review of the responses to the independence, integrity, and objectivity section (part A) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?</p> <p>2. Did you compare the practitioner’s independence, integrity, and objectivity policies and procedures with professional and regulatory requirements? Describe any deficiencies noted. _____ _____ _____ _____ _____</p> <p>3. Did the practitioner have a current edition of the <i>AICPA Professional Standards</i>?</p> <p>4. Did the practitioner have copies of any pronouncements related to independence, integrity and objectivity from the <i>Journal of Accountancy</i> or other professional publications?</p>				

³ See footnote 1.

⁴ See footnote 2.

	Yes	No	N/A	Comments, Findings, Extent of Testing
5. Did you review the practitioner’s and/or the per diem employee’s documentation of independence on a sample of the engagements (indicate number _____)?				
6. Were any situations noted where the practitioner or the per diem employee was not independent? Did the practitioner withdraw from the engagement or appropriately qualify the report?				
7. Did you review the practitioner’s documentation of independence training completed?				
8. Did you review the procedures performed by the practitioner to ensure that information received from him or her is complete and accurate as to the following requirements: The practitioner shall certify initially and at least annually thereafter that he or she has read the firm’s independence policies, understands their applicability to his or her activities and those of his or her spouse and close relatives and has complied with the requirements of the firm’s independence policies since the prior certification? An example of such a sample basis, selected information such as brokerage statements, etc.				
9. Did you review the corrective action taken and documentation maintained on all apparent independence violations reported?				
10. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>When the sole practitioner acts as principal auditor, confirm the independence of another firm performing parts of an engagement.</i>				
11. Did you obtain an understanding of the practitioner’s policies and procedures by a review of the responses to the independence, integrity, and objectivity section (part A, question 6) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?				



**Comments, Findings,
Extent of Testing**

	Yes	No	N/A	
12. If part of any audit was performed by other auditor(s), did you on a test basis (indicate number _____), determine whether the firm made sufficient inquiries concerning the professional reputation and independence of the other auditor(s)?				
13. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
B. Personnel Management				
<i>The sole practitioner will maintain the degree of technical training and proficiency required in the circumstances.</i>				
1. Did you obtain an understanding of the practitioner’s policies and procedures by a review of the responses to the personnel management section (part B, questions 1 and 2) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?				
2. Did the practitioner have the knowledge and expertise required to perform an engagement prior to accepting the engagement or the ability to obtain the knowledge and expertise?				
3. Did the practitioner’s policies and procedures require the practitioner to possess the following knowledge, skills and abilities (competencies) to allow him/her to fulfill their engagement responsibilities:				
a. An understanding of the role of the firm’s system of quality control and the AICPA’s Code of Professional Conduct?				
b. An understanding of the performance, supervision and reporting aspects of the engagement?				

	Yes	No	N/A	Comments, Findings, Extent of Testing
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?				
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?				
e. Skills that indicate sound professional judgment?				
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?				
4. Did the per diem employees have the knowledge and expertise required to perform engagements assigned to them?				
5. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>The sole practitioner will participate in general and industry-specific continuing professional education and professional development activities to satisfy responsibilities and fulfill applicable continuing professional education requirements of the AICPA and regulatory agencies.</i>				
6. Did you obtain an understanding of the practitioner's policies and procedures by a review of the responses to the personnel management section (part B, questions 3-6) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?				

	Yes	No	N/A	Comments, Findings, Extent of Testing
7. Did you review the practitioner’s professional development records for conformity with the requirements of the AICPA and state boards of accountancy?				
8. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
C. Acceptance and Continuance of Clients and Engagements				
<i>The sole practitioner will evaluate factors that have a bearing on management’s integrity.</i>				
1. Did you obtain an understanding of the practitioner’s policies and procedures by a review of the responses to the acceptance and continuance of clients and engagements section (part C, questions 1–4) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?				
2. Did you select a sample (indicate number _____) of new engagements and continuing engagements and determine that the practitioner evaluated management’s integrity and appropriately documented the evaluation?				
3. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>The sole practitioner will evaluate whether the engagement can be completed with professional competence and accordingly undertake only those engagements that can be completed with professional competence and appropriately consider the risk associated with providing professional services in particular circumstances.</i>				
4. Did you obtain an understanding of the practitioner’s policies and procedures by a review of the responses to the acceptance and continuance of clients and engagements section (part C, questions 5–7) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?				

	Yes	No	N/A	Comments, Findings, Extent of Testing
5. Did you select a sample (indicate number _____) of acceptance and continuance decisions and review the appropriate documentation concerning those decisions?				
6. Did you select a sample (indicate number _____) of new engagements performed during the year to determine that the firm had the required expertise to perform the engagement?				
7. For SECPS firms only, did you obtain a list from the firm of those SEC clients accepted since the end of the last peer review year (or for the year under review if the reviewed firm has not previously undergone a peer review) where, as reported in a Form 8-K, in a similar public filing, such as a document filed with the Office of the Comptroller of the Currency, the Federal Reserve Board, or the Federal Deposit Insurance Corporation, or in a document filed with the Office of Thrift Supervision that is available to the successor auditor, the former accountant resigned (or declined to stand for reelection) or there was a reported disagreement over any matters of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, or there was a "reportable event" as defined in item 304(a)(1)(v) of SEC Regulation S-K? For such engagements, did you: <ul style="list-style-type: none"> a. Review the existing client-acceptance documentation that relates to the matters or procedures that were the subject of the resignation or disagreement? b. Review such current or prior periods' engagement working papers, financial statements, or auditor's reports to the extent considered necessary to be able to evaluate whether the matters or procedures were handled appropriately? 				

	Yes	No	N/A	Comments, Findings, Extent of Testing
<p>c. Determine whether, since the end of the last peer review year (or for the year under review if the reviewed firm has not previously undergone a peer review), any opinions on the application of generally accepted accounting principles were rendered to the entity prior to acceptance (for example, during the proposal process or before)?</p> <p>d. If any such opinions were rendered, determine whether they were issued pursuant to the firm's policies relating to the issuance of such opinions?</p>				
<p>8. For SECPS firms only, did you obtain a list from the firm of all new SEC engagements (1) for which there was a predecessor accountant or auditor, and (2) for which the reviewed firm's first report on accounting and auditing services related to a period that ended during the reviewed firm's peer review year? Did you review the existing client-acceptance documentation for all engagements on this list in the offices selected for review?⁵</p>				
<p>9. For SECPS firms only, for any SEC engagements discontinued, did you review the five-day letter to the registrant with a copy to the SEC?</p>				
<p>10. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?</p>				

⁵ If there are any engagements in the offices selected for review that are on both this list and the list obtained at step 4. above, those engagements (or portions of those engagements) should be selected for review. In any event, at least one engagement on the list obtained in this step should be reviewed in each office visited.

	Yes	No	N/A	Comments, Findings, Extent of Testing
<p><i>The sole practitioner will obtain an understanding with the client regarding services to be performed.</i></p>				
11. Did you obtain an understanding of the practitioner’s policies and procedures by a review of the responses to the acceptance and continuance of clients and engagements section (part C, questions 8–9) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?				
12. Did you select a sample of engagements (indicate number _____) and review the firm’s understanding of the engagement to be performed?				
13. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<p>D. Engagement Performance</p>				
<p><i>The sole practitioner will plan engagements to meet professional and the firm’s requirements.</i></p>				
1. Did you obtain an understanding of the practitioner’s policies and procedures by a review of the responses to the engagement performance section (part D, question 1) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?				
2. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				

	Yes	No	N/A	Comments, Findings, Extent of Testing
<p><i>The sole practitioner will perform, supervise, review document, and communicate in accordance with the requirements of professional standards and the firm.</i></p>				
<p>3. Did you obtain an understanding of the practitioner’s policies and procedures by a review of the responses to the engagement performance section (part D, questions 2–7) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?</p>				
<p>4. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?</p>				
<p><i>The sole practitioner will identify areas and specialized situations where consultation is required and will refer to authoritative literature and practice aids and will consult, on a timely basis, with individuals outside the firm when appropriate (for example, when dealing with complex, unusual, or unfamiliar issues).</i></p>				
<p>5. Did you obtain an understanding of the practitioner’s policies and procedures by a review of the responses to the engagement performance section (part D, question 8–11) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?</p>				
<p>6. Did you review the firm’s reference materials to determine that they were up-to-date?</p>				
<p>7. If the sole practitioner uses quality control materials (e.g., an audit and accounting manual or standardized forms, checklists, and questionnaires) developed internally or by some third party, were the materials suitably designed? (The reviewer may also wish to obtain the most recent peer review report on the review of the design of the third party materials.)</p>				

	Yes	No	N/A	Comments, Findings, Extent of Testing
8. Did you determine whether any standardized forms, checklists—especially, financial disclosure checklists—or questionnaires are appropriate and, if the use of any is discretionary, appropriate for the firm?				
9. Was the sole practitioner’s procedures for review of the engagement reports, financial statements and working papers appropriate?				
10. Did you review a sample (indicate number _____) of consultations with outside parties to determine that:				
<i>a.</i> All relevant facts and circumstances appear to have been provided to the party or parties consulted? If not, why?				

<i>b.</i> The advice given appears reasonable based on the relevant facts and circumstances and consistent with professional standards? If not, why?				

<i>c.</i> The practitioner acted in a manner consistent with professional standards and with the firm’s policies and procedures? If not, why? _____				

<i>d.</i> The extent of required consultations were comprehensive enough for the practitioner?				

	Yes	No	N/A	Comments, Findings, Extent of Testing
11. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
E. Monitoring				
<i>The sole practitioner will consider and evaluate, on an ongoing basis, the relevance and adequacy of quality control policies and procedures.</i>				
1. Did you obtain an understanding of the practitioner’s policies and procedures by a review of the responses to the monitoring section (part E, questions 1-2) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?				
2. If anything occurred that would affect the practitioner’s quality control policies and procedures were the necessary changes made?				
3. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>The sole practitioner will consider and evaluate, on an ongoing basis, the appropriateness of guidance materials and any practice aids.</i>				
4. Did you obtain an understanding of the practitioner’s policies and procedures by a review of the responses to the monitoring section (part E, question 3) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?				
5. Did the sole practitioner review the practice aids to determine that they are up-to-date?				
6. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				

	Yes	No	N/A	Comments, Findings, Extent of Testing
<i>The sole practitioner will consider and evaluate, on an ongoing basis, the effectiveness of professional development activities.</i>				
7. Did you obtain an understanding of the practitioner’s policies and procedures by a review of the responses to the monitoring section (part E, question 4-5) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?				
8. Did you review the practitioner’s CPE records to determine that the courses taken were appropriate considering the firm’s practice?				
9. Did you review the actions taken by the practitioner when there is noncompliance with the CPE requirements of the AICPA and other regulatory bodies?				
10. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>The sole practitioner will consider and evaluate, on an ongoing basis, compliance with policies and procedures.</i>				
11. Did you obtain an understanding of the practitioner’s policies and procedures by a review of the responses to the monitoring section (part E, questions 6–10) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?				
12. Did you review the practitioner’s post-issuance review of selected engagements?				
13. Did you review the summarization of the findings noted on the postissuance reviews?				

	Yes	No	N/A	Comments, Findings, Extent of Testing
14. Did you review changes made to the firm's policies and procedures due to deficiencies noted on the postissuance reviews?				
15. Did you review the practitioner's evaluation of his/her policies and procedures for independence, integrity and objectivity, personnel management, acceptance and continuance of clients and engagements, and engagement performance?				
16. Did you review the practitioner's summarization of compliance with his/her policies and procedures for independence, integrity and objectivity, personnel management, acceptance and continuance of clients and engagements, and engagement performance?				
17. Did you review changes made to the firm's policies and procedures due to deficiencies noted during the practitioner's review of his/her policies and procedures for independence, integrity and objectivity, personnel management, acceptance and continuance of clients and engagements, and engagement performance?				
18. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
F. Membership Requirements (SECPS Only)				
1. Did you obtain an understanding of the practitioner's policies and procedures by a review of the his/her responses to the membership requirements (for SECPS firms only) section (part G, question 1) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?				

	Yes	No	N/A	Comments, Findings, Extent of Testing
2. Did you compare the practitioner's membership requirements' policies and procedures with AICPA and SECPS requirements? Describe any deficiencies noted. _____ _____ _____ _____ _____ _____				
3. Are you satisfied that the system is designed appropriately?				
4. Did you confirm that the practitioner is a member of the AICPA [membership requirement SECPS §1000.08(a)]?				
5. Did you review the annual report to the Section for each fiscal year of the firm and note any apparently inappropriate information that needs to be corrected [membership requirement SECPS §1000.08(g)]?				
6. Did you obtain an understanding of the scope of the practitioner's services in the area of management advisory services and the practitioner's familiarity with the Section's requirements proscribing the performance of certain management advisory services [membership requirement SECPS §1000.08(h)]?				
7. Did you review the practitioner's annual report, if applicable, to the audit committee or board of directors (or its equivalent in a partnership) of each SEC audit client on the total fees received from the client for management advisory services during the year under audit and a description of the types of such services rendered [membership requirement SECPS §1000.08(i)]?				

	Yes	No	N/A	Comments, Findings, Extent of Testing
<p>8. Regarding Quality Control Inquiry Committee (QCIC) matters:</p> <p>Since the prior peer review, or since joining the Section if less than 3 years, has the practitioner been named in any litigation, proceeding or publicly announced investigation by a regulatory agency alleging deficiencies in the conduct of an audit of the financial statements of a present or former SEC client?</p> <p>If yes,</p> <p>i. Has the complaint(s) against the practitioner been reported to the QCIC within 30 days of being served? Explain No answer: _____ _____ _____</p> <p>ii. In the event the QCIC referred the case to the AICPA Professional Ethics Division (PEEC), and the matter was subsequently deferred by the PEEC, did the practitioner comply with the SECPS Membership Requirement §1000.47 (Appendix M)? Explain No answer or nature of consideration given: _____ _____ _____</p> <p>9. Did you review the practitioner’s statement of philosophy [membership requirement SECPS §1000.08(l)]?</p> <p>10. Did you review documentation evidencing payment of the applicable Section’s dues for the current year [membership requirement SECPS §1000.08(j)]?</p>				

[The next page is 13341.]

PRM Section 13340¹

Guidelines for Review of Quality Control Policies and Procedures for Firms With Two or More Professionals²

.01 This section of the manual contains a questionnaire that the reviewer should complete when reviewing the reviewed firm's responses to the *Quality Control Policies and Procedures Questionnaire*. This questionnaire has been developed for firms with two or more professional staff. Completion of this questionnaire assists the reviewer in analyzing the firm's quality control policies and procedures.

.02 The reviewer should respond directly with "Yes," "No," or "N/A" answers and briefly describe, where appropriate, the results of his/her evaluation of the policies and procedures the firm has in effect. Lengthy and elaborate answers are not expected.

.03 These guidelines should **not** be used for reviews of sole practitioners with no professional staff. Suggested review procedures for these firms are contained elsewhere in this section.

.04 This questionnaire was developed from the AICPA *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice*. **The reviewer should be aware that each question does not relate to explicit requirements of professional standards; the questionnaire was prepared based on a model of suggested policies and procedures that firms are encouraged to consider in designing and maintaining a quality control system.** As such, a "No" answer to a question does not necessarily indicate a problem with the firm's system of quality control. A firm's policies and procedures should be sufficient for it to obtain reasonable assurance of complying with professional standards.

.05 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 control of a non-CPA owned entity with which the reviewed firm is closely aligned through common employment, leasing of employees, equipment, facilities, etc., or other similar arrangements. This would generally include policies and procedures relating to the following elements of quality control: (1) independence, integrity and objectivity, (2) personnel management, and (3) monitoring of the elements noted in (1) and (2). If this arrangement applies to the reviewed firm, the reviewer should refer to **PRM Section 13700, *Guidelines for Review of Quality Control Policies and Procedures for Non-CPA Owned Entities Closely Aligned With A CPA Firm***. **PRM Section 13700** can also be used by a CPA firm performing and reporting on an attest engagement under Statement on Standards for Attestation Engagements (SSAE) No. 1.

Reviewed Firm

Period Covered

¹ These guidelines are to be used on SECPS peer reviews of firms with two or more professionals only.

² The term professional refers to all individuals (including leased and per diem employees who devote at least 25% of their time at the reviewed firm in performing audit, reviews compilations, or other attest engagements, or those professionals who have partner/manager level responsibility for the overall supervision and review of such engagements) who perform professional services for which the firm is responsible, whether or not they are CPAs (SQCS No. 2 par. 3, footnote 4).

**SEC Practice Section
Peer Review Program**

**Guidelines for Review of Quality Control Policies and Procedures
for Firms With Two or More Professionals**

	Yes	No	N/A	Comments, Findings Noted
<p>A. Independence, Integrity and Objectivity (If the reviewed firm is closely aligned with non-CPA owned entity, and certain portions of this element of the reviewed firm’s system of quality control reside at or operate in conjunction with the system of control of the non-CPA owned entity, the reviewer should refer to PRM Section 13700, Guidelines for Review of Quality Control Policies and Procedures for Non-CPA Owned Entities Closely Aligned With A CPA Firm.)</p>				
<p><i>Personnel will adhere to applicable independence, integrity, and objectivity requirements to the extent required. These requirements include regulations, interpretations, and rulings of the AICPA, state CPA societies, state boards of accountancy, state statutes the Independence Standards Board (ISB), the Securities and Exchange Commission (SEC), and other regulatory agencies where applicable.</i></p>				
<p>1. Did you obtain an understanding of the firm’s policies and procedures by a review of the firm’s responses to the independence, integrity, and objectivity section (part A, questions 1–7) of the <i>Quality Control Policies and Procedures Questionnaire</i> (the “Questionnaire”) and by interviewing the appropriate parties?</p>				
<p>2. Did you compare the firm’s independence, integrity, and objectivity policies and procedures with professional and regulatory requirements? Describe any deficiencies noted. _____ _____ _____ _____ _____ _____</p>				

	Yes	No	N/A	Comments, Findings Noted
3. Were any situations noted where the firm is not independent? Did the firm withdraw from the audit or accounting engagement or appropriately qualify its report?				
4. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>Personnel will be familiar with policies and procedures relating to independence, integrity, and objectivity.</i>				
5. Did you obtain an understanding of the firm's policies and procedures by a review of the firm's responses to the independence, integrity, and objectivity section (part A, questions 8-11) of Questionnaire and by interviewing the appropriate parties?				
6. Were the procedures the firm follows to provide reasonable assurance that new or revised rules, interpretations, or rulings on independence, integrity and objectivity matters considered appropriate in its practice?				
7. Did you identify by review of files or by interviewing the appropriate individual a selection of situations (indicate number _____) in which independence, integrity, and objectivity questions arose during the year being reviewed and consider whether the resolution of such questions appears appropriate?				

	Yes	No	N/A	Comments, Findings Noted
8. Did you review a sample (indicate number _____) of the written representations prepared by each professional certifying near the time of initial employment and at least annually thereafter that he or she 1) has read the firm's independence policies, 2) understands their applicability to his or her activities and those of his or her spouse and close relatives, and 3) has complied with the requirements of the firm's independence policies since the prior certification?				
9. Did you determine by review of appropriate documentation and by interviews with selected staff (see separate interview guidelines) that the firm has advised all professional personnel, on a timely basis about entities to which the independence rules apply and that professional personnel are familiar with the firm's independence, integrity and objectivity policies and procedures?				
10. Did you determine by review of appropriate documentation and interviews with selected staff (see separate interview guidelines) that the firm has advised all professional personnel on a timely basis as to any changes in the firm's client list?				
11. Did you review documentation of independence training as required by the firm's policies completed by each professional performing professional services for clients?				

	Yes	No	N/A	Comments, Findings Noted
<p>12. Did you review the procedures performed by the firm to ensure that information received from its U.S. partners and managers is complete and accurate as to the following requirements: Each professional shall certify near the time of initial employment and at least annually thereafter that he or she has read the firm’s independence policies, understands their applicability to his or her activities and those of his or her spouse and dependents and has complied with the requirements of the firm’s independence policies since prior certification? An example of such a procedure may include auditing, on a sample basis, selected information such as brokerage statements, etc.</p>				
<p>13. Did you review the corrective action taken and documentation maintained on all apparent violations reported by professionals within the U.S. member firm?</p>				
<p>14. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?</p>				
<p><i>When the firm acts as principal auditor, confirm the independence of another firm performing parts of an engagement.</i></p>				
<p>15. Did you obtain an understanding of the firm’s policies and procedures by review of the firm’s responses to the independence, integrity, and objectivity section (part A, questions 12–19) of the <i>Quality Control Policies and Procedures Questionnaire</i> (the “Questionnaire”) and by interviewing the appropriate parties?</p>				

	Yes	No	N/A	Comments, Findings Noted
<p>16. Did you compare the firm's independence, integrity, and objectivity policies and procedures with professional and regulatory requirements? Describe any deficiencies noted.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>17. If part of any audit was performed by other auditor(s), did you on a test basis (indicate number _____), determine whether the firm made sufficient inquiries concerning the professional reputation and independence of the other auditor(s)?</p>				
<p>18. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?</p>				
<p>B. Personnel Management (If the reviewed firm is closely aligned with a non-CPA owned entity, and certain portions of this element of the reviewed firm's system of quality control reside at or operate in conjunction with the system of control of the non-CPA owned entity, the reviewer should refer to PRM Section 13700, Guidelines for Review of Quality Control Policies and Procedures for Non-CPA Owned Entities Closely Aligned With a CPA Firm).</p>				
<p><i>Personnel who are hired will possess the appropriate characteristics to enable them to perform competently.</i></p>				
<p>1. Did you obtain an understanding of the firm's policies and procedures by review of the firm's responses to the personnel management section (part B, questions 1-4) of the Questionnaire and by interviewing the appropriate parties?</p>				

	Yes	No	N/A	Comments, Findings Noted
<p>2. Did you select a sample (indicate number _____) of new hires, including those joining the firm through mergers or at supervisory levels, and obtain each individual's personnel file, and—</p> <p>a. Review the documentation and evaluate whether the individual possesses the desired attributes, achievements, and experience required by the firm. If not, ascertain from other documentation or by inquiry why an exception was made?</p> <p>b. Determine whether the background information and other documentation required by firm policy was obtained?</p> <p>c. Select one or more of these new hires for an interview? (See separate interview guidelines.)</p> <p>3. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?</p> <p><i>The firm will make personnel assignments based on the degree of technical training and proficiency required in the circumstances, including the competencies of the practitioner in charge of the firm's auditing and attestation engagements and the nature and extent of supervision to be provided.</i></p> <p>4. Did you obtain an understanding of the firm's policies and procedures by review of the firm's responses to the personnel management section (part B, question 5) of the Questionnaire and by interviewing the appropriate parties?</p>				

	Yes	No	N/A	Comments, Findings Noted
<p>5. Does the firm have policies and procedures that specify the knowledge, skills and abilities (competencies) the practitioner in charge of accounting, auditing or attestation engagements (or other person who is responsible for supervising those type of engagements and signing or authorizing someone to sign the accountants report on such engagements (except for SEC engagements, whose accountants' reports must be signed by a partner)) should possess to fulfill their engagement responsibilities? Do such competencies for the practitioner in charge include:</p> <p><i>a.</i> An understanding of the role of your firm's system of quality control and the AICPA's Code of Professional Conduct?</p> <p><i>b.</i> An understanding of the performance, supervision and reporting aspects of the engagement?</p> <p><i>c.</i> An understanding of the applicable accounting auditing or attest professional standards including those standards directly related to the industry in which the client operates?</p> <p><i>d.</i> 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?</p> <p><i>e.</i> Skills that indicate sound professional judgment?</p> <p><i>f.</i> 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?</p>				

	Yes	No	N/A	Comments, Findings Noted
6. Did you determine by interviews with selected professional staff and (indicate number _____), whether they believe they had the technical training and proficiency required to perform the assignments received? (See separate interview guidelines.)				
7. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<p><i>Personnel will participate in general and industry-specific continuing professional education and professional development activities that enable them to satisfy responsibilities assigned and fulfill applicable continuing professional education requirements of the AICPA and regulatory agencies.</i></p>				
8. Did you obtain an understanding of the firm’s policies and procedures by review of the firm’s responses to the personnel management section (part B, questions 6–12) of the Questionnaire and by interviewing the appropriate parties?				
9. Did you review the firm’s CPE records on a test basis and consider whether they demonstrate that—				
a. Professional personnel participated in CPE related to accounting and auditing assignments including specialized industries?				
b. The firm was in compliance with its plans for its CPE program and with the CPE requirements of—				
i. Board(s) of accountancy in state(s) in which the firm’s professional staff is licensed?				
ii. AICPA (if applicable)?				
iii. State CPA society (if applicable)?				

	Yes	No	N/A	Comments, Findings Noted
iv. <i>Government Auditing Standards</i> the "Yellow Book" (if applicable)?				
v. SEC Practice Section (if applicable)?				
c. The firm is taking appropriate action to correct situations where professional personnel are not in compliance with CPE requirements?				
10. If the firm presents a significant amount of in-house training, did you select a sample (indicate number _____) of such programs for review? By examination of appropriate documentation did you determine whether—				
a. The developer is qualified, and has obtained any necessary approvals? For example, a sponsor number from the appropriate state board of accountancy.				
b. The course is technically accurate, current, and contributes to the professional competence of the attendees?				
c. The instructor is qualified?				
d. The participants and instructor evaluate the course, and appropriate action is taken when the evaluations are not favorable?				
11. Did you interview selected professional staff and obtain their impressions of the firm's CPE function and their on-the-job training, determine whether new professional standards and guidance materials are made available to them on a timely basis, determine whether they participate in professional development activities? (See separate interview guidelines.)				
12. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				

	Yes	No	N/A	Comments, Findings Noted
<i>Personnel selected for advancement will have the qualifications necessary to fulfill the responsibilities they will be called on to assume.</i>				
13. Did you obtain an understanding of the firm's policies and procedures by review of the firm's responses to the personnel management section (part B, questions 14–18) of the Questionnaire and by interviewing the appropriate parties?				
14. Did you review job descriptions and responsibilities, evaluate advancement criteria, and determine whether they are reasonable for the firm?				
15. For a sample of professional personnel (indicate number _____), did you review personnel files, personnel evaluations, or other documentation to determine whether staff members are reviewed, evaluated, and promoted in accordance with firm policy?				
16. Did you evaluate the effectiveness of the method used to evaluate owners and whether they fulfill the responsibilities assigned to them including whether they possess the knowledge, skills and abilities (competencies) necessary to enable them to be qualified to perform the firm's accounting, auditing and attestation engagements? In that connection, did you consider interviewing selected owners to assist in evaluating the effectiveness of the method used?				
17. Did you interview selected professional staff to determine their awareness of the firm's advancement policies and procedures and whether they are followed? (See separate interview guidelines).				
18. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				

C. Acceptance and Continuance of Clients and Engagements	Yes	No	N/A	Comments, Findings Noted
<p><i>The firm will evaluate factors that have a bearing on management's integrity.</i></p>				
<p>1. Did you obtain an understanding of the firm's policies and procedures by review of the firm's responses to the acceptance and continuance section (part C, questions 1-4) of the Questionnaire and by interviewing the appropriate parties?</p>				
<p>2. Did you select a sample (indicate number _____) of new engagements and continuing engagements and determine that the firm evaluated management's integrity and appropriately documented the evaluation?</p>				
<p>3. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?</p>				
<p><i>The firm will evaluate whether the engagement can be completed with professional competence and accordingly undertake only those engagements that can be completed with professional competence and appropriately consider the risk associated with providing professional services in particular circumstances.</i></p>				
<p>4. Did you obtain an understanding of the firm's policies and procedures by review of the firm's responses to the acceptance and continuance section (part C, questions 5-9) of the Questionnaire and by interviewing the appropriate parties?</p>				
<p>5. Did you review the documentation maintained for selected acceptance and continuance decisions (indicate number _____) and determine that the firm is complying with its own policies and procedures and with the requirements of professional standards?</p>				

	Yes	No	N/A	Comments, Findings Noted
6. Did you select a sample (indicate number _____) of new engagements performed during the year to determine that the firm had the required expertise to perform the engagements?				
7. For SECPS firms only, did you obtain a list from the firm of those SEC clients accepted since the end of the last peer review year (or for the year under review if the reviewed firm has not previously undergone a peer review) where, as reported in a Form 8-K, in a similar public filing, such as a document filed with the Office of the Comptroller of the Currency, the Federal Reserve Board, or the Federal Deposit Insurance Corporation, or in a document filed with the Office of Thrift Supervision that is available to the successor auditor, the former accountant resigned (or declined to stand for reelection) or there was a reported disagreement over any matters of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, or there was a "reportable event" as defined in item 304(a)(1)(v) of SEC Regulation S-K? For such engagements, did you:				
<i>a.</i> Review the existing client-acceptance documentation that relates to the matters or procedures that were the subject of the resignation or disagreement?				
<i>b.</i> Review such current or prior periods' engagement working papers, financial statements, or auditor's reports to the extent considered necessary to be able to evaluate whether the matters or procedures were handled appropriately?				
<i>c.</i> Determine whether, since the end of the last peer review year (or for the year under review if the reviewed firm has not previously undergone a peer review), any opinions on the application of generally accepted				

	Yes	No	N/A	Comments, Findings Noted
<p>accounting principles were rendered to the entity prior to acceptance (for example, during the proposal process or before)?</p> <p>d. If any such opinions were rendered, determine whether they were issued pursuant to the firm's policies relating to the issuance of such opinions?</p> <p>8. For SECPS firms only, did you obtain a list from the firm of all new SEC engagements (1) for which there was a predecessor accountant or auditor, and (2) for which the reviewed firm's first report on accounting and auditing services related to a period that ended during the reviewed firm's peer review year? Did you review the existing client-acceptance documentation for all engagements on this list in the offices selected for review?³</p> <p>9. For SECPS firms only, for any SEC engagements discontinued, did you review the five-day letter to the registrant with a copy to the SEC?</p> <p>10. Did you select a sample (indicate number _____) of continuing engagements performed during the year to determine that the firm still had the required expertise to perform the engagement?</p> <p>11. If any client relationships were discontinued during the year under review, were they handled appropriately and documented?</p>				

³ If there are any engagements in the offices selected for review that are on both this list and the list obtained at step 7, above, those engagements (or portions of those engagements) should be selected for review. In any event, at least one engagement on the list obtained in this step should be reviewed in each office visited.

	Yes	No	N/A	Comments, Findings Noted
12. Were selected professional staff interviewed to determine their awareness of the firm’s acceptance and continuance of clients and engagements’ policies and procedures and whether they are followed? (See separate interview guidelines).				
13. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>The firm will obtain an understanding with the client regarding services to be performed.</i>				
14. Did you obtain an understanding of the firm’s policies and procedures by review of the firm’s responses to the acceptance and continuance section (part C, question 10) of the Questionnaire and by interviewing the appropriate parties?				
15. Did you select a sample of engagements (indicate number _____) and review the firm’s understanding of the engagement to be performed?				
16. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
D. Engagement Performance				
<i>Planning for the engagements will meet professional, regulatory and the firm’s requirements.</i>				
1. Did you obtain an understanding of the firm’s policies and procedures by review of the firm’s responses to the engagement performance section (part D, questions 1–2) of the Questionnaire and by interviewing the appropriate parties?				

	Yes	No	N/A	Comments, Findings Noted
<p>2. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?</p> <p><i>The engagement will be performed, supervised, reviewed, documented and communicated in accordance with the requirements of professional standards, regulatory authorities and the firm.</i></p>				
<p>3. Did you obtain an understanding of the firm's policies and procedures by review of the firm's responses to the engagement performance section (part D, questions 3-11) of Questionnaire and by interviewing the appropriate parties?</p>				
<p>4. If the firm uses quality control materials (e.g., an audit and accounting manual or standardized forms, checklists, and questionnaires) developed internally or by some third party, were the materials suitably designed? (The reviewer may also wish to obtain the most recent peer review report on the review of the design of the third-party materials).</p>				
<p>5. Did you determine whether any standardized forms, checklists especially, financial disclosure checklists or questionnaires are appropriate and, if the use of any is discretionary, appropriate for the firm?</p>				
<p>6. Were the firm's procedures for review of the engagement reports, financial statements and working papers appropriate?</p>				
<p>7. Were any unusual accounting or auditing problems related to clients obtained in a merger during the year under review encountered? If "yes," was the firm's assessment and treatment of such matters adequate?</p>				

	Yes	No	N/A	Comments, Findings Noted
8. Were the firm’s policies and procedures adequate for training and integrating the professional personnel of the merged-in practice into the reviewed firm’s quality control policies and procedures?				
9. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<p><i>The firm will identify areas and specialized situations where consultation is required and will require personnel to refer to authoritative literature and practice aids and to consult, on a timely basis, with individuals within or outside the firm when appropriate (for example, when dealing with complex, unusual, or unfamiliar issues).</i></p>				
10. Did you obtain an understanding of the firm’s policies and procedures by review of the firm’s responses to the engagement performance section (part D, questions 12–18) of the Questionnaire and by interviewing the appropriate parties?				
11. Did you identify by review of documentation (indicate number____) and by reviewing some individual situations (if available) in which consultation has taken place, to determine that:				
a. All relevant facts and circumstances appear to have been provided to the party or parties consulted? If not, why?				

b. The advice given appears reasonable based on the relevant facts and circumstances and consistent with professional standards? If not, why?				

	Yes	No	N/A	Comments, Findings Noted
<p>c. The firm acted in a manner consistent with professional standards and with the firm’s policies and procedures? If not, why?</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>d. The extent of required consultations was appropriately comprehensive?</p>				
<p>12. Were the firm’s reference materials for its audit and accounting practice sufficiently comprehensive and current?</p>				
<p>13. Did the reference materials include recent pronouncements and literature appropriate for the firm’s specialties and are they updated on a timely basis?</p>				
<p>14. Was the guidance issued regarding reports on the application of accounting principles, as described in SAS 50, appropriate? Did the firm:</p>				
<p>a. Comply with its requirements and with professional standards?</p>				
<p>b. Issue a report on the application of accounting principles that is appropriate in the circumstances?</p>				
<p>15. Did you interview selected professional staff and per diem employees to determine their awareness of the firm’s engagement performance policies and procedures and whether they are followed? (See separate interview guidelines).</p>				
<p>16. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?</p>				

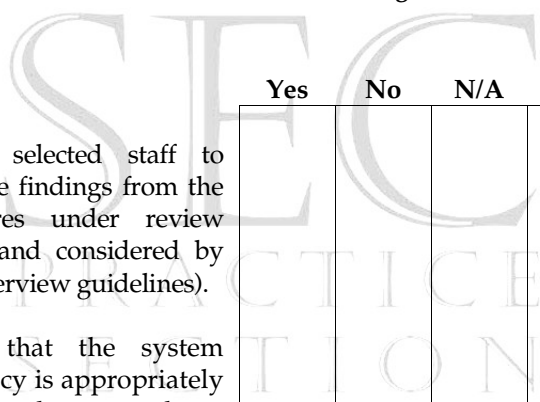
	Yes	No	N/A	Comments, Findings Noted
<p>E. Monitoring. (If the reviewed firm is closely aligned with a non-CPA owned entity, and certain portions of this element of the reviewed firm’s system of quality control reside at or operate in conjunction with the system of control of the non-CPA owned entity, the reviewer should refer to PRM Section 13700, Guidelines for Review of Quality Control Policies and Procedures for Non-CPA Owned Entities Closely Aligned With a CPA Firm).</p> <p><i>The firm will consider and evaluate, on an ongoing basis, the relevance and adequacy of its quality control policies and procedures.</i></p> <ol style="list-style-type: none"> 1. Did you obtain an understanding of the firm’s policies and procedures by review of the firm’s responses to the monitoring section (part E, questions 1–2) of the Questionnaire and by interviewing the appropriate parties? 2. If anything occurred (see part E, question 2.a of the Questionnaire) that would affect the firm’s quality control policies and procedures, were the necessary changes made? 3. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed? <p><i>The firm will consider and evaluate, on an ongoing basis, the appropriateness of its guidance materials and any practice aids.</i></p> <ol style="list-style-type: none"> 4. Did you obtain an understanding of the firm’s policies and procedures by review of the firm’s responses to the monitoring section (part E, questions 3–4) of the Questionnaire and by interviewing the appropriate parties? 5. Did the firm review its practice aids and determine that they were up-to-date? 				

	Yes	No	N/A	Comments, Findings Noted
6. Did the firm review its method of informing personnel of changes to professional standards, regulatory requirements and any related changes to firm policy and practice aids?				
7. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>The firm will consider and evaluate, on an ongoing basis, the effectiveness of professional development programs.</i>				
8. Did you obtain an understanding of the firm's policies and procedures by review of the firm's responses to the monitoring section (part E, question 5) of the Questionnaire and by interviewing the appropriate parties?				
9. Did you ascertain whether actions were taken as a result of evaluations of in-house training programs to determine if they were achieving their objectives?				
10. Did the firm interview a sample of its professional personnel regarding the effectiveness of its training programs?				
11. Did you review actions taken where staff were not in compliance with CPE requirements of the AICPA as well as other regulatory bodies?				
12. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>The firm will consider and evaluate, on an ongoing basis, compliance with its policies and procedures.</i>				

	Yes	No	N/A	Comments, Findings Noted
13. Did you obtain an understanding of the firm’s policies and procedures by review of the firm’s responses to the monitoring section (part E, questions 6–8) of the Questionnaire and by interviewing the appropriate parties?				
14. Did you review the available documentation supporting the monitoring procedures performed since the last peer review, if any, and evaluate whether—				
<i>a.</i> Those who conducted monitoring procedures had sufficient training and experience?				
<i>b.</i> The procedures performed were timely and covered:				
<i>i.</i> Reviewing and testing compliance with firm quality control policies and procedures relating to all the elements of quality control?				
<i>ii.</i> Reviewing an appropriate number of offices? (Reviewers should ask the reviewed firm about any requirements of relevant state boards of accountancy that must be met for the peer review to be accepted by such state boards as meeting its requirements).				
<i>iii.</i> Reviewing an appropriate number and type of engagements for compliance with professional standards?				
<i>c.</i> The findings from the monitoring procedures were appropriately summarized and documented?				
<i>d.</i> The materials used in carrying out the monitoring procedures, such as questionnaires, programs, and checklists are adequate?				

	Yes	No	N/A	Comments, Findings Noted
<p>e. Appropriate corrective action was taken on monitoring procedures findings, including, if necessary, action pursuant to the requirements of AICPA Professional Standards, AU 390 and AU 561, or supplementing the working papers to document the procedures performed?</p>				
<p>15. If the firm's monitoring procedures include the conduct of inspection procedures were those procedures timely performed? If yes, answer the following questions, if "N/A," skip to question 16.</p>				
<p>a. Were the criteria used in selecting offices and engagements for review and for selecting individuals within or outside the firm to carry out such procedures appropriate?</p>				
<p>b. Does the firm monitor whether planned corrective actions as a result of inspection procedures were actually implemented?</p>				
<p>c. Did you review the available documentation supporting annual inspections performed since the last peer review, if any, and evaluate whether—</p>				
<p>i. The inspectors or reviewer had sufficient training and experience?</p>				
<p>ii. The inspection procedures performed were timely and covered:</p>				
<p>(a) Reviewing and testing compliance with firm quality control policies and procedures relating to all the elements of quality control?</p>				

	Yes	No	N/A	Comments, Findings Noted
(b) Reviewing an appropriate number of offices? (Reviewers should ask the reviewed firm about any requirements of relevant state boards of accountancy that must be met for the peer review to be accepted by such state boards as meeting its requirements).				
(c) Reviewing an appropriate number and type of engagements for compliance with professional standards?				
iii. The findings from the inspection were appropriately summarized and documented?				
iv. The materials used in carrying out the inspection, such as questionnaires, programs, and checklists are adequate?				
v. Appropriate corrective action was taken on inspection findings, including, if necessary, action pursuant to the requirements of AICPA <i>Professional Standards</i> , AU 390 and AU 561, or supplementing the working papers to document the procedures performed?				
16. If the firm's monitoring procedures include either inspections or pre- or post issuance reviews, review a sample and determine:				
a. If the criteria used in selecting engagements for review and for selecting individuals within or outside the firm to carry out such procedures were appropriate?				
b. Whether planned corrective actions were actually implemented?				



	Yes	No	N/A	Comments, Findings Noted
17. Did you interview selected staff to determine whether the findings from the monitoring procedures under review were communicated and considered by staff? (See separate interview guidelines).				
18. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				

F. Membership Requirements (SECPS Only)

1. Did you obtain an understanding of the firm’s policies and procedures by a review of the firm’s responses to the membership requirements section (part G, question 1) of the Questionnaire and by interviewing the appropriate parties?
2. Did you compare the firm’s membership requirements policies and procedures with AICPA and SECPS requirements? Describe any deficiencies noted.

3. Are you satisfied that the system is designed appropriately?
4. Did you obtain reasonable assurance that each owner of the firm residing in the United States and eligible for AICPA membership is a member of the AICPA by confirming membership with the Division’s staff (indicate number _____), or examining invoices and canceled checks (indicate number _____) [membership requirement SECPS §1000.08(a)]?
5. Did you review the annual report to the Section for each fiscal year of the United States firm and note any apparently inappropriate information that needs to be corrected [membership requirement SECPS §1000.08(g)]?

Yes	No	N/A	Comments, Findings Noted

	Yes	No	N/A	Comments, Findings Noted
6. Did you determine that the firm’s personnel involved in management advisory services had an appropriate understanding of the scope of the firm’s services in that area and that they were familiar with the Section’s requirements proscribing the performance of certain management advisory services [membership requirement SECPS §1000.08(h)]?				
7. Did you evaluate the adequacy of the firm’s procedures for communicating at least annually with the audit committee or board of directors (or its equivalent in a partnership) of each SEC audit client on the total fees received from the client for management advisory services during the year under audit and a description of the types of such services rendered [membership requirement SECPS §1000.08(i)]?				
8. Regarding Quality Control Inquiry Committee (QCIC) matters:				
<i>a.</i> Since the prior peer review, or since joining the Section if less than 3 years, has the Firm or its personnel been named in any litigation, proceeding or publicly announced investigation by a regulatory agency alleging deficiencies in the conduct of an audit of the financial statements of a present or former SEC client?				
If yes,				
<i>i.</i> Has the complaint(s) against the Firm or its personnel been reported to the QCIC within 30 days of being served? Explain				
No answer: _____				

	Yes	No	N/A	Comments, Findings Noted
<p>ii. In the event the QCIC referred the case to the AICPA Professional Ethics Division (PEEC), and the matter was subsequently deferred by the PEEC, did the review team ascertain that the Firm complied with the SECPS Membership Requirement §1000.47 (Appendix M)? Explain No answer or nature of consideration given: _____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>b. Does the firm have policies and procedures to perform appropriate background investigations for newly admitted partners to determine whether there are any outstanding disciplinary actions against the individual prior to their admittance to the Firm (Appendix M §1000.47)?</p> <p>Explain No answer or nature of consideration given: _____</p> <p>_____</p> <p>_____</p> <p>Did such actions exist against newly admitted partners? If yes, did the Firm apply the actions as described in Appendix M §1000.47 on such partners?</p> <p>Explain No answer or nature of consideration given: _____</p> <p>_____</p> <p>_____</p>				
<p>9. Did you review the firm’s statement of philosophy [membership requirement SECPS §1000.08(l)]?</p>				
<p>10. Did you review documentation evidencing payment of the applicable Section’s dues for the current year [membership requirement SECPS §1000.08(j)]?</p>				

	Yes	No	N/A	Comments, Findings Noted
<p>11. Did you review the firm’s annual report to the Section to determine if the firm is subject to the SECPS membership requirement for firms foreign associated firms that audit SEC registrants [membership requirement SECPS 1000.08n]? If the firm is subject to the membership requirement, respond to questions 12–13 (a)–(c).</p> <p>12. On a sample basis, did you agree the name and country of the foreign associated firms listed in the SECPS annual report to either the individual written representation received from the firm’s foreign associated firms or from the international organization of which the firm is a member of? Describe any deficiencies noted.</p> <p>13. Based on the firm’s responses and the related supporting documentation provided with respect to the membership requirement section (part F, question 1(h) of the <i>Quality Control Policies and Procedures Questionnaire</i>)—</p> <p>a. Did you obtain an understanding (e.g., through review of the inspection results, discussion with firm personnel, etc.) of how filing and inspection reviews for foreign associated firms were conducted and determine whether they were consistent with the requirement stated in Appendix K?</p> <p>b. Were you able to determine whether the filing and inspection reviewers assigned to perform the procedures were knowledgeable in accounting, auditing and independence requirements of the SEC and the ISB and pertinent SEC rules and regulations [SECPS 1000.45]?</p> <p>c. If appropriate, were you able to determine whether disagreements, if any, between the filing or inspection reviewer and the audit partner-in-charge of the engagement were appropriately resolved?</p>				

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PRM Section 13400

Staff Interview Questionnaire



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PRM Section 13410¹

Staff Interview Questionnaire

.01 The review of a CPA firm's quality control policies and procedures requires that professional personnel be interviewed. The objective of these interviews is to provide corroborative evidence that certain policies and procedures have been properly communicated.

.02 When soliciting information, reviewers should consider the nature of the topic, the level of the person being interviewed, and the size of the firm.

.03 The questionnaire developed to guide the reviewer in conducting interviews is included in this section of the manual. It should be tailored as the interviewer deems appropriate.

.04 The individuals interviewed should have varying levels of experience and background. The number of individuals interviewed will be affected by the size and nature of the reviewed firm's practice.

¹ This questionnaire is to be used on SECPS peer reviews of firms with two or more professionals.

**SEC Practice Section²
Peer Review Program**

Staff Interview Questionnaire

The review of a CPA firm's quality control policies and procedures requires that professional personnel be interviewed. Interviews with firm personnel are generally contemplated as a corroborative technique rather than as a means for initially gathering information. Reviewers should consider the nature of the topic, the level of the person being interviewed, and the size of the firm when soliciting information. This questionnaire lists suggested interview questions that may be tailored as the interviewer deems appropriate. Interviews can also elicit reactions or perceptions of which the firm should be, but is not aware. The interviewee should be advised that no record is kept of his or her name.

Office Code No.	Interviewee Code	Level of Interviewee
Suggested Questions	Responses	
<p>A. Independence, Integrity and Objectivity</p> <ol style="list-style-type: none"> 1. How does the firm inform you of its policies and procedures to which the firm's independence policies apply? 2. If you had a question on an independence matter, what would you do? 3. Are you aware of any engagements in which you believe the firm was not independent? Yes ___ No ___ If "yes," which engagements? 4. Has another firm ever performed a segment of an engagement on which you have been involved and for which your firm was the principal auditor? Yes ___ No ___ If "yes," has the independence of that firm been confirmed? Yes ___ No ___ If "no," why? 5. In the performance of professional services you have been involved with do you believe firm members maintained objectivity and integrity, stayed free of conflicts of interest, and did not knowingly misrepresent facts or subordinate judgment to others? Yes ___ No ___ If "no," why? 		

² This questionnaire is to be used on SECPS peer review of firms with two or more professionals.

Suggested Questions	Responses
<p>6. Where applicable, did you adhere to the independence requirements including regulations, interpretations and rulings of the AICPA, state CPA society, state board of accountancy, state society and other regulatory agencies? Yes ___ No ___ If "no," why?</p> <p>7. Prior to acquiring any security in an entity, obtaining a loan from an entity, opening or modifying a brokerage account with an entity, did you review the firm's Restricted Entity List?</p> <p>8. Have you certified initially and at least annually thereafter that you 1) have read the firm's independence policies, 2) understand their applicability to your activities and those of your spouse and close relatives, and 3) have complied with the requirements of the firm's independence policies since the prior certification?</p> <p>9. Have you reported any apparent violations of policies involving yourself and your spouse and dependents when identified and the corrective action taken or proposed to be taken on a timely basis?</p>	
<p>B. Personnel Management</p> <p>1. How were you informed about the quality control policies and procedures that are relevant to you?</p> <p>2. If staff being interviewed is involved in the recruiting process inquire into—</p> <p><i>a.</i> Whether he/she was informed about the firm's hiring objectives prior to becoming involved in the hiring process? Yes ___ No ___ If "yes," how were you apprised of this information?</p>	

Suggested Questions	Responses
<p>b. The attributes, achievements and experiences entry-level and experienced hires are expected to possess to enable them to perform competently within the firm.</p> <p>c. What training did he/she receive prior to becoming involved in the recruiting process?</p> <p>3. What types of assignments have you had in the past year?</p> <p>4. Did you believe that the assignments you have received were based on the degree of training and proficiency you possessed at the time, and were commensurate with the nature and extent of supervision to be provided?</p> <p>5. What types of courses and industry-specific continuing professional education and professional development activities did you participate in during the last year, and do you believe that these activities contributed to your ability to perform the responsibilities assigned to you?</p> <p>6. Have you considered the specific continuing professional education requirements of the AICPA, state board of accountancy, and regulatory agencies such as GAO, DOL, etc.? Yes ___ No ___ If "no," briefly describe why.</p> <p>7. Do you believe that the on-the-job training that you received during the year under review was adequate to enable you to perform the responsibilities assigned to you on general and industry-specific engagements? Yes ___ No ___ If "no," briefly describe why.</p> <p>8. Where applicable, are new professional standards, independence requirements, and guidance materials distributed on a timely basis?</p>	

Suggested Questions	Responses
<p>9. What are the responsibilities of your position?</p> <p>10. What are the qualifications deemed necessary for promotion to the level immediately above you?</p> <p>11. How often have you been evaluated during the last year and do you believe that these evaluations, if any, were performed on a timely professional basis?</p> <p>12. To what extent do you receive written or oral feedback on your performance? Do you believe that this is constructive?</p>	
<p>C. Acceptance and Continuance of Clients and Engagements</p> <p>1. What conditions on an engagement would cause you to bring them to the attention of your supervisor so that a decision could be made whether the firm's relationship with the client should be continued?</p> <p>2. Does the firm obtain an understanding with its clients, whether written or oral, regarding the services to be performed?</p>	
<p>D. Engagement Performance</p> <p>1. Do you believe that the engagements on which you have participated have been properly planned to meet professional, regulatory, and firm requirements? Yes ___ No ___ If "no," explain why. Can you give some examples of planning considerations for engagements on which you have participated?</p> <p>2. In planning an engagement, what forms should be prepared and what procedures should be performed? (Applicable only to staff with planning responsibilities.)</p>	

Suggested Questions	Responses
3. To what extent have you been supervised on the engagements on which you have participated and do you believe that the degree of supervision was adequate?	
4. To what extent have you supervised other people on engagements on which you have participated? Were you adequately trained to carry out that responsibility?	
5. Do you refer to authoritative literature or practice aids while performing engagements?	
6. How do you determine the procedures to perform, and the form and content of working papers for engagements on which you participate?	
7. If you do not know the answer to an accounting or auditing question, what would you do?	
8. Has the firm identified any individuals within or outside the firm as (industry) specialist? Yes ___ No ___ If "yes," give a few examples. How were you apprised of them?	
9. Has the firm identified any specialized situations requiring consultation? Yes ___ No ___ If "yes," give a few examples. If "no," what are some situations which you believe make it necessary to consult or refer to a technical practice aid? How have you been apprised of situations requiring consultation with a specialist? What degree of authority is accorded the opinion of specialists, if any, and how are any differences of opinion with such specialists resolved?	
10. To what extent is your work reviewed?	
11. How are differences of professional judgment among members of an engagement team resolved?	

Suggested Questions	Responses
<p>E. Monitoring</p>	
<p>1. If your firm performs annual inspections:</p>	
<p>a. Were any of the engagements on which you worked selected for review during the most recent inspection and the one immediately proceeding it? Yes ___ No ___ If "yes," were you made aware of the findings concerning your work and were they considered on the subsequent engagement?</p>	
<p>b. What were the findings of the most recent inspection and how were these communicated to you?</p>	
<p>2. If your firm performs pre- or postissuance reviews of engagements:</p>	
<p>a. Were any of the engagements on which you worked selected for review? Yes ___ No ___ If "yes," were you made aware of the findings concerning your work? If "yes,"</p>	
<p>i. Were they immediately corrected for pre-issuance reviews?</p>	
<p>ii. Were they considered on the subsequent engagement for post-issuance reviews?</p>	
<p>iii. If "no," why? _____ _____ _____</p>	

Date of Interview _____

Interviewer's Signature _____

Date Interview Questionnaire Reviewed by Team Captain _____

Team Captain's Signature _____

[The next page is 13441.]

PRM Section 13440

Staff Interview Questionnaire For Non-CPA Owned Entities Closely Aligned With a CPA Firm

.01 The review of those portions of a CPA Firm's system of quality control that reside at or operate in conjunction with the system of control at a non-CPA owned entity requires that professional personnel who devote at least 25 percent of their time in performing audits, reviews, compilations, or other attest engagements or who have the partner/manager level responsibility for overall supervision or review of such engagements be interviewed. Those portions would generally include policies and procedures relating to the following elements of quality control: (1) independence, integrity and objectivity, (2) personnel management, and (3) monitoring of the elements noted in (1) and (2). The objective of these interviews is to provide corroborative evidence that certain policies and procedures have been properly communicated to all personnel of the non-CPA owned entity.

.02 When soliciting information, reviewers should consider the nature of the topic, the level of the person to be interviewed, and the size of the CPA firm. This questionnaire is designed to guide the reviewer in conducting interviews of selected personnel, and should be completed by the reviewer in conjunction with **PRM Section 13700, Guidelines for Review of Quality Control Policies and Procedures for Non-CPA Owned Entities Closely Aligned With a CPA Firm.**

.03 The individuals interviewed should have varying levels of experience and background. The number of individuals to be interviewed will be affected by the size and nature of the firm's practice. Personnel of the non-CPA owned entity who are not directly involved in the performance of audits, reviews, compilations, or other attest engagements also should be interviewed, in order to determine whether they are familiar with the non-CPA owned entity's policies and procedures as related to independence, integrity and objectivity, and to the monitoring of that quality control element.

.04 This questionnaire lists suggested interview questions that may be tailored as the interviewer deems appropriate. Interviews can also elicit reactions or perceptions of which the non-CPA owned entity should be, but is not aware. The interviewee should be advised that no record is kept of his or her name.

Office Code No.	Interviewee Code	Level of Interviewee	
Professional Staff?		Yes ___	No ___
Other Non-CPA Entity Personnel?		Yes ___	No ___

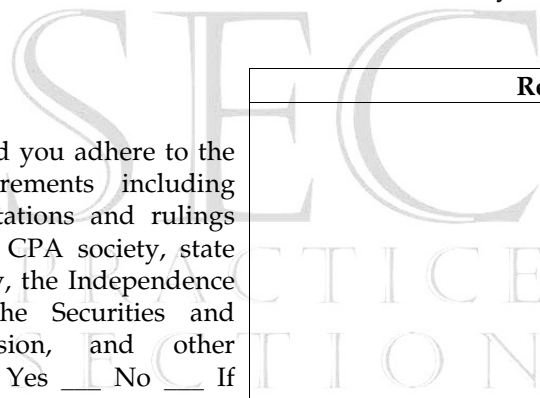
**SEC Practice Section
Peer Review Program**

**Staff Interview Questionnaire For Non-CPA Owned
Entities Closely Aligned With a CPA Firm**

A. Independence Integrity and Objectivity

1. How does the non-CPA owned entity inform you of its policies and procedures to which the entity's independence policies apply?
2. Are you aware of those financial or other relationships that may be prohibited?
3. If you had a question on an independence matter, what would you do?
4. Have you represented whether you are independent with respect to the CPA firm's audit, review, compilation or attest clients? If so, how were the representations documented (e.g., memo, questionnaire, or some other form of documentation)?
5. How often do you provide representations to the non-CPA entity's representative, which states whether you are independent with respect to the CPA firm's clients (e.g., monthly, quarterly, annually, etc.)?
6. Were you involved in any situations during the peer review year where questions arose regarding independence, integrity and objectivity and, if so, do you believe that resolutions of those questions were appropriate?
7. Are you aware of engagements performed by the CPA firm, in which you believe that the non-CPA owned entity was not independent? Yes ___ No ___ If "yes," which engagements?
8. Does the non-CPA owned entity inform you on a timely basis of those entities that engage the CPA firm to which independence policies apply as well as any changes to the CPA firm's client list?

Responses

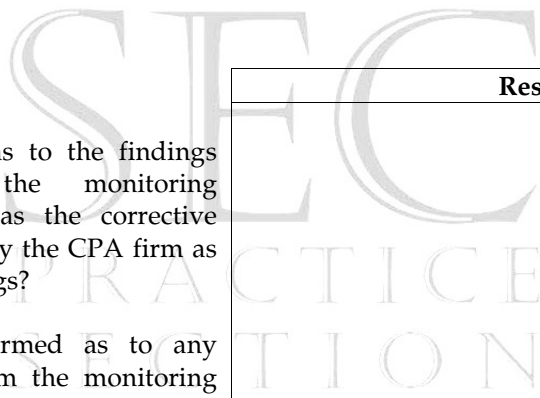


Responses
<p>9. Where applicable, did you adhere to the independence requirements including regulations, interpretations and rulings of the AICPA, state CPA society, state board of accountancy, the Independence Standards Board, the Securities and Exchange Commission, and other regulatory agencies? Yes <input type="checkbox"/> No <input type="checkbox"/> If "no" why?</p> <p>10. Prior to acquiring any security in an entity, obtaining a loan from an entity, opening or modifying a brokerage account with an entity, did you review the firm's Restricted Entity List?</p> <p>11. Have you certified initially and at least annually thereafter that you 1) have read the firm's independence policies, 2) understand their applicability to your activities and those of your spouse and close relatives, and 3) have complied with the requirements of the firm's independence policies since the prior certification?</p> <p>12. Have you reported any apparent violations of policies involving yourself and your spouse and dependents when identified and the corrective action taken or proposed to be taken on a timely basis?</p> <p>B. Personnel Management</p> <p>1. How were you informed of the policies and procedures that are relevant to you?</p> <p>2. If professional staff who devote at least 25 percent of their time in performing audits, reviews, compilations, or other attest engagements, or who have the partner/manager level responsibility for the overall supervision or review of such engagements being interviewed by the non-CPA owned entity are involved in the recruiting process, inquire into the following:</p>

- a. Whether he/she was informed about the non-CPA owned entity's hiring objectives prior to becoming involved in the hiring process? Yes ___ No ___. If "yes," how were they apprised of this information?
 - b. What attributes, achievements, and experiences are expected from entry level and experienced hires in order to enable them to perform competently?
 - c. What training did he/she receive prior to becoming involved in the recruiting process?
3. What kind of assignments have you had in the past year?
 4. Did you believe that the assignments you received were based on the degree of training and proficiency you possessed at the time, and were those assignments commensurate with the nature and extent of supervision to be provided?
 5. What type of courses and industry specific continuing education development activities did you participate in during the last year, and do you believe that these activities contribute to your ability to perform the responsibilities assigned to you?
 6. Are you encouraged by the non-CPA owned entity or by the CPA firm to participate in other professional activities, such as; graduate level courses, membership in professional organizations, serving on professional committees, and writing for publications?
 7. Do you believe that the on-the-job training that you received from the CPA firm during the past year was adequate to enable you to perform the responsibilities assigned to you on general and industry-specific engagements?

Responses

	Responses
<p>8. If you received such on-the-job training from somewhere other than the CPA firm, where was such training obtained? Was such training adequate to enable you to perform the responsibilities assigned to you on general and industry-specific engagements?</p> <p>9. Where applicable, are new professional standards, independence requirements, and guidance materials, including updated changes to such information, distributed on a timely basis?</p> <p>10. What are the responsibilities of your position?</p> <p>11. What are the qualifications deemed necessary for promotion to the level immediately above you?</p> <p>12. How often have you been evaluated during the past year, and did these evaluations include a discussion of your progress and career opportunities?</p> <p>13. Do you believe that these evaluations were performed on a timely basis?</p> <p>14. To what extent did you receive written feedback on your performance? Do you believe that feedback is constructive?</p>	
<p>C. Monitoring</p> <p>1. Are you timely informed of any changes to professional standards, regulatory requirements, and any related changes to policy and practice aids?</p> <p>2. Have you provided your opinion and views regarding the effectiveness of the training programs? If "yes," how did you provide this feedback (e.g., interview, questionnaire, memo, etc.)?</p>	



Responses	
<p>3. Were you informed as to the findings and results of the monitoring procedures, as well as the corrective actions, if any, taken by the CPA firm as a result of those findings?</p> <p>4. Have you been informed as to any findings resulting from the monitoring procedures that related to your specific engagements or to the types of services that you performed: (e.g. audits, reviews, compilations, etc.)? Yes ___ No ___. If "yes," how were those findings communicated to you?</p>	

Date of Interview _____

Interviewer's Signature _____

Date Interview Questionnaire Reviewed by Team Captain _____

Team Captain's Signature _____

[The next page is 13501.]

PRM
13500

Section 4: Quality Control
Questionnaire – Aps

PRM Section 13500

Quality Control Policies and Procedures Supplemental Questionnaire—Alternative Practice Structures

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PRM Section 13510

Quality Control Policies and Procedures Supplemental Questionnaire for Non-CPA Owned Entities Closely Aligned With a CPA Firm

.01 This section of the manual contains a questionnaire that a non-CPA owned entity must complete prior to the commencement of the review of a CPA firm when certain portions of the CPA firm's system of quality control reside at or operate in conjunction with the system of control of the non-CPA owned entity with which the CPA firm is closely aligned through common employment, leasing of employees, equipment, facilities, etc., or other similar arrangements. In this situation, the CPA firm sells all or a portion of its non-attest practice to a non-CPA owned entity. However, the majority of the financial interests in the CPA firm's attest practice is owned by CPAs. (See AICPA Code of Professional Conduct Interpretation 10114, ET Section 101.16, for further information regarding the effect of alternative practice structures on CPA firms.)

.02 The CPA firm's system of quality control should encompass all of the five elements of quality control: (1) independence, integrity and objectivity, (2) personnel management, (3) acceptance and continuance of clients, (4) engagement performance, and (5) monitoring. However, certain portions of the CPA firm's system of quality control can be delegated to the non-CPA owned entity while others cannot be delegated. This questionnaire addresses only those portions of the non-CPA owned entity's system of control that support the CPA firm's system of quality control. Accordingly, the questions relate to the elements of quality control for which the non-CPA owned entity has established policies and procedures. This would generally include the following elements of quality control: (1) independence, integrity, and objectivity, (2) personnel management, and (3) monitoring of the quality control elements noted in (1) and (2). The questionnaire should be completed by a representative of the non-CPA owned entity who understands how the non-CPA owned entity's system supports the CPA firm's system of quality control. Completion of the questionnaire assists a non-CPA owned entity in accumulating and organizing the information to enable the peer review team to obtain an understanding of controls needed to plan a peer review of the CPA firm's system of quality control. **PRM Section 13240** should be completed by the CPA firm being reviewed in assessing those elements of quality control that reside within the CPA firm's system of quality control. Accordingly, **PRM Section 13240** should be completed for those certain elements.

.03 Respond directly to the questions with "Yes," "No," or "N/A" answers and briefly describe, where appropriate, the policies and procedures the non-CPA owned entity has in effect that relate to the questions asked. Where appropriate, the representative from the non-CPA owned entity should make reference to any documents prepared and maintained by either the non-CPA owned entity or by the CPA firm being reviewed, 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 forms and checklists. Lengthy and elaborate answers are not expected.

Non-CPA Owned Entity

Prepared By

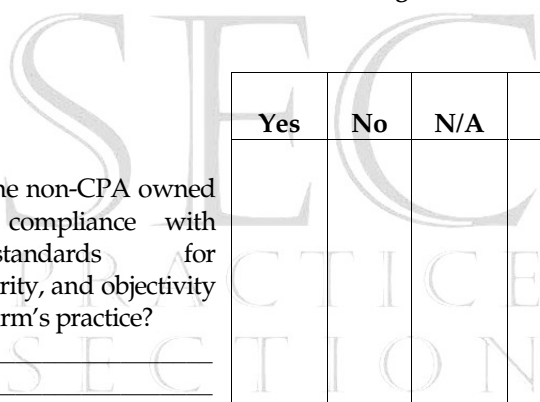
Date

SEC Practice Section
Peer Review Program

Quality Control Policies and Procedures Questionnaire For
Non-CPA Owned Entities Closely Aligned With a CPA Firm

	Yes	No	N/A	Comments, Findings, Extent of Testing
<p>A. Independence, Integrity and Objectivity</p> <p>The non-CPA owned entity, other associated entities and their personnel will adhere to applicable independence, integrity, and objectivity requirements to the extent required. These requirements include: regulations, interpretations, and rulings of the AICPA, state CPA societies, state boards of accountancy, state statutes, the Independence Standards Board (ISB), the Securities and Exchange Commission (SEC), and other regulatory agencies where applicable.</p> <p>1. Does the non-CPA owned entity have policies and procedures in place to ensure the independence of the CPA firm as required by the AICPA, state CPA societies, state boards of accountancy, state statute, the ISB, the SEC, and other regulatory bodies, if applicable?</p> <p>a. If "yes," how is this information documented (e.g., memoranda, manuals, etc)? _____ _____ _____ _____</p> <p>b. If "no," how does the non-CPA entity obtain reasonable assurance that all of its personnel are aware of the pertinent regulations, interpretations, and rulings of regulatory bodies that impact the CPA firm? _____ _____ _____ _____</p>				

	Yes	No	N/A	Comments, Findings, Extent of Testing
<p>2. Is there an individual within the non-CPA owned entity responsible for providing guidance, answering questions, monitoring compliance, and resolving matters with respect to independence, integrity, and objectivity requirements?</p> <p><i>a.</i> If "yes," please identify. _____ _____ _____</p> <p><i>b.</i> If "yes," what training or education does the individual receive to ensure that he or she is qualified to perform these functions adequately? _____ _____ _____</p> <p><i>c.</i> If "no," describe how these matters are resolved? _____ _____ _____</p>				
<p>3. Do those policies and procedures include providing information to the CPA firm regarding services provided and products sold by the non-CPA owned entity to the SEC clients of the CPA entity prior to when the CPA firm has performed accounting, audit or attestation services for those SEC clients.</p>				
<p>4. Are resolutions of independence, integrity, and objectivity questions documented?</p> <p><i>a.</i> If "yes," briefly describe the nature of the documentation, and indicate where the documentation is maintained (e.g., the working papers files or other specific CPA firm or client files). _____ _____ _____</p>				



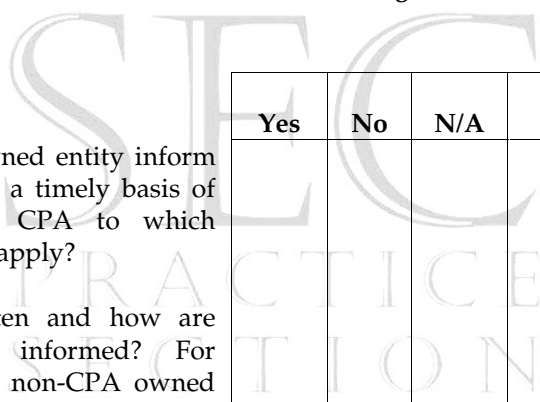
Yes	No	N/A	Comments, Findings, Extent of Testing
			<p>b. If "no," how does the non-CPA owned entity determine compliance with professional standards for independence, integrity, and objectivity related to the CPA firm's practice?</p> <p>_____</p> <p>_____</p>
			<p>c. Was it deemed necessary since the time of the CPA firm's prior peer review to consult with individuals outside the non-CPA owned entity or CPA firm on concerns or matters relating to independence, integrity, or objectivity that impact the CPA firm's practice? If "yes," please describe.</p> <p>_____</p> <p>_____</p>
			<p>5. Does the non-CPA owned entity have policies and procedures in place to provide information to the CPA firm for communication at least annually with audit committees (or boards of directors in those cases where there is no audit committee) of the CPA firm's SEC clients? If "yes," does the information include all relationships between the CPA firm and its related entities and the company and its related entities that may reasonably be thought to bear on independence communicated to the CPA firm in a standardized form?</p> <p>If "no," how does the non-CPA owned entity ensure that the CPA firm has the information that needs to be communicated to the audit committee?</p> <p>_____</p> <p>_____</p> <p>_____</p> <p><i>All personnel of the non-CPA owned entity will be familiar with policies and procedures regarding independence, integrity, and objectivity requirements.</i></p>

	Yes	No	N/A	Comments, Findings, Extent of Testing
<p>6. Are all personnel of the non-CPA owned entity made aware that the following financial or other relationships by either individuals or entities may be prohibited:</p> <ul style="list-style-type: none"> a. Business relationships with the CPA firm’s clients or with non-clients that have investor or investee relationships with clients. b. Loans to or from the CPA firm’s clients, including loans from the CPA firm’s financial institutions clients? c. Family members who are employed by the CPA firm’s clients, or who are in director, officer, manager, or audit sensitive positions with CPA firm clients, including not-for-profit organizations? d. Past due fees for professional services from the CPA firm’s clients? e. Accounting or advisory services that have evolved into situations where the service provider has assumed some of the responsibilities of client management? f. Bookkeeping services to SEC clients of the CPA firm? g. Positions where personnel in the non-CPA owned entity act as promoters, underwriters, voting trustees, directors, or officers of the CPA firm’s clients? h. Direct and material indirect financial interests in clients of the CPA firm? 				

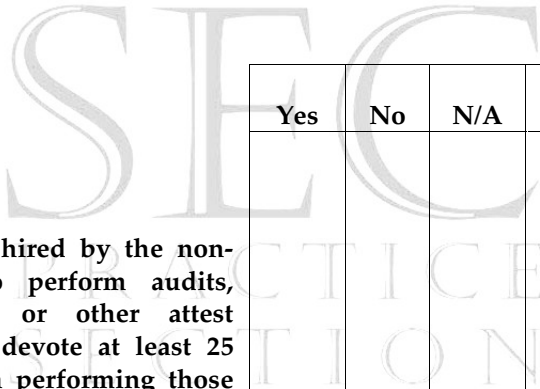
	Yes	No	N/A	Comments, Findings, Extent of Testing
<p><i>i.</i> Material investments of the CPA firm’s clients in the non-CPA owned entity that allow the clients to exercise significant influence over the non-CPA owned entity?</p>				
<p>7. Does the non-CPA owned entity communicate policies and procedures for independence, integrity, and objectivity requirements to all of its personnel?</p> <p><i>a.</i> If “yes,” describe how the non-CPA owned entity communicates to all of its personnel the policies and procedures for independence, integrity, and objectivity requirements, and whether those personnel have access to guidance materials regarding independence, integrity and objectivity requirements (e.g., memoranda, manuals, access to databases containing professional and regulatory literature, etc.) _____ _____ _____</p> <p><i>b.</i> If “no,” describe how all personnel of the non-CPA owned entity would obtain this information. _____ _____ _____</p>				
<p>8. Does the non-CPA owned entity obtain representations from all of its personnel, specifically defined as direct and indirect superiors, or supervisors of other PubliCo entities¹ upon hire and on an annual basis thereafter, stating whether they are familiar with and in compliance with policies and procedures regarding independence, integrity, and objectivity requirements?</p>				

¹ The definition of and the independence requirements for “direct and indirect superiors” and “other PubliCo entities” are described in the Code of Professional Conduct Interpretation 10114 (ET Section 101.16).

	Yes	No	N/A	Comments, Findings, Extent of Testing
<p>a. If "yes," where are the representations maintained, and who is responsible for reviewing and maintaining them? _____ _____ _____</p>				
<p>b. If "no," how does the non-CPA owned entity monitor compliance by all of its personnel with policies and procedures that are applicable to independence, integrity, and objectivity requirements? _____ _____ _____</p>				
<p>9. Does the non-CPA owned entity review unpaid fees from clients of the CPA firm to ascertain whether any outstanding amounts may impair the CPA firm's independence?</p> <p>a. If "yes," please specify who does this, and how often it is done. _____ _____ _____</p> <p>b. Please indicate whether there have been any such situations during the year at which time the CPA firm was peer reviewed. _____ _____ _____</p> <p>c. If "no," how does the non-CPA owned entity monitor the CPA firm's independence with respect to clients with unpaid fees? _____ _____ _____ _____</p>				



	Yes	No	N/A	Comments, Findings, Extent of Testing
<p>10. Does the non-CPA owned entity inform all of its personnel on a timely basis of those clients of the CPA to which independence policies apply?</p> <p><i>a.</i> If "yes," how often and how are those personnel informed? For example, does the non-CPA owned entity do any one or more of the following:</p> <ul style="list-style-type: none"> <i>i.</i> Prepare and maintain lists of entities who engage the CPA firm to which independence applies? <i>ii.</i> Make lists available to all of the non-CPA owned entity's personnel to determine their independence? <i>iii.</i> Other? <p><i>b.</i> If "no," how does the non-CPA owned entity determine that all of its personnel know to which entities independence policies apply? _____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>11. Does the non-CPA owned entity obtain information from the CPA firm on a timely basis as to any changes in the CPA firm's client list?</p> <p><i>a.</i> If "yes," describe how often and how the non-CPA owned entity communicates these changes to all of its personnel?</p> <p><i>b.</i> If "no," how does the non-CPA entity ensure that all of its personnel are aware of any changes to the CPA firm's client list?</p>				



B. Personnel Management

All personnel who are hired by the non-CPA owned entity to perform audits, reviews, compilations, or other attest engagements and who devote at least 25 percent of their time in performing those engagements, or have the partner/manager level responsibility for the overall supervision or review of such engagements, will possess the appropriate characteristics to enable them to perform those engagements competently.

1. Does the non-CPA owned entity have an individual who is responsible for hiring and for managing human resources on behalf of the CPA firm?

a. If "yes," please identify. _____

b. If "no," how is this accomplished?

2. Does the CPA firm submit a budget to the non-CPA owned entity for the number and level of personnel required for attest work?

a. If "yes," how often is a budget submitted by the CPA firm? _____

b. If "no," how does the non-CPA owned entity determine that the CPA firm has adequate staff to perform its attest engagements? _____

Yes	No	N/A	Comments, Findings, Extent of Testing

3. Does the non-CPA owned entity have criteria for hiring professionals on behalf of the CPA firm? If "yes," please describe—

a. The attributes, achievements, and experiences desired in entry level and experienced personnel to enable them to perform competently within the CPA firm. Highlight any items, which represent requirements for hire. _____

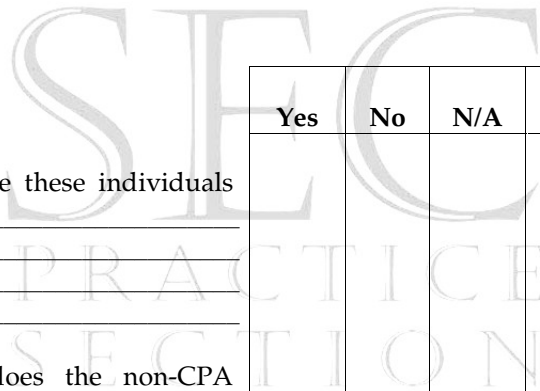
b. How the non-CPA owned entity evaluates the personal characteristics of professionals, such as: integrity, competence, and motivation of hires? _____

c. Any additional information the non-CPA owned entity requires for experienced hires for the CPA firm, such as: background checks, and inquiries about any outstanding regulatory actions. _____

If "no," how does the non-CPA owned entity determine that the personnel hired for the CPA firm are appropriate for the position they are hired to fill? _____

4. Does the non-CPA owned entity have criteria for determining which individuals will be involved in the interviewing and hiring process on behalf of the CPA firm?

Yes	No	N/A	Comments, Findings, Extent of Testing



	Yes	No	N/A	Comments, Findings, Extent of Testing
<p>a. If "yes," how are these individuals trained? _____ _____ _____</p> <p>b. If "no," how does the non-CPA owned entity determine who is appropriate for this role? Please describe. _____ _____ _____</p>				
<p>Professional personnel who devote at least 25 percent of their time in performing those engagements, or have the partner/manager level responsibility for the overall supervision or review of such engagements, will participate in general and industry-specific continuing professional education (CPE) and other professional activities, which will enable them to satisfy responsibilities assigned, and to fulfill applicable continuing professional education requirements of the AICPA, SECPS, and regulatory agencies.</p>				
<p>5. Does the non-CPA owned entity have an individual who is responsible for CPE and professional development activities?</p> <p>a. If "yes," please identify and describe his or her qualifications. _____ _____ _____ _____</p> <p>b. If "no," how does the non-CPA owned entity monitor CPE and professional development activities? Please explain. _____ _____ _____ _____</p>				

6. Do professional personnel that are assigned to audit and accounting engagements take courses related to those engagements?

a. Please provide an approximation of the type of CPE taken.

Self-study courses _____%

In house-training program—

(i) Developed by the firm _____%

(ii) Obtained from outside vendors _____%

State society or AICPA programs _____%

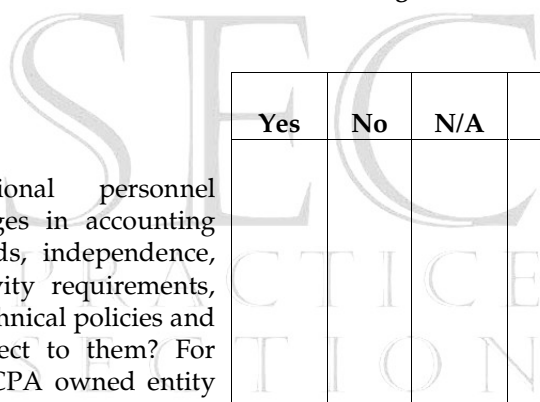
b. Describe how the non-CPA owned entity assures that professional personnel participate in CPE related to accounting and auditing assignments, including specialized industries. For example, do they submit CPE plans relevant to their practice needs? _____

7. Are all professional 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 society (if applicable), the SECPS (if applicable), and Government Auditing Standards—the “Yellow Book” (if applicable)? If the answer is “no”—

a. Explain why the personnel are not in compliance. _____

Yes	No	N/A	Comments, Findings, Extent of Testing

	Yes	No	N/A	Comments, Findings, Extent of Testing
<p>b. Attach a list of those personnel who are not in compliance, and indicate the plan for correcting the situation.</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>8. Does the non-CPA owned entity have an individual who maintains CPE records and course materials for professional personnel?</p> <p>a. If "yes," please identify. _____</p> <p>_____</p> <p>_____</p> <p>b. If "no," how does the non-CPA owned entity determine that all professional personnel are in compliance with applicable CPE requirements? _____</p> <p>_____</p> <p>_____</p>				
<p>9. Does the non-CPA owned entity have an orientation and training policy for new hires who will devote at least 25 percent of their time in performing audits, reviews, compilations, or other attest engagements, or who will have the partner/manager level responsibility for the overall supervision or review of such engagements?</p> <p>a. If "yes," please identify. _____</p> <p>_____</p> <p>_____</p> <p>b. If "no," describe how the non-CPA owned entity trains new hires. _____</p> <p>_____</p> <p>_____</p>				



10. How are professional personnel informed as to changes in accounting and auditing standards, independence, integrity, and objectivity requirements, and the CPA firm’s technical policies and procedures with respect to them? For example, by the non-CPA owned entity or CPA firm distributing technical pronouncements, and holding training courses on recent changes and areas noted by the CPA firm as needing improvement?

a. If “yes,” briefly describe. _____

b. If “no,” how does the non-CPA owned entity determine that professional personnel are informed of the changes in professional standards? _____

11. Are professional personnel encouraged by the non-CPA owned entity and/or by the CPA firm to participate in other professional activities, such as graduate level courses, membership in professional organizations, serving on professional committees, and writing for professional publications?

Yes	No	N/A	Comments, Findings, Extent of Testing

Professional personnel who devote at least 25 percent of their time in performing audits, reviews, compilations or other attest engagements, or who have the partner/manager level responsibility for the overall supervision or review of such engagements, and who are selected for advancement will have the qualifications necessary to fulfill the responsibilities they will be called upon to assume. This would be based on the degrees of technical training and proficiency required in the circumstances, and the nature and extent of supervision that was provided for assignments relating to audits, reviews, compilations, or other attest engagements performed by the CPA firm.

12. Does the non-CPA owned entity have a system in place to provide information necessary to the CPA firm in order to enable the CPA firm to make appropriate personnel decisions, such as assignments for audits, reviews, compilations, or other attest engagements, personnel evaluations, etc.?

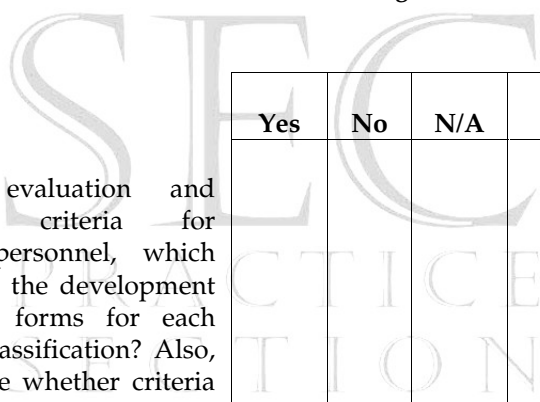
a. If "yes" how is this information provided to the CPA firm? _____

b. If "no," how does the non-CPA owned entity ensure that the CPA firm makes appropriate personnel decisions? _____

13. Does the non-CPA owned entity have an individual who is responsible for advancement and termination decisions?

a. If "yes" who is responsible for:

Yes	No	N/A	Comments, Findings, Extent of Testing



	Yes	No	N/A	Comments, Findings, Extent of Testing
<p>i. Establishing evaluation and advancement criteria for professional personnel, which would include the development of evaluation forms for each professional classification? Also, briefly describe whether criteria are documented (e.g., personnel manual). _____ _____ _____ _____</p>				
<p>ii. Making advancement and termination decisions, including identifying responsibilities and requirements for evaluation at each professional level, and deciding who will prepare evaluations? _____ _____ _____ _____ _____</p>				
<p>iii. Development of the evaluations form for each Professional classification? _____ _____ _____ _____ _____</p>				
<p>b. If "no," how are these decisions made and implemented? _____ _____ _____ _____ _____</p>				

14. Does the non-CPA owned entity have an arrangement with the CPA firm for an individual to be responsible for advancement and termination decisions concerning acquired and contracted leased and per diem employees, who devote at least 25 percent of their time in performing audits, reviews compilations, or other attest engagements, or who have the partner/manager level responsibility for the overall supervision or review of such engagements, which would include evaluation of personnel needs, establishment of hiring objectives, and providing final approval?

a. If "yes," who is responsible for:

i. Determining whether they performed adequately? _____

ii. Evaluating their abilities and qualifications based on performance? _____

iii. Determining how they should be used on future engagements? _____

b. If "no" how are these decisions made and implemented? _____

Yes	No	N/A	Comments, Findings, Extent of Testing

15. Does the non-CPA owned entity have a system in place for evaluating the performance of professional personnel, and advising them of their progress in the CPA firm? If "yes,"

a. Who is responsible for performing the evaluation? _____

b. How often are these evaluations performed? _____

c. Are standard evaluation forms used? If not, briefly describe whether they are documented by another means.

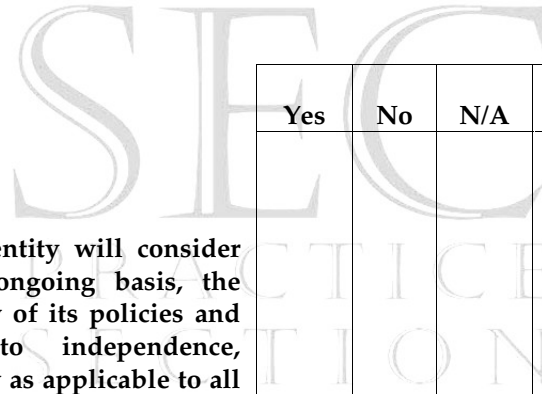
If "no," how are those professional personnel informed of their progress in the CPA firm? _____

16. Does the non-CPA owned entity counsel professional personnel regarding their progress and career opportunities by—

a. Reviewing performance evaluations with personnel, discussing future objectives of the CPA firm and the individual and assignment preferences?

b. Periodically evaluating owners of the CPA firm? For example, by means of peer evaluation, or self-appraisal.

Yes	No	N/A	Comments, Findings, Extent of Testing



C. Monitoring

The non-CPA owned entity will consider and evaluate, on an ongoing basis, the relevance and adequacy of its policies and procedures related to independence, integrity and objectivity as applicable to all of its personnel and to personnel management as applicable to professional personnel who devote at least 25 percent of their time in performing audits, reviews, compilations, or other attest engagements, or who have the partner/manager level responsibility for the overall supervision or review of such engagements.

1. Does the non-CPA entity have a qualified individual who is responsible for monitoring quality assurance?

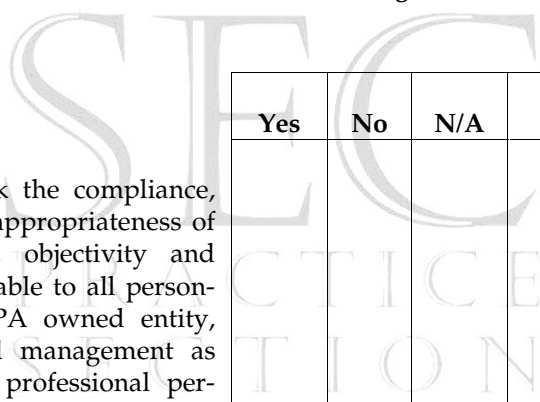
a. If "yes," please identify and describe his or her qualifications. _____

b. If "no," how does the non-CPA owned entity determine that policies and procedures are adequate? _____

2. Are the following quality assurance matters considered:

a. The need to revise the non-CPA owned entity's guidance for changes in professional standards as related to independence, continuing professional education (CPE) and SEC or other regulatory requirements?

Yes	No	N/A	Comments, Findings, Extent of Testing



b. The need to check the compliance, effectiveness and appropriateness of (1) independence, objectivity and integrity as applicable to all personnel of the non-CPA owned entity, and (2) personnel management as applicable to the professional personnel of the CPA firm?

The non-CPA owned entity will consider and evaluate, on an ongoing basis, the appropriateness of the guidance materials and any practice aids.

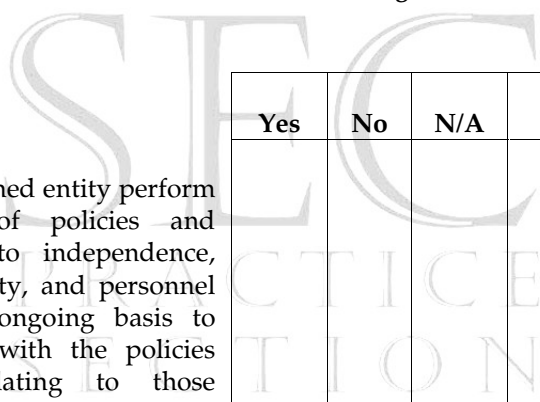
3. Does the non-CPA owned entity have a system in place to assure that the practice aids regarding independence and other technical matters provided by the non-CPA owned entity are updated for new professional standards, and are effective for the CPA firm’s practice. If “no” how does the non-CPA entity determine that the practice aids are current? _____

4. Does the non-CPA owned entity inform and provide guidance to professional personnel regarding new professional standards, regulatory requirements, and related changes to CPA firm policy or practice aids as related to independence and other technical standards? If “no,” how are professional personnel kept current? _____

The non-CPA owned entity will consider and evaluate on an ongoing basis, the effectiveness of the CPA firm’s professional development programs.

Yes	No	N/A	Comments, Findings, Extent of Testing

	Yes	No	N/A	Comments, Findings, Extent of Testing
<p>5. Does the non-CPA owned entity monitor professional development programs, which would include:</p> <p><i>a.</i> Evaluating training programs to determine whether they are achieving their objectives?</p> <p><i>b.</i> Reviewing summaries of CPE records to track individual's compliance with the requirements of the AICPA and other regulatory bodies?</p> <p><i>c.</i> Considering whether the professional development programs should be revised based on the results of the CPA firm's monitoring of its peer review?</p> <p><i>d.</i> Soliciting information from professional personnel regarding the effectiveness of the training programs?</p> <p>If "no," how does the non-CPA owned entity determine that its professional development programs are appropriate?</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>The non-CPA owned entity will consider and evaluate on an ongoing basis, compliance with its system related to policies and procedures on independence, integrity and objectivity as applicable to all professional personnel who devote at least 25 percent of their time in performing audits, reviews, compilations or other attest engagements, or who have the responsibility for the overall supervision or review of such engagements.</p>				



6. Does the non-CPA owned entity perform timely monitoring of policies and procedures relating to independence, integrity and objectivity, and personnel management on an ongoing basis to evaluate compliance with the policies and procedures relating to those elements of quality control.

a. If "yes" does the non-CPA owned entity assign responsibility to an individual to perform monitoring?

Please identify and describe his or her qualifications. _____

b. If "yes" does monitoring include:

i. Appropriate tests of compliance with policies and procedures?

ii. Reviewing correspondence and documentation and interviewing (1) all of the non-CPA owned entity's personnel in order to determine compliance with policies and procedures regarding independence, integrity and objectivity, (2) the professional personnel who devote at least 25 percent of their time in performing audits, reviews, compilations or other attest engagements, or who have partner/manager level responsibility for the overall supervision or review of such engagements in order to determine compliance with policies and procedures regarding personnel management, and (3) all of the non-CPA owned entity's personnel to determine compliance with policies and procedures regarding monitoring?

Yes	No	N/A	Comments, Findings, Extent of Testing

	Yes	No	N/A	Comments, Findings, Extent of Testing
<p>c. If "no," how does the non-CPA owned entity determine that all of its personnel comply with the applicable policies and procedures?</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>7. Does the non-CPA owned entity timely summarize and communicate the results of its monitoring to all of its personnel in the non-CPA owned entity, and in the CPA firm?</p>				
<p>8. Has the non-CPA owned entity taken specific actions or steps based upon the results of the monitoring to assure compliance with policies and procedures? If "no," please explain the rationale. _____</p> <p>_____</p> <p>_____</p> <p>_____</p>				

[The next page is 13601.]

PRM Section 13600

Exhibits



<i>Exhibit</i>		<i>Page</i>
A	Matter for Further Consideration.....	13603
B	Summary of Matter for Further Consideration Forms and Conclusions on the Review.....	13605

(See PRM §13100.14B.18 of the *Instructions for Use of Peer Review Program Guidelines*)

[The next page is 13603.]

EXHIBIT A
MATTER FOR FURTHER CONSIDERATION
 SEC
 PRACTICE
 SECTION

REVIEWER'S DESCRIPTION OF THE MATTER

CONTROL NO. _____

REVIEWED FIRM AGREES WITH THE DESCRIPTION OF THE MATTER?

YES ___ NO ___

REVIEWED FIRM'S COMMENTS ON CIRCUMSTANCES, SIGNIFICANCE OF MATTER, ETC.

REVIEWER'S ADDITIONAL COMMENTS

Check One: Design _____

Performance _____

Compliance—Membership _____

Compliance—Other _____

Documentation _____

REVIEW CAPTAIN'S COMMENTS, IF ANY

REASON:

FIRM
OFFICE CODE NO. _____

CONTROL NO. _____

Signatures
 Engagement Partner
 Reviewer
 Team Captain

Dates

Compliance Questionnaire
 Section Element
 Program Step


Engagement
 No. _____
 Checklist Page _____
 Program Step _____

INSTRUCTIONS FOR USE OF MFC FORMS

1. If an MFC was prepared during the course of the review and subsequent information indicates that the form should not have been prepared, it may be discarded. (For example, an MFC stated that no letter was received from legal counsel, but a letter that meets the requirements of professional standards had been received and misfiled and was subsequently found. On the other hand, if an MFC is prepared for an item which is later determined to be immaterial, it should not be discarded. For example, a representation letter from a SSARS client required by firm policy was not obtained, but the reviewer was satisfied with the engagement partner's reasoning for not obtaining it.)
2. Number MFCs consecutively (top and bottom) to establish correspondence between top and bottom stub.
3. In order to assist the reviewer in making a conclusion about the review, MFCs relating to both functional and engagement review areas should be sorted by nature of comment before posting to the summary of MFCs.
4. Do not detach control stub until POB oversight is completed. (The stub should be detached only if the SEC accesses the working papers.)

Exhibit B
SUMMARY OF MATTER FOR FURTHER CONSIDERATION
FORMS AND CONCLUSIONS ON THE REVIEW

 (Name of Reviewed Firm)

MFC Number	Reference ¹	Brief Description of Matter	Type of Matter ²	Quality Control Element	Disposition ³	Briefly Explain Reasons
						

[The next page is 13701.]

¹ The reviewer should indicate the program or engagement checklist step that led to the MFC.
² The reviewer should classify each matter discussed on an MFC form as a deficiency relating to either: a) design, b) performance, c) compliance—membership, d) compliance—other, or e) documentation.
³ The reviewer should indicate how the item affects the results of the review: a) Adverse report, b) Qualified report, c) Unqualified report with LOC, d) Exit conference only.

PRM
13700

Section 5: Peer Review
Program Procedures –
APS

PRM Section 13700

Supplemental Peer Review Program Guidelines—Alternative Practice Structures

Table of Contents

<i>Section</i>	<i>Page</i>
13710 Supplemental Guidelines for Review of Quality Control Policies and Procedures for Non-CPA Owned Entities Closely Aligned With a CPA Firm.....	13711

[The next page is 13711.]

PRM Section 13710

Supplemental Guidelines for Review of Quality Control Policies and Procedures For Non-CPA Owned Entities Closely Aligned With a CPA Firm

.01 This section of the manual contains a questionnaire that the reviewer should complete when reviewing the non-CPA owned entity's responses to the *Quality Control Policies and Procedures Questionnaire for Non-CPA Owned Entities Closely Aligned With a CPA Firm*. Completion of this questionnaire assists the reviewer in analyzing certain portions of the CPA firm's system of quality control that reside at or operate in conjunction with the system of control of the non-CPA owned entity with which the CPA firm is closely aligned through common employment, leasing of employees, equipment, facilities, etc., or similar arrangements. In this situation, the CPA firm sells all or a portion of its non-attest practice to a non-CPA owned entity. However, the majority of the financial interests in the CPA firm's attest practice is owned by CPAs. (See AICPA code of Professional Conduct Interpretation 101.14, ET section 101.16, for further information regarding the effect of alternative practice structures on CPA firms.)

.02 The CPA firm's system of quality control should encompass all of the five elements of quality control: (1) independence, integrity and objectivity, (2) personnel management, (3) acceptance and continuance of clients, (4) engagement performance, and (5) monitoring. However, certain portions of the CPA firm's system of quality control can be delegated to the non-CPA owned entity while others cannot be delegated. This questionnaire addresses only a review of those portions of the non-CPA owned entity's system of control that support the CPA firm's system of quality control, which would generally include the following elements of quality control: (1) independence, integrity and objectivity, (2) personnel management, and (3) monitoring of the elements noted in (1) and (2). Accordingly, this questionnaire relates to the elements of quality control for which the non-CPA owned entity has established policies and procedures. **PRM Section 13340** should be completed by the reviewer in analyzing those elements of quality control that reside within the CPA firm's system of quality control. Accordingly, **PRM Section 13340** should be completed by the peer review team for those sections.

.03 This questionnaire can also be used by a CPA firm performing and reporting on an attest engagement under Statement on Standards for Attestation Engagements (SSAE) No. 1. For this attest engagement, the non-CPA owned entity would retain a CPA firm to perform an examination of the non-CPA owned entity's system that could be used by the peer reviewers of each CPA firm closely aligned with the non-CPA owned entity. The SSAE 1 report would be required by the non-CPA owned entity once a year. The bold lettering in the questionnaire are the assertions in the form of questions relevant to the non-CPA owned entity's system, which are followed by procedures to be followed by the reviewer to expand and report on those assertions.

.04 The review should respond directly with "Yes," "No," or "N/A" answers, and briefly describe, where appropriate the results of his/her evaluation of the policies and procedures the CPA firm has in effect. Lengthy and elaborate answers are not expected.

Reviewed Firm	Period Covered	Prepared By	Date
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**SEC Practice Section
Peer Review Program**

**Guidelines for Review of Quality Control Policies and Procedures
For Non-CPA Owned Entities Closely Aligned With a CPA Firm**

A. Independence, Integrity and Objectivity

Does the non-CPA owned entity have a system in place to ensure that the non-CPA owned entity, other associated entities and their personnel adhere to the policies and procedures that are applicable to independence, integrity and objectivity requirements to the extent required? These requirements include: regulations, interpretations, and rulings of the AICPA, state CPA societies, state boards of accountancy, state statute, the Independence Standards Board (ISB), the Securities and Exchange Commission (SEC), and other regulatory agencies where applicable.

1. Obtain an understanding of the non-CPA owned entity's policies and procedures by a review of the responses to the independence, integrity and objectivity section (part A, questions 1-5) of the *Quality Control Policies and Procedures Questionnaire for Non-CPA Owned Entities Closely Aligned With a CPA Firm* (the "questionnaire"), and by interviewing the appropriate parties.

2. Compare the polices and procedures on independence, integrity, and objectivity with professional and regulatory requirements. Describe any deficiencies noted. _____

Yes	No	N/A	Comments, Findings, Extent of Testing

	Yes	No	N/A	Comments, Findings, Extent of Testing
<p>3. Did the information provided to the CPA firm for communication at least annually with audit committees (or boards of directors in those cases where there is not audit committee) of the CPA firm’s SEC client include relationships between the CPA firm and its related entities and the company and its related entities that may reasonably be thought to bear on independence?</p>				
<p>4. Inquire as to the procedures to identify the services provided or products provided by the non-CPA owned entity for the accounting, auditing and attest clients of the CPA firm. Conclude as to the completeness and correctness of the information provided.</p>				
<p>5. Determine how resolutions of independence, integrity and objectivity questions are resolved, and describe the nature of the documentation of those resolutions and where such documentation is maintained?</p>				
<p>6. Inquire as to whether there were any noted situations where there was a lack of independence and, if so, whether the CPA firm withdrew from the audit or accounting engagement or appropriately qualified its report.</p>				
<p>7. Conclude as to whether the system pertaining to this assertion is appropriately designed based on the procedures performed above.</p>				
<p>Are all personnel of the non-CPA owned entity familiar with the policies and procedures regarding independence, integrity and objectivity requirements?</p>				

Yes	No	N/A	Comments, Findings, Extent of Testing
			<p>8. Obtain an understanding of the policies and procedures by review of the responses to the independence, integrity and objectivity section (part A, questions 6–11 of the Questionnaire), and by interviewing the appropriate parties.</p> <p>9. Determine by review of documentation and inquiry whether the non-CPA owned entity has any procedures in place to provide reasonable assurance that new or revised rulings on independence, integrity and objectivity matters applicable to the CPA firm’s practice are appropriately considered.</p> <p>10. Determine by review of documentation and inquiry whether the non-CPA owned entity obtains representations from all of its personnel, specifically defined as direct and indirect superiors, or supervisors of other PublicCo¹ entities upon hire and on an annual basis thereafter, stating whether they are familiar with and in compliance with policies and procedures regarding independence, integrity, and objectivity requirements.</p> <p>11. Identify by review of files or by interview a selection of situations (indicate number _____) in which independence, integrity, and objectivity questions arose during the year being peer reviewed, and consider whether the resolution of such questions appears appropriate.</p> <p>12. Determine by review of documentation and interview whether all of the personnel of the non-CPA owned entity are aware of those financial or other relationships that may be prohibited.</p>

¹ The definition of and the independence requirements for “direct and indirect superiors” and other PublicCo entities are described in the Code of Professional Conduct Interpretation 101-14 (ET Section 101.16).

	Yes	No	N/A	Comments, Findings, Extent of Testing
<p>13. Determine by review of documentation and interview whether the non-CPA owned entity communicates to all of its personnel the policies and procedures for independence, integrity, and objectivity requirements, and how those requirements are communicated.</p>				
<p>14. Determine by review of documentation and interview whether the non-CPA owned entity informs all of its personnel on a timely basis of those entities that engage the CPA firm to which independence policies apply.</p>				
<p>15. Determine by review of documentation and interview whether the non-CPA owned entity obtains information from the CPA firm on a timely basis as to any changes in the CPA firm’s client list.</p>				
<p>16. Conclude as to whether the system pertaining to this assertion is appropriately designed based on the procedures performed.</p>				
<p>B. Personnel Management</p>				
<p>Does the non-CPA owned entity have a system in place to determine whether all personnel who are hired by the non-CPA owned entity to perform audits, reviews, compilations or other attest engagements who devote at least 25 percent of their time in performing those engagements, or who have the partner/manger level responsibility for the overall supervision or review of such engagements, possess the appropriate characteristics to enable them to perform those engagements competently?</p>				
<p>1. Obtain an understanding of the policies and procedures by a review of the responses to the personnel management section (part B, questions 1–4 of the Questionnaire), and by interviewing the appropriate parties.</p>				

	Yes	No	N/A	Comments, Findings, Extent of Testing
<p>2. Determine by a review of documentation and inquiry whether the non-CPA owned entity obtains a budget from the CPA firm for the number and level of personnel required for attest work.</p>				
<p>3. Select a sample (indicate number _____) of new hires, including hires joining at supervisory levels who will perform audits, reviews compilations, or other attest engagements who devote at least 25 percent of their time in performing those engagements, or who have the partner/manager level responsibility for the overall supervision or review of such engagements. Obtain each individual's personnel file, and do the following:</p> <p><i>a.</i> Review the documentation and evaluate whether the individual possesses the desired attributes, achievements, and experience required for the CPA firm. If not, ascertain from other documentation or by inquiry why an exception was made.</p> <p><i>b.</i> Determine whether the background information and other documentation required by the non-CPA owned entity's policy was obtained.</p> <p><i>c.</i> Select one or more of these new hires for an interview. (See separate interview guidelines.)</p>				
<p>4. Conclude as to whether the system pertaining to this assertion is appropriately designed based on the procedures performed.</p>				

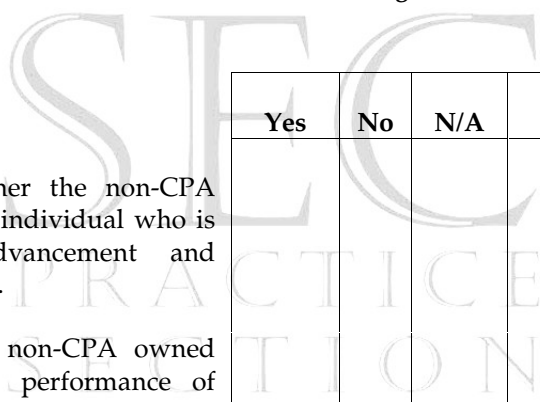
Do professional personnel who devote at least 25 percent of their time in performing audits, reviews, compilations, or other attest engagements, or who have the partner/manager level responsibility for the overall supervision or review of such engagements, participate in general and industry-specific continuing professional education (CPE) and other professional activities, which will enable them to satisfy responsibilities assigned, and to fulfill applicable continuing professional education requirements of the AICPA and regulatory agencies?

5. Obtain an understanding of the policies and procedures by a review of the responses to the personnel management section (part B, questions 5–11) of the Questionnaire), and by interviewing the appropriate parties.
6. Inquire as to whether the non-CPA owned entity has a qualified individual(s) who is responsible for the CPA firm’s CPE and professional development activities, and who maintains CPE records and course materials, and how the non-CPA owned entity considers CPE plan requests made by the CPA firms closely aligned with the non-CPA owned entity.
7. Determine whether professional personnel that are assigned to audit, review, compilation and/or other attest engagements take courses related to those engagements. Identify the type of CPE taken, and whether the CPE is appropriate.
8. Review the non-CPA owned entity’s CPE records on a test basis and consider whether those records demonstrate that—

Yes	No	N/A	Comments, Findings, Extent of Testing

	Yes	No	N/A	Comments, Findings, Extent of Testing
<p>a. Professional personnel participated in CPE related to audit, review, compilation and/or other attest assignments, including specialized industries.</p>				
<p>b. Professional personnel were 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 society (if applicable), the SEC Practice Section (if applicable), and Government Auditing Standards the "Yellow Book" (if applicable).</p>				
<p>9. Interview selected professional staff, and obtain their impressions of the CPE function and their on-the-job training, and determine: (1) whether new professional standards and guidance materials are made available to them on a timely basis, and (2) whether they participate in professional development activities. (See separate interview guidelines).</p>				
<p>10. Determine whether the non-CPA owned entity has an orientation and training policy for new hires for the CPA firm who will devote at least 25 percent of their time in performing audits, reviews, compilations, and other attest engagements, or who will have the partner/manager level responsibility for the overall supervision or review of such engagements.</p>				
<p>11. Determine how professional personnel are informed as to changes in accounting and auditing standards, independence, integrity and objectivity requirements, and the CPA firm's technical policies with respect to them.</p>				

Yes	No	N/A	Comments, Findings, Extent of Testing
<p>12. Determine whether professional personnel are encouraged by the non-CPA owned entity or by the CPA firm to participate in other professional activities, such as: graduate level courses, membership in professional organizations, serving on professional committees, and writing for publication.</p> <p>13. Conclude as to whether the system pertaining to this assertion is appropriately designed based on the procedures performed.</p> <p>Does the non-CPA owned entity have a system in place to determine whether professional personnel who devote at least 25 percent of their time in performing audits, reviews, compilations, or other attest engagements, or who have the partner/manager level responsibility for the supervision or review of such engagements, and who are selected for advancement have qualifications necessary to fulfill the responsibilities they will be called upon to assume?</p>			
<p>14. Obtain an understanding of the policies and procedures by a review of the responses to the personnel management section (part B, questions 12–16 of the Questionnaire), and by interviewing the appropriate parties.</p>			
<p>15. Determine whether those qualifications are based on the degree of technical training and proficiency required in the circumstances, and the nature and extent of supervision that was provided to professional personnel for assignments related to audits, reviews, compilations, or other attest engagements performed by the CPA firm.</p>			



Yes	No	N/A	Comments, Findings, Extent of Testing
<p>C. Monitoring</p> <p>Does the non-CPA owned entity consider and evaluate on an ongoing basis, the relevance and adequacy of its system when the CPA firm’s system of quality control resides at or operates in conjunction with the system of control at the non-CPA entity?</p>			

	Yes	No	N/A	Comments, Findings, Extent of Testing
<p>1. Obtain an understanding of the policies and procedures by review of the responses to the monitoring section, (part C, questions 1–2 of the Questionnaire), and by interviewing the appropriate parties.</p> <p>2. Inquire as to whether the non-CPA owned entity has assigned a qualified individual who is responsible for monitoring the quality assurance of its system.</p> <p>3. Conclude as to whether the system pertaining to this assertion is appropriately designed based on the procedures performed.</p>				
<p>Does the non-CPA owned entity consider and evaluate on an ongoing basis the appropriateness of guidance materials and practice aids it uses?</p>				
<p>4. Obtain an understanding o the policies and procedures by review of the monitoring section (part C, Questions 3–4 of the Questionnaire), and by interviewing the appropriate parties.</p> <p>5. Review practice aids and determine that they were up-to-date.</p> <p>6. Review the method of informing professional personnel who devote at least 25 percent of their time in performing audits, reviews, compilations, or other attest engagements, or who have the partner/manager level of responsibility for the overall supervision or review of such engagements regarding changes to professional standards, regulatory requirements, and any related changes to policy and practice aids.</p>				

Yes	No	N/A	Comments, Findings, Extent of Testing
7. Conclude as to whether the system pertaining to this assertion is appropriately designed based on the procedures performed.			
<p>Does the non-CPA owned entity consider and evaluate on an ongoing basis the effectiveness of its professional development program?</p>			
8. Obtain an understanding of the policies and procedures by review of the responses to the monitoring section (part B, question 5 of the Questionnaire), and by interviewing the appropriate parties.			
9. Inquire as to whether the non-CPA owned entity interviewed a sample of its professional personnel regarding the effectiveness of the training program.			
10. Review actions taken where professional personnel were not in compliance with CPE requirements of the AICPA as well as other regulatory bodies.			
11. Conclude as to whether the system pertaining to this assertion is appropriately designed on the procedures performed.			
<p>Does the non-CPA owned entity consider and evaluate on an ongoing basis, the effectiveness of the CPA firm's compliance with its system as related to policies and procedures on independence, integrity and objectivity as applicable to all of its personnel and to personnel management as applicable to the CPA firm's professional personnel who devote at least 25 percent of their time in performing audits, reviews, compilations, or other attest engagements, or who have the partner/manager level responsibility for the overall supervision or review of such engagements?</p>			

	Yes	No	N/A	Comments, Findings, Extent of Testing
12. Obtain an understanding of the policies and procedures by review of the monitoring section (part C, questions 6–8 of the Questionnaire), and by interviewing the appropriate parties.				
13. Review the available documentation supporting the monitoring procedures performed since the last review, and evaluate whether: <ul style="list-style-type: none"> a. Those who conducted the monitoring procedures were qualified to perform the monitoring. b. The procedures were performed timely and covered reviewing and testing compliance with the system. c. The findings from the monitoring procedures were appropriately summarized and documented. d. The materials used in performing the monitoring procedures, such as questionnaires, programs, and checklists are adequate. e. Appropriate corrective actions were taken on findings as a result of the monitoring procedures. 				
14. Interview selected personnel from the non-CPA owned entity to determine whether the findings of the monitoring procedures under review were communicated and considered by all of the non-CPA entity’s personnel.				
15. Conclude as to whether the system pertaining to this assertion is appropriately designed based on the procedures performed.				

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PRM Section 17000

Instructions to Firms With No Accounting and Auditing Practice that Desire an Exemption from the Peer Review Requirement

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PRM Section 17000

Instructions to Firms With No Accounting and Auditing Practice that Desire an Exemption from the Peer Review Requirement

.01 The purpose of these instructions is to provide guidance to firms with *no* accounting and auditing practice (including no compilation and review engagements) in obtaining an exemption from the membership requirement for a triennial peer review. Section 2000 in the *SECPS Reference Manual, "Standards for Performing and Reporting on Peer Reviews,"* clearly indicates that peer reviews relate solely to a firm's accounting and auditing practice. Questions regarding this information should be directed to the AICPA Peer Review Division staff at (201) 938-3030.

.02 Six months before the end of the period for which a peer review would otherwise be required, submit to the AICPA a letter of representation that states—

- a. The firm has no accounting and auditing practice, including no compilation and review engagements.
- b. The firm will notify the SEC Practice Section immediately if it begins an accounting or auditing practice.*

.03 Along with the representation letter, submit the following evidential matter supporting the firm's compliance with the applicable section's membership requirements:

- a. Photocopies of all required records of continuing professional education for qualified professional staff for the three most recent educational years, including proof of attendance.
- b. A list of the firm's proprietors, partners or shareholders and an indication of whether or not they are CPAs and members of the AICPA.
- c. A copy of the written statement of broad principles that influence the firm's quality control and operating policies and procedures ("Statement of Firm Philosophy") [Membership requirement SECPS §1000.08(l)].

.04 The peer review committee has the option of reviewing any portion of the material required to be submitted supporting compliance with the membership requirements. (See PRM §17000.03 above.)

[The next page is 17005.]

* A peer review would be required within one year from the date of the acceptance of an accounting or auditing client.

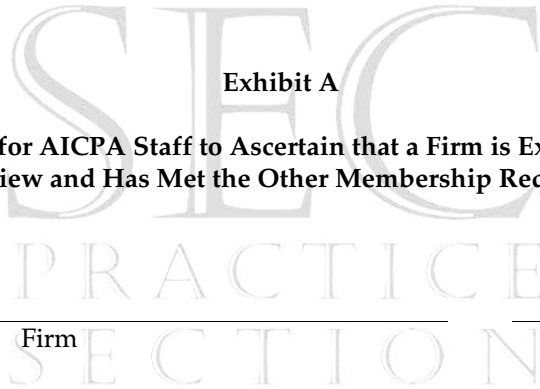
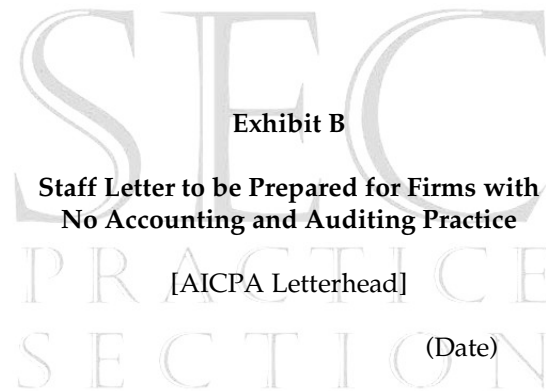


Exhibit A

Program for AICPA Staff to Ascertain that a Firm is Exempt from Peer Review and Has Met the Other Membership Requirements

Firm	Period		
<u>Procedures</u>	<u>Findings</u>		
MATTERS RELATIVE TO FIRM'S PRACTICE:	<u>YES</u>	<u>NO</u>	<u>COMMENTS</u>
1. Does the representation letter submitted by the firm state that:			
a. The firm has no accounting and auditing practice, including no compilation and review engagements?	_____	_____	_____
b. The firm will notify the SEC practice section immediately if it begins an accounting or auditing practice?	_____	_____	_____
DOCUMENTATION SUPPORTING MEMBERSHIP REQUIREMENTS:			
1. Based on the information submitted, has each member of the professional staff met the CPE requirements?	_____	_____	_____
2. Has the firm paid its dues to the Section?	_____	_____	_____
3. Are all of the proprietors, partners or shareholders that are eligible for AICPA membership members of the AICPA?	_____	_____	_____
4. Has the firm filed its annual report for the most recent year?	_____	_____	_____
5. Does the statement of firm philosophy meet the minimum requirements of the Section?	_____	_____	_____

[The next page is 17007.]

**Exhibit B****Staff Letter to be Prepared for Firms with
No Accounting and Auditing Practice**

[AICPA Letterhead]

(Date)

To the Members of the SECPS
Peer Review Committee

I have reviewed the representation letter of (John Smith, CPA) stating that the firm has no accounting and auditing practice and have reviewed the documentation supporting the firm's conformity with the membership requirements of the SEC practice section for the year ended (June 30, 20__.)

In my opinion, (John Smith, CPA) is exempt from the peer review requirement and is in conformity with the other membership requirements of the section in all material respects.

Committee Coordinator
AICPA Peer Review Division

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PRM Section 18000

Guidance for Performing an Inspection



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PRM Section 18100

Monitoring Guidance



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PRM Section 18100

Monitoring Guidance

Notice to Readers

This guide has been developed by the SECPS Peer Review Committee to assist firms in achieving the benefits to be derived from an effective monitoring program. It is not intended to, and does not, establish standards for the performance of monitoring procedures.

Introduction

.01 Statement on Quality Control Standards (SQCS) No. 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*, requires every CPA firm, regardless of its size, to have a system of quality control for its accounting and auditing practice. The statement can be found in *AICPA Professional Standards*, vol. 2, QC sec. 20.

.02 SQCS No. 2 identifies five elements of quality control and states that a firm should consider each of these elements, to the extent applicable to its practice, in establishing its quality control policies and procedures. The statement recognizes that the nature and extent of a firm's quality control policies and procedures depend on a number of factors, such as its size, the degree of operating autonomy allowed its personnel and its practice offices, the nature of its practice and its organization, and appropriate cost-benefit considerations.

.03 One of the five elements of quality control is monitoring which is further discussed in SQCS No. 3, *Monitoring a CPA Firm's Accounting and Auditing Practice* (*AICPA Professional Standards*, vol. 2, QC sec. 30). This monitoring guide has been developed to assist firms in achieving the benefit to be derived from effective monitoring procedures. It is not intended to, and does not, establish standards for monitoring.

.04 The AICPA Joint Task Force on Quality Control Standards has developed a *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice*. The guide presents the task force's recommendations on applying SQCS Nos. 2 and 3. It provides examples of policies and procedures a firm should consider implementing for each of the five elements of quality control, using four hypothetical firms ranging in size from a large national firm to a sole practitioner who performs no audits. The guide is included in the *AICPA Accounting and Auditing Manual* (AAM section 11,200). It can also be purchased as a separate booklet.

Objective of Monitoring

.05 The objective of the monitoring element of a system of quality control is to provide the firm with reasonable assurance that the policies and procedures established by the firm for each of the other elements of quality control are suitably designed and are being effectively applied. Monitoring involves an ongoing consideration and evaluation of the—

- a. Relevance and adequacy of the firm's policies and procedures.
- b. Appropriateness of the firm's guidance materials and any practice aids.

- c. Effectiveness of the firm's professional development activities.
- d. Firm's compliance with its policies and procedures.

.06 When performing its monitoring procedures, the firm may wish to expand its testing to accomplish additional objectives, such as evaluating engagement efficiency, training supervisory staff to effectively review engagements, or testing compliance with requirements of membership organizations or regulatory bodies.

Timing of Monitoring Procedures

.07 Monitoring procedures should be performed on an ongoing basis throughout the year. However, the firm may choose to evaluate compliance with its policies and procedures at a fixed time during the year or through a combination of fixed and ongoing procedures and still effectively comply with the monitoring element of quality control. If compliance testing is performed at one or more fixed points during the year, then the point(s) should be selected so that any necessary corrective actions, especially actions that affect the performance of subsequent accounting or auditing engagements, can be implemented before an identified deficiency is repeated on the next year's engagement.

Relationship of Inspection to Monitoring

.08 Monitoring is an ongoing consideration and evaluation of the relevance and adequacy of the firm's policies and procedures, appropriateness of its guidance materials and any practice aids, effectiveness of professional development activities, and compliance with the firm's policies and procedures. In contrast, inspection is a retrospective evaluation at a fixed point in time of the adequacy of the firm's quality control policies and procedures, its personnel's understanding of those policies and procedures, and the extent of the firm's compliance with them. Monitoring procedures provide the firm with a means of identifying and communicating circumstances that may necessitate changes to its system of quality control or the need to improve compliance with that system. Although monitoring procedures are meant to be ongoing, they may include inspection procedures performed at a fixed point in time. Monitoring is a broad concept while inspection is one specific type of monitoring procedure.

.09 The quality control standards do not require that inspection procedures be performed if other types of effective monitoring procedures exist. As a practical matter, however, most firms will need to perform some type of inspection procedures. Paragraph 6 of SQCS No. 3 states that inspection procedures are "appropriate in a firm with more than a limited number of management-level individuals responsible for the conduct of its accounting and auditing practice." A firm that contemplates not performing an inspection is urged to discuss the matter with its peer reviewer, the AICPA Practice Monitoring staff, or both to determine in advance that its monitoring procedures will be appropriate.

Determination of Who Should Perform Monitoring Procedures

.10 The assignment of individuals to perform monitoring procedures should be made with the same due care that would be used in assigning personnel to an accounting or auditing engagement. In making such assignments, the firm should emphasize the important nature of the assignment. The importance placed on monitoring will determine the benefits the firm derives.

.11 Depending on the size of a firm, the nature of its practice, and other environmental factors, monitoring procedures may be performed by one individual or by a group of individuals. In either case,

the primary responsibility for monitoring should be assigned to a partner¹ of the firm. This person may delegate part or all of the testing procedures.

.12 In assigning monitoring tasks, consideration should be given to the degree of technical training and proficiency required of the individual in the circumstances. Some administrative procedures can be performed by nonprofessional staff, but only qualified professional personnel who are knowledgeable in accounting and auditing matters should be involved in the review of engagements. Review of engagements, therefore, should be carried out by persons who have appropriate background and experience. They should be supervised by individuals with authority in the firm to be objectively critical when necessary.

.13 Individuals assigned to perform monitoring procedures should be objective when performing such tasks. The individual assigned to review an engagement ordinarily should not be associated with the performance of that engagement and should be a partner or management-level individual (or a qualified individual under his or her supervision).

.14 In a small firm with a limited number of partners or management-level individuals, monitoring procedures may have to be performed by some of the same individuals who are responsible for compliance with the firm's quality control policies and procedures, including the performance of engagements. To effectively monitor one's own compliance with the firm's policies and procedures, an individual must be able to critically review his or her own performance, assess his or her own strengths and weaknesses, and maintain an attitude of continual improvement. Changes in the condition or environment of the firm (such as obtaining a client in an industry not previously serviced or a significant change in the size of the firm) may indicate the need to have quality control policies and procedures monitored by another qualified individual.

.15 An individual inspecting his or her own compliance with a system of quality control may be inherently less effective than having such compliance inspected by another qualified individual. When an individual inspects his or her own compliance, the firm may have a higher risk that noncompliance with policies and procedures will not be detected. Accordingly, a firm in this circumstance may find it beneficial to engage a qualified individual from outside the firm to perform inspection procedures. Unlike peer reviews, monitoring procedures may be performed on a reciprocal basis since independence is not an issue.

.16 If a firm decides to have someone from outside the firm perform some or all of its inspection procedures, it should consider the qualifications discussed above in making the selection of the individual(s). In such circumstances, a partner of the firm should be given responsibility for coordinating the inspection efforts and ensuring that all appropriate steps are taken, including determining whether necessary corrective actions are taken.

.17 Engagement review procedures performed under professional standards by the audit partner and others on the audit team, such as Statements on Auditing Standards (SAS) No. 22, "Planning and Supervision" (AICPA *Professional Standards*, vol. 1, AU sec. 311), do not qualify as a preissuance review for monitoring purposes. The concurring partner review on an SEC engagement performed to comply with the concurring review membership requirement of the SEC Practice Section may constitute part of a firm's preissuance review procedures provided that the firm has a mechanism in place to monitor the adherence to membership requirements, for example, the qualifications of the reviewer, the nature, extent and timing of the review procedures performed, and the documentation required to evidence compliance with the firm's policies and procedures with respect to the concurring review requirement. In these situations

¹ Depending on how a CPA firm is legally organized, its owner(s) could have other names, such as "shareholder" or "proprietor." For purposes of this document, the term "partner" is used to describe an individual who is legally a partner, owner or shareholder in a CPA firm or a sole practitioner, and who should be a party to any partnership, ownership or shareholder agreement of a CPA firm.

where the concurring partner review on SEC engagements is utilized as part of the firm's preissuance review procedures, the concurring partner review must be comprehensive enough to cover the critical and significant portions of the audit and will therefore exceed that necessitated by the SECPS membership requirement.

How to Monitor

Evaluate Relevance and Adequacy of Firm's Quality Control Policies and Procedures

.18 The firm should consider and evaluate, on an ongoing basis, the relevance and adequacy of its quality control policies and procedures. This can be accomplished by assigning a partner or management-level individual with appropriate authority to be responsible for—

- a. Assuring the firm's policies and procedures and its methodology for its accounting and auditing practice remain relevant and adequate. The evaluation of the firm's policies and procedures should be performed on a continual, ongoing basis. Therefore, the occurrence of an event, such as a change in professional standards or a change in the nature of the firm's practice, should trigger an evaluation by the assigned individual of whether the firm's policies and procedures need to be revised. Factors to consider include—
 - Mergers and divestitures of portions of the practice.
 - Changes in professional standards or other regulatory requirements applicable to the firm's practice.
 - Results of annual inspections or peer reviews.
 - Review of litigation and regulatory enforcement actions against the firm and others.
 - Impact that changes in technology may have on clients' methods of doing business.
 - Changes in clients' industries that impact their operations.
 - Changes in applicable AICPA membership requirements.
- b. Determining whether personnel have been appropriately informed of their responsibilities for maintaining the firm's standards of quality in performing their duties.
- c. Identifying the need to revise policies and procedures related to the other elements of quality control because they are ineffective or inappropriately designed due to changes in professional standards or the nature of the firm's practice.
- d. Identifying the need to improve compliance with firm policies and procedures that are related to the other elements of quality control.

Evaluate Appropriateness of Firm's Guidance Materials and Practice Aids

.19 The firm should consider and evaluate, on an ongoing basis, the appropriateness of its technical guidance materials and any practice aids (such as audit programs, forms and checklists). This can be accomplished by assigning a partner or management-level individual with appropriate authority to be responsible for—

- a. Reviewing and evaluating the appropriateness of the firm's guidance materials and practice aids (such as audit programs, forms, and checklists) based on the issuance of new professional pronouncements. This means every time a new professional pronouncement is issued, the firm should determine whether its materials and aids need to be revised. If the firm purchases its technical guidance materials and practice aids from an outside vendor, it should appropriately

tailor the third-party materials to the nature of its accounting and auditing practice and system of quality control. In addition, the firm should obtain from the third-party provider a copy of the peer review report on the materials and aids.

- b.* Providing guidance to all professional personnel regarding new professional standards, new regulatory requirements, and related changes to the firm's practice aids. Although this guidance can be provided through written communications, for a small firm, face-to-face discussions at staff meetings may be an effective means because such meetings allow for immediate clarification and resolution of any questions.

Evaluate Effectiveness of Firm's Professional Development Activities

.20 The firm should consider and evaluate, on an ongoing basis, the effectiveness of its professional development programs. This can be accomplished by assigning a partner or management-level individual with appropriate authority to be responsible for—

- a.* Reviewing the firm's professional development policies and procedures to determine whether they are appropriate, effective, and meet the needs of the firm given the nature of its practice.
- b.* Reviewing the firm's continuing professional education (CPE) records for its personnel to determine their compliance with the CPE requirements of the AICPA and other regulatory bodies. For example, if the firm performs governmental audits, the firm should make sure engagement personnel meet the Yellow Book CPE requirements before the audits are performed.
- c.* Soliciting information from the firm's personnel regarding the effectiveness of the training programs they have attended, regardless of whether such programs were conducted internal to the firm or external to the firm, or by self-study or classroom study. For a small firm, face-to-face discussions at staff meetings may be the most efficient way to obtain such feedback.
- d.* Considering the results of the firm's engagement reviews in connection with the effectiveness of the firm's professional development program.
- e.* Ascertaining whether inquiries received by individuals consulted within the firm indicate the need for additional CPE programs.

Evaluate Firm's Compliance with Its Quality Control Policies and Procedures

.21 The firm should consider and evaluate its compliance with its quality control policies and procedures. This can be accomplished by assigning a partner or management-level individual with appropriate authority to be responsible for supervising the performance of procedures at the broad functional element level and engagement level to determine whether the firm complies with its quality control policies and procedures and professional standards. The firm should, based on the nature of its practice and the composition of its personnel, assess how best to evaluate compliance with its quality control policies and procedures and design its system accordingly. Two methods are primarily available for evaluating the firm's compliance with its quality control policies and procedures and with professional standards at the engagement level—

- a.* Periodic inspection at a fixed point in time.
- or
- b.* On-going review through preissuance or postissuance review.

Appendixes A and B contain checklists for coordinating, respectively, an inspection program and a preissuance review program.

.22 When determining whether to perform compliance testing at a fixed time(s) during the year covering a specified period(s) of time (inspection), as part of ongoing quality control procedures (preissuance or postissuance review), or a combination thereof, the firm should consider the following factors—

- a. The nature, complexity, and diversity of—and the risks associated with—the firm’s practice.
- b. The firm’s size, number of offices, degree of authority allowed its personnel and its offices, and organizational structure.
- c. The results of recent practice reviews² and previous monitoring procedures.
- d. Appropriate cost-benefit considerations.³

.23 Paragraphs 4 through 7 of SQCS No. 3 discuss periodic inspection of engagements at a fixed point in time and paragraphs 8 and 9 of that standard discuss ongoing review of engagements through preissuance or postissuance review. Either method or any combination thereof, if planned and implemented correctly, can accomplish the objective of evaluating compliance with the firm’s quality control policies and procedures at the engagement level. When deciding how to test compliance at the engagement level, the firm should consider time pressures such as report due dates and time budgets. The firm may want to consult the *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm’s Accounting and Auditing Practice* mentioned earlier for illustrative policies and procedures that various size firms should consider implementing for evaluating compliance with its quality control policies and procedures.

.24 Regardless of how a firm tests engagement compliance, the scope of its engagement review should be planned at least annually. For an on-going review of engagements, that plan should be reevaluated throughout the year as circumstances necessitate. The planning should include a preliminary selection of engagements for review and that selection re-evaluated and adjusted throughout the year as circumstances change.

.25 The percentage of engagements reviewed should, at a minimum, be comparable to that of a peer review and the type of engagements reviewed should represent a reasonable cross-section of the firm’s accounting and auditing practice using the following criteria:

- a. Specialized industries with emphasis given to high risk engagements
- b. First year engagements
- c. Level of service performed (audit, agreed-upon procedures under auditing standards, review, compilation with disclosures, compilation without disclosures, and engagements performed under the attest standards)
- d. An appropriate cross section of the firm’s auditing and accounting partners
- e. SEC registrants

.26 A preissuance or postissuance engagement review, except as discussed in paragraph 27, may be considered a part of the firm’s monitoring procedures provided that the individual performing or supervising the review is not a member of the engagement team on the particular engagement he or she reviews. Such a preissuance or postissuance review may constitute inspection procedures provided the following criteria are met:

² Practice reviews include, but are not limited to, peer reviews performed under standards established by the AICPA, and reviews conducted by the Quality Control Inquiry Committee and by regulatory agencies such as the SEC.

³ Although appropriate cost-benefit considerations may be considered in determining the need for and extent of monitoring procedures, a firm must still effectively monitor its practice.

- a. The review is sufficiently comprehensive to enable the firm to assess compliance with all applicable professional standards and the firm's quality control policies and procedures.
- b. Engagement deficiencies that may indicate the need to improve compliance with or modify the firm's quality control policies and procedures are periodically summarized, documented, and communicated to the firm's management personnel having the responsibility and authority to make changes in those policies and procedures.
- c. The firm's management personnel consider on a timely basis the systemic causes of the engagement deficiencies that indicate improvements are needed and determine appropriate actions to be taken.
- d. The firm implements on a timely basis such planned actions, communicates changes to personnel who might be affected, and follows up to determine that the planned actions were taken.

.27 In a small firm with a limited number of qualified management-level individuals, a postissuance review of engagement working papers, reports, and clients' financial statements by the person with final responsibility for the engagement may constitute an inspection procedure provided the four criteria listed in 26(a)-(d) are met. For firms in the SECPS program, the preissuance and postissuance review should be as comprehensive as a review performed during an inspection as discussed in the Peer Review Program Manual sections 18200.22-.30.

.28 Although the firm cannot substitute its peer review for its monitoring procedures, it may substitute its peer review for some or all of its inspection procedures in the year of its peer review, provided its policies and procedures require the performance of inspection procedures to evaluate compliance with its quality control policies and procedures and permits the substitution. In such a case, the firm would not need to review any engagements during the year of its peer review. The firm would, however, still need to monitor its system of quality control by evaluating the relevance and adequacy of its quality control policies and procedures, appropriateness of its guidance materials and practice aids, and compliance with professional development activities.

.29 If the firm performs inspection procedures during the year of its peer review, it may want to consider the scope of its inspection procedures in relationship to the scope of its peer review. In such a situation, the firm may want to tailor the scope of its inspection to complement the scope of its peer review rather than duplicate it.

.30 If the firm performs inspection procedures during the year of its peer review and wants its peer reviewer to use those inspection procedures to reduce the number of offices visited or engagements reviewed, or the extent of the functional areas reviewed in the peer review, then the reviewer will have to test the effectiveness of the current year's inspection procedures. This testing entails the peer reviewer reperforming the review of a sample of engagements previously inspected by the firm.

.31 Although the firm can substitute its peer review for its inspection procedures in the year of its peer review, this does not alleviate the peer reviewer from having to evaluate the firm's inspection procedures since inspection has been designed as part of the firm's monitoring process. Because no inspection procedures were performed in the year of the peer review for the peer reviewer to evaluate, the reviewer will have to review the inspection procedures performed during the two years between peer reviews.

.32 When a firm performs inspection procedures to evaluate compliance with its quality control policies and procedures, its system of quality control is tested at the broad functional element level through review of administrative files and at the individual engagement level through review of selected accounting and auditing engagements. Any deficiencies noted at the two levels are combined at the end of the inspection and analyzed for systemic causes. Likewise, when a firm uses preissuance or postissuance reviews to evaluate compliance with its quality control policies and procedures, the firm should test its system at the broad functional element level as well as at the engagement level and the deficiencies noted

at the two levels combined and analyzed for systemic trends. Therefore, the firm should review its system of quality control as a whole for:

- a. Documentation regarding consultation on independence, integrity and objectivity matters, and acceptance and continuance decisions.
- b. Resolution of matters reported by professional personnel on independence, integrity, and objectivity circularization forms to determine that matters have been appropriately considered and resolved.
- c. Other consultation on accounting and auditing matters.

Appendix C contains a checklist for reviewing the broad functional elements.

.33 The firm, as part of its monitoring procedures, may want to test compliance with the membership requirements of the various organizations to which it or its members belong, the AICPA, state CPA societies, and SECPS, even though this is not required by quality control standards. As a practical matter, many of these membership requirements are covered by the firm's quality control policies and procedures and are tested during other phases of monitoring. For example, compliance with the CPE requirements of the AICPA, SECPS, and state boards of accountancy will be tested when the firm evaluates effectiveness of professional development activities. Appendix D contains a checklist for reviewing SECPS membership requirements.

.34 If the firm acquires an accounting and auditing practice through a merger or acquisition, the monitoring of that merged or acquired practice should begin immediately. In other words, if the firm primarily monitors its accounting and auditing practice through annual inspection procedures, then the firm should not wait until the performance of the next annual inspection before it begins to monitor the merged or acquired accounting and auditing practice. This monitoring should cover merged or acquired personnel as well as engagements. One way to accomplish the timely monitoring of a merged or acquired accounting and auditing practice is to assign an experienced partner or management-level individual associated with the firm prior to the new acquisition to perform a preissuance review of the reports, financial statements, and working papers on some or all of the merged or acquired accounting and auditing engagements. In addition, the firm should implement procedures to ensure personnel from the merger or acquisition are trained in the firm's policies and procedures for accounting and auditing engagements and, where necessary, professional standards.

Summarize Monitoring Results

.35 All of the deficiencies noted during monitoring procedures, not just those noted through engagement review, should be periodically summarized in a manner that will enable the firm to determine what actions, if any, are necessary to prevent the recurrence of the deficiencies in the future. Firms may use the Summary of Matter For Further Consideration Forms from the SEC Practice Section Peer Review Program Manual (PRM §13600) for summarizing the deficiencies noted during monitoring. Other firms scan the deficiencies and summarize them informally; this is common when the number of engagements reviewed is small or the number of deficiencies is minimal.

.36 Each deficiency should be considered in conjunction with the other deficiencies noted during the monitoring procedures for implications to the firm's system of quality control as a whole. For example, on an engagement a minor disclosure may have been omitted that results in a note to the file reminding the engagement personnel to make sure that the disclosure is considered in the subsequent financial statements. However, if the deficiency is noted on several engagements, corrective action may also be needed on a firm-wide basis to prevent the recurrence of the deficiencies.

.37 When summarizing the monitoring deficiencies, they should be organized, to the extent possible, according to the systemic cause(s) to assist in the determination of appropriate corrective action(s).

Prepare Written Summary Report of Monitoring Results

.38 After summarization of the deficiencies noted during the monitoring procedures, a written summary report should be prepared of the deficiencies noted and submitted to the appropriate partner(s) of the firm. Appendix E contains a sample summary report for documenting the firm's monitoring procedures.

Determine Necessary Corrective Actions

.39 After preparation of the summary report, the appropriate partner(s) of the firm should review the written report and evaluate what corrective actions, if any, should be taken in connection with the monitoring results to prevent the recurrence of the deficiencies in the future. A record should be maintained of the corrective actions and improvements planned by the firm to address the deficiencies noted during monitoring and appropriate personnel should be assigned the responsibility for implementing the corrective actions. Corrective actions can include—

- a. Additional staff training in specific areas or industries.
- b. Changes in the firm's quality control policies and procedures.
- c. Updates or additions to technical manuals and practice aids.
- d. More careful monitoring of compliance with policies and procedures.
- e. Appropriate corrective actions on specific engagement deficiencies.
- f. Changes in staff assignments.

Communicate Monitoring Results

.40 After the necessary corrective actions have been decided, the monitoring results and the changes being made as a consequence of those results should be communicated orally or in writing to appropriate professional personnel of the firm.

Follow-Up on Planned Corrective Actions

.41 Timely and effective follow-up on the steps taken to implement planned corrective actions is critical to effective monitoring. Within a reasonable period of time after the firm was scheduled to take the planned corrective actions, steps should be taken to determine whether the planned corrective actions have been acted upon and whether they have achieved the objectives for which they were designed.

Documentation of Monitoring

.42 As required by paragraph 25 of SQCS No. 2, the firm should prepare appropriate documentation to demonstrate compliance with its policies and procedures for the quality control element of monitoring. At a minimum, a written report should be prepared on the scope of the monitoring procedures, the results of the monitoring procedures, and the corrective actions the firm plans to take. For multi-office firms, generally a separate report should be prepared for each office.

.43 The firm should determine the period that detailed monitoring working papers should be retained. It is recommended that detailed monitoring working papers be discarded after a summary report has been prepared. However, if in the year of its peer review the firm uses its inspection procedures to reduce the scope of its peer review, detailed inspection working papers should not be discarded until the peer reviewer has had an opportunity to test the inspection procedures. (Typically, due to cost/benefit considerations, the reviewers of a small firm will not place reliance on inspection procedures in order to reduce the scope of the peer review.)

.44 The summary monitoring report should be retained and available to the peer reviewer for each year since the prior peer review. Once the peer reviewer has reviewed the summary monitoring reports, the reports can be discarded.

.45

Appendix A

Checklist for Coordinating an Inspection Program

	Initial	Date
1. Determine who will coordinate the inspection program for the firm.	_____	_____
2. Determine who will perform the inspection.	_____	_____
3. Establish the approach and timetable for performing the inspection procedures.	_____	_____
4. Determine forms and checklists to be used during the inspection and the extent of documentation required.	_____	_____
5. Decide how long to retain detail inspection working papers.	_____	_____
6. Make a selection of engagements for review and reevaluate that selection throughout the process.	_____	_____
7. Review other files for compliance with the firm's quality control policies and procedures. (Appendix C)	_____	_____
8. Review the selected engagements.	_____	_____
9. Summarize the inspection findings and determine what corrective actions should be taken.	_____	_____
10. Prepare an inspection report covering the scope of the inspection, the inspection findings, and the recommended corrective actions. (Appendix E)	_____	_____
11. Review the recommended corrective actions and reach final conclusions on the actions to be taken.	_____	_____
12. Communicate the inspection findings and the planned corrective actions to the appropriate members of the firm.	_____	_____
13. Follow-up on planned corrective actions to determine whether the actions were taken as planned and whether they achieved the objective(s) for which they were planned.	_____	_____



.46

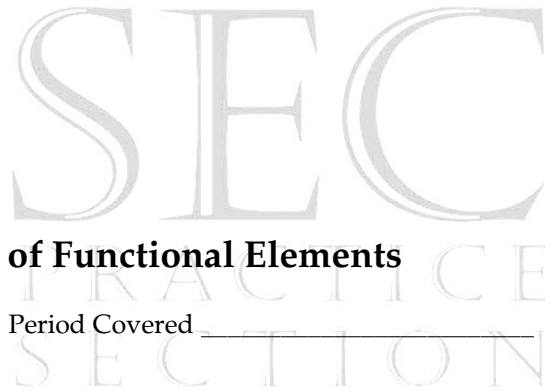
Appendix B

Checklist for Coordinating a Preissuance Review* Program

	Initial	Date
1. Determine who will coordinate the preissuance review program for the firm.	_____	_____
2. Determine who will perform preissuance reviews and designate alternates. (The individual cannot be directly associated with the performance of the particular engagement he or she reviews).	_____	_____
3. Establish the approach for performing preissuance reviews (i.e., comprehensiveness of review, etc.) and the time period for summarizing findings (i.e., monthly, quarterly, etc.). (The comprehensiveness of the review must be similar to that performed on an inspection or peer review.)	_____	_____
4. Determine forms and checklists to be used during the engagement and functional element reviews and the extent of documentation required.	_____	_____
5. Decide how long to retain detail monitoring working papers.	_____	_____
6. Make a selection at the beginning of the monitoring year of engagements to be preissuance reviewed and reevaluate that selection throughout the year as circumstances dictate.	_____	_____
7. Review the selected engagements before issuance.	_____	_____
8. Immediately after an engagement review, communicate any specific findings on that particular engagement to the appropriate professional staff who performed the engagement.	_____	_____
9. Review other files for compliance with the firm's quality control policies and procedures. (Appendix C) (Steps 9 through 14 should be performed for each time period established in step 3 above.)	_____	_____
10. Summarize the engagement and functional element review findings and determine what corrective actions should be taken. Determine if any correlation exists between engagement and functional element review findings.	_____	_____

* In order for preissuance review to qualify as a monitoring procedure the individual performing or supervising the review must not be directly associated with the performance of the engagement. In addition, for preissuance review to constitute inspection procedures the four criteria listed in paragraph 8 of SQCS No. 3 must be met.

	<u>Initial</u>	<u>Date</u>
11. Prepare a summary monitoring report covering the scope of the engagement and functional element reviews, the review findings, and the recommended corrective actions. (Appendix E)	_____	_____
12. Review the recommended corrective actions and reach final conclusions on the actions to be taken.	_____	_____
13. Communicate the summarized review findings and the planned corrective actions to the appropriate members of the firm.	_____	_____
14. Follow-up on planned corrective actions to determine whether the actions were taken as planned and whether they achieved the objective(s) for which they were planned.	_____	_____



.47

Appendix C

Checklist for Review of Functional Elements

Period Covered _____

	<i>Findings, Including Extent of Testing</i>	<i>Done By</i>
<p>Independence, Integrity, and Objectivity</p> <ol style="list-style-type: none"> 1. Select a sample of situations in which independence, integrity, and objectivity questions arose during the period and consider whether the resolution of such questions appears appropriate. 2. Select a sample of professional personnel and review the written representations obtained by the firm regarding independence, integrity, and objectivity. Determine through review of each professional’s written representation near the time of initial employment and at least annually thereafter that he or she 1) has read the firm’s independence policies, 2) understands their applicability to his or her activities and those of his or her spouse and close relatives, and 3) has complied with the requirements of the firm’s independence policies since the prior certification. 3. Interview selected staff, review appropriate documentation, and determine whether the firm has advised all professional personnel on a timely basis about entities to which the independence, integrity, and objectivity rules apply and that professional personnel are familiar with the firm’s independence, integrity, and objectivity policies and procedures. 4. Select a sample of professional personnel performing professional services for clients and review the documentation maintained for independence training as required by the firm’s policies. 5. Select a sample of the corrective steps taken and documentation maintained on apparent independence violations reported by professionals within the U.S. member firm and consider whether the corrective steps appear appropriate. 		

Engagement Performance

1. Inspect the firm’s library for its audit and accounting practice and determine whether it is sufficiently comprehensive and current. Specifically determine that the library includes recent pronouncements and literature appropriate for the firm’s specialties and are updated on a timely basis.

2. Select a sample of situations in which consultations took place during the period and determine through inquiry or review of appropriate files whether all relevant facts and circumstances were provided to the party consulted, the advice given appears reasonable, and the actions taken were consistent with professional standards and firm policies.

Personnel Management

1. Select a sample of new hires and determine through review of their personnel files whether—
 - a. The background information and other documentation required by firm policy were obtained.

 - b. The individuals possessed the desired attributes, achievements, and experience required by the firm and, if not, why an exception was made.

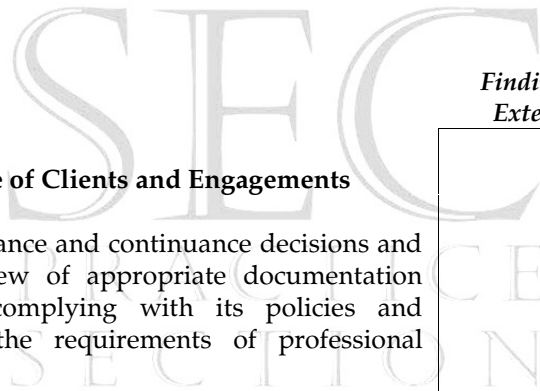
2. Interview selected staff and determine whether they believe they had the technical training and proficiency required to perform the assignments received.

3. Select a sample of professional personnel and determine through review of their personnel files whether they have been evaluated and promoted in accordance with the firm’s policies and procedures.

4. From the engagements selected for review, determine if the practitioners-in-charge of those accounting, auditing or attestation engagements, possessed the knowledge, skills and abilities (competencies), as determined by the firm, to allow them to fulfill their responsibilities related to those engagements.

*Findings, Including
Extent of Testing*

Done By



Acceptance and Continuance of Clients and Engagements

1. Select a sample of acceptance and continuance decisions and determine through review of appropriate documentation whether the firm is complying with its policies and procedures and with the requirements of professional standards.

Monitoring

1. Determine whether appropriate corrective actions were taken, including effective follow-up, with respect to the prior period's monitoring findings.
2. Review the firm's quality control policies and procedures and determine whether they are relevant and adequate.
3. Review the firm's guidance materials and any practices aids and determine whether they are up-to-date.
4. Select a sample of professional personnel and determine through review of their CPE records whether they—
 - a. Participated in CPE related to their accounting and auditing assignments, including specialized industries.
 - b. Complied with the firm's CPE plan and the CPE requirements of the—
 - i. Board of accountancy.
 - ii. AICPA.
 - iii. State CPA society.
 - iv. SEC Practice Section.
 - v. *Government Auditing Standards*—the "Yellow Book" (if applicable).
 - c. Took appropriate action to correct situations where they were not in compliance with the CPE requirements of the AICPA and other regulatory bodies.
5. Interview selected staff and determine whether they believe the training programs they participated in were effective.

*Findings, Including
Extent of Testing*

Done By

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Appendix D

Optional Checklist for Review of SEC Practice Section Membership Requirements

Period Covered _____

	<i>Findings, Including Extent of Testing</i>	<i>Done By</i>
<p>1. Determine, on a sample basis, that each proprietor, shareholder, or partner of the firm residing in the United States and eligible for AICPA membership is a member of the AICPA. [SECPS §1000.08(a)]</p>		
<p>2. Determine whether the firm filed its most recent annual report with the Section. [SECPS §1000.08(g)].</p>		
<p>3. Determine whether the firm has complied with the requirements for rotation of partners on SEC engagements. [SECPS §1000.08(e)]</p>		
<p>4. Determine whether a concurring review was performed, prior to the issuance of any audit report on the financial statements of SEC clients, of the audit report, financial statements and selected working papers by a partner qualified to do such review, who is other than the audit partner in charge of the engagement. [SECPS §1000.08(f)]</p>		
<p>5. Determine whether the firm has performed any of the management advisory services that are proscribed by the Section. [SECPS §1000.08(h)]</p>		
<p>6. Determine whether the firm maintains documentation in the working papers of its annual report to the audit committee or board of directors of each SEC audit client on the total fees received from the client for management advisory services during the year and a description of the types of such services rendered. [SECPS §1000.08(i)]</p>		
<p>7. Determine whether the firm has reported to the Quality Control Inquiry Committee on a timely basis litigation or other actions against it or its personnel in situations required by the Section. [SECPS §1000.08(k)]</p>		

	<i>Findings, Including Extent of Testing</i>	<i>Done By</i>
8. Determine whether the firm communicated in writing on a timely basis to an SEC registrant and the Office of the Chief Accountant of the SEC when the client-auditor relationship with the SEC registrant ceased. [SECPS §1000.08(m)]		
9. Determine whether the firm has developed a statement of firm philosophy and communicated that statement to professional personnel on a periodic basis. [SECPS §1000.08(l)]		
10. Determine whether the firm has complied with the membership requirement for firms that are members of, correspondent with, or similarly associated with foreign associated firms that audit SEC registrants [SECPS 1000.08(n)].		

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Appendix E

Sample Summary Monitoring Report

Monitoring Period: From _____ to _____

Name of Reviewer(s): _____

Timing: _____

Briefly describe the monitoring procedures used by the firm. _____

Scope of engagements reviewed:

	<i>Firm Totals*</i>		<i>Engs. Reviewed*</i>	
	<i>Hrs.</i>	<i>No. of Engs.</i>	<i>Hrs.</i>	<i>No. of Engs.</i>
SAS—				
Audits—				
SEC				
ERISA				
Yellow Book				
Other				
Agreed-Upon Procedures				
SAARS—				
Reviews				
Compilations with disclosures				
Compilations that omit disclosures				
SSAE—				
Financial Forecast and Projections—				
Examinations				
Reviews				
Agreed-Upon Procedures				
Other				
Total	_____	_____	_____	_____
Percentage of A&A Practice Reviewed	_____	_____	_____ %	_____ %

Did the monitoring procedures disclose any situations that would require the firm to take action to prevent future reliance on a report issued by the firm or require the firm to perform additional procedures to provide a basis for the report issued? Yes _____. No _____. If yes, describe the situation and the action(s) taken by the firm.

The monitoring findings and the recommendations regarding actions taken for improvements in the firm are attached.

Monitoring Coordinator's Signature _____ Date _____
Approved _____ Date _____

* Approximate totals may be used.

.50

SEC

Example 1 Implementation of a Periodic Inspection

Description of the Firm

Size of Firm	Sole practitioner with one part-time professional staff.	
Background	The sole practitioner has 25 years of public accounting experience of which the last 10 have been spent as a sole practitioner.	
Nature of Practice	2 Audits	250 hours
	2 Reviews	75 hours
	13 Compilations	100 hours
	Tax and management advisory service engagements make up the remainder of the practice.	
Industry Concentrations	None. However, the firm does have clients in the following areas: manufacturing, construction, and not-for-profit organizations. The firm performs no audits of SEC or governmental clients.	
Environment	<ul style="list-style-type: none"> • The sole practitioner takes various continuing professional education (CPE) courses offered by the state CPA society, primarily in the tax area. He takes very few CPE courses on accounting or auditing topics except for an annual auditing and accounting update course. • The sole practitioner takes a majority of his courses in a self-study format. • The sole practitioner rarely finds the need to consult with individuals outside his firm on accounting or auditing issues. 	

Monitoring Procedures

Procedures	The sole practitioner evaluates compliance with his quality control policies and procedures by performing an annual inspection.
Timing	All inspection procedures are performed at one time during the year in July. Because the sole practitioner's practice consist primarily of tax, he believes performing a detailed review of engagements at one time during the year will allow him to concentrate more intensely on accounting and auditing matters. Performing postissuance reviews throughout the year would not allow this concentration. The sole practitioner believes he can perform the inspection procedures because the auditing and accounting practice is not complex. However, he recognizes that someone from outside the firm could be used to perform the inspection (perhaps on a reciprocal basis) if so desired.

Documentation	<p>The sole practitioner documents monitoring by completing—</p> <ul style="list-style-type: none">• Appendix C of this document when testing the broad functional elements of quality control.• The engagement review checklists used in performing peer reviews when reviewing the selected accounting and auditing engagements. The sole practitioner believes these checklists act as good “memory joggers” for accounting and auditing issues that he encounters on an infrequent basis.
Summarization	<p>After the sample of engagements have been reviewed and the applicable broad functional elements of quality control tested, the deficiencies are summarized and the sole practitioner evaluates what actions, if any, should be taken to prevent the recurrence of the deficiencies noted.</p>
Reporting	<p>After the inspection procedures are performed, the summary monitoring report contained in Appendix E of this document is completed.</p>
Retention Policy	<p>After the summary monitoring report is finalized, no working papers, checklists, programs, or notes are retained regarding the engagements reviewed or the findings on those engagements or the review of the system of quality control.</p>
Follow-Up	<p>Six months after the summary monitoring report is prepared and the planned corrective actions are identified, the sole practitioner performs sufficient procedures to determine whether the corrective actions indicated in the summary monitoring report have been taken and whether they have achieved their objectives.</p>

.51

SEC

Example 2 Implementation of a Periodic Inspection

PRACTICE SECTION

Description of the Firm

Size of Firm	6 Partners 30 Professional staff other than the partners 1 Office								
Background	Each partner has 20 years of public accounting experience with the last five to ten years spent as a partner.								
Nature of Practice	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">70 Audits</td> <td style="width: 50%;">14,500 hours</td> </tr> <tr> <td>30 Reviews</td> <td>3,100 hours</td> </tr> <tr> <td>380 Compilations</td> <td>4,400 hours</td> </tr> <tr> <td>20 Attestations</td> <td>500 hours</td> </tr> </table> <p>Tax and management advisory service engagements make up the remainder of the practice.</p>	70 Audits	14,500 hours	30 Reviews	3,100 hours	380 Compilations	4,400 hours	20 Attestations	500 hours
70 Audits	14,500 hours								
30 Reviews	3,100 hours								
380 Compilations	4,400 hours								
20 Attestations	500 hours								
Industry Concentrations	The major concentration is health care services (nursing homes). The firm also has clients in: Yellow Book, ERISA, and SEC registrants.								
Environment	<ul style="list-style-type: none"> • One partner serves as quality control partner for the firm. • On certain larger engagements, one partner will review the financial statements prepared in connection with the other partner's clients. The preissuance review is not comprehensive enough to qualify as an inspection procedure. 								

Monitoring Procedures

Procedures	The firm evaluates compliance with its quality control policies and procedures by performing an annual inspection.
Timing	All inspection procedures are performed at one time during the year in November.
Documentation	<p>The firm documents monitoring by completing—</p> <ul style="list-style-type: none"> • Appendix C of this document when testing the broad functional elements of quality control. • The engagement review checklists used in performing peer reviews when reviewing the selected accounting and auditing engagements.
Summarization	After the sample of engagements have been reviewed and the applicable broad functional elements of quality control tested, the deficiencies are summarized and the coordinating partner evaluates what actions, if any, should be taken to prevent the recurrence of the deficiencies noted.

Reporting	After the inspection procedures are performed, the summary monitoring report contained in Appendix E of this document is completed.
Retention Policy	After the summary monitoring report is finalized, no working papers, checklists, programs, or notes are retained regarding the engagements reviewed or the findings on those engagements or the review of the system of quality control.
Follow-Up	Four months after the summary monitoring report is prepared and the planned corrective actions are identified, the coordinating partner performs sufficient procedures to determine whether the corrective actions indicated in the summary monitoring report have been taken and whether they have achieved their objectives.

.52

Example 3 Implementation of an On-going Postissuance Review

Description of the Firm

Size of Firm	Sole practitioner without staff	
Background	The sole practitioner has 15 years of public accounting experience of which the last five years have been spent as a sole practitioner.	
Nature of Practice	2 Audits	300 hours
	5 Reviews	200 hours
	54 Compilations	420 hours
	Tax and management advisory service engagements make up the remainder of the practice.	
Industry Concentrations	None. However, the firm does have clients in the following areas: manufacturing, wholesale distribution, and professional services. The firm performs no audits of SEC or governmental clients.	
Environment	<ul style="list-style-type: none"> • The sole practitioner is a member of an informal group of sole practitioners that meets twice-a-month to discuss issues of common interest and concern (including accounting, auditing, tax, and management topics). • The sole practitioner is active in state CPA society activities and frequently attends CPE sessions held by the society. • The sole practitioner consults with others when unsure about the approach to be taken on an accounting, auditing, or tax issue. 	

Monitoring Procedures

Procedures	The sole practitioner evaluates compliance with her quality control policies and procedures at the engagement level by performing a postissuance review.
Timing	Postissuance reviews are performed immediately before the sole practitioner begins to plan the next year's engagement. The results of the postissuance reviews are summarized semi-annually, each May and November. The broad functional elements of quality control are tested annually, each November, immediately before the sole practitioner's busy season.
Documentation	<p>The sole practitioner documents monitoring by completing—</p> <ul style="list-style-type: none"> • Appendix C of this document when testing the broad functional elements of quality control. • A preplanning engagement checklist when reviewing accounting and auditing engagements. The postissuance review covers the report, financial statements, and working papers on the last year's engagement and is comprehensive enough to allow the sole practitioner to determine whether—

- a.* The report and financial statements conform with applicable professional standards.
- b.* The engagement was performed in accordance with applicable professional standards (Statements on Auditing Standards, Statements on Accounting and Review Services, etc.).
- c.* The engagement was performed in accordance with the firm's quality control policies and procedures.

Although comprehensive engagement review checklists—such as those used by peer reviewers—are not completed, the sole practitioner references to those checklists when performing the postissuance reviews if needed. Because the sole practitioner maintains active involvement in accounting and auditing matters through a discussion group, state society participation, and CPE, she believes this approach to be both efficient and effective.

Summarization

Although deficiencies noted on an engagement are corrected when the sole practitioner performs the next year's engagement immediately thereafter, a list of the engagement's deficiencies is maintained in a Postissuance Review Finding Folder. (The names of the clients are not retained on the lists.) Each May and November, the sole practitioner summarizes the lists of findings noted on the postissuance reviews performed during the preceding six months and evaluates what actions, if any, should be taken to prevent the recurrence of the deficiencies noted. The summary prepared in November also includes any findings noted during the testing of the broad functional elements of quality control for the year.

Reporting

In May and November, the summary monitoring report contained in Appendix E of this document is completed.

Retention Policy

After the summary monitoring report is finalized, no working papers, checklists, programs, or notes are retained regarding the engagements reviewed or the findings on those engagements or the review of the system of quality control.

Follow-Up

Five months after the summary monitoring report is prepared and the planned corrective actions are identified, the sole practitioner performs sufficient procedures to determine whether the corrective actions indicated in the summary monitoring report have been taken and whether they have achieved their objectives.

.53

Example 4 Implementation of an On-going Preissuance Review

Description of the Firm

Size of Firm	2 Partners 6 Professional staff other than the partners 1 Office						
Background	Each partner has 15 years of public accounting experience with the last five years spent as a partner.						
Nature of Practice	<table> <tr> <td>8 Audits</td> <td>1500 hours</td> </tr> <tr> <td>20 Reviews</td> <td>800 hours</td> </tr> <tr> <td>130 Compilations</td> <td>1200 hours</td> </tr> </table> <p>Tax and management advisory service engagements make up the remainder of the practice.</p>	8 Audits	1500 hours	20 Reviews	800 hours	130 Compilations	1200 hours
8 Audits	1500 hours						
20 Reviews	800 hours						
130 Compilations	1200 hours						
Industry Concentrations	The major concentrations are not-for-profit organizations and school districts. The firm also has clients in: construction and professional services. The firm performs no audits of SEC clients.						
Environment	<ul style="list-style-type: none"> The partner responsible for the school district audits is responsible for ensuring that he and the primary staff on those audits have the necessary CPE under <i>Government Auditing Standards</i>. The firm periodically holds in-house CPE for the staff which is taught by outside instructors. 						

Monitoring Procedures

Procedures	The firm evaluates compliance with its quality control policies and procedures at the engagement level by performing a preissuance review on all audit engagements and on a sample of other types of engagements. Because there are only two partners, each partner performs the preissuance review for the other.
Timing	Preissuance reviews are performed throughout the year immediately before the firm issues the report on the engagement. The results of the preissuance reviews are summarized quarterly, each January, April, July, and October. The broad functional elements of quality control are tested annually, each July.

Documentation	<p>The firm documents monitoring by completing—</p> <ul style="list-style-type: none">• Appendix C of this document when testing the broad functional elements of quality control.• A preissuance review checklist when reviewing accounting and auditing engagements. The preissuance review covers the report, financial statements, and working papers on the engagement and is comprehensive enough to allow the firm to determine whether—<ol style="list-style-type: none">a. The report and financial statements conform with applicable professional standards.b. The engagement was performed in accordance with applicable professional standards (Statements on Auditing Standards, Statements on Accounting and Review Services, etc.).c. The engagement was performed in accordance with the firm’s quality control policies and procedures. Although comprehensive engagement review checklists—such as those used by peer reviewers—are not completed, the preissuance reviewer references to those checklists when performing the preissuance reviews if needed.
Summarization	<p>Although deficiencies noted on an engagement are corrected before the report is issued, a list of the engagement’s deficiencies is maintained for summarization purposes. (The names of the clients are not retained on the lists.) Each quarter, one of the partners summarizes the lists of findings noted on the preissuance reviews performed during the quarter and evaluates what actions, if any, should be taken to prevent the recurrence of the deficiencies noted. The summary prepared in July also includes any findings noted during the testing of the broad functional elements of quality control for the year.</p>
Reporting	<p>In January, April, July, and October the summary monitoring report contained in Appendix E of this document is completed. The findings in the summary monitoring report and any policy and procedure changes resulting from them are discussed at a quarterly staff meeting.</p>
Retention Policy	<p>After the summary monitoring report is finalized, no working papers, checklists, programs, or notes are retained regarding the engagements reviewed or the findings on those engagements or the review of the system of quality control.</p>
Follow-Up	<p>Three months after the summary monitoring report is prepared and the planned corrective actions are identified, the partner who prepared the summary monitoring report performs sufficient procedures to determine whether the corrective actions indicated in the report have been taken and whether they have achieved their objectives.</p>

.54

Exhibit 1
Sample Completed Summary Monitoring Report
Periodic Inspection
(Based on Example 2)

Monitoring Period: From October 1, 20XX to September 30, 20X1

Name of Reviewer(s): John Smith, James Doe

Briefly describe the monitoring procedures used by the firm. The firm evaluated compliance with its quality control policies and procedures through a periodic inspection performed annually in November. Appendix C of the Monitoring Guidance was used when testing the broad functional elements of quality control and the engagement review checklists contained in the Peer Review Program Manual were used when reviewing the selected accounting and auditing engagements. A representative sample of engagements was selected, including audit, review, compilation, and agreed-upon procedures engagements. The engagements covered our major industry concentration (health care services) and the high risk areas of Yellow Book, ERISA, and SEC registrants.

Scope of engagements reviewed:	<u>Firm Totals</u>		<u>Engs. Reviewed</u>	
	<u>Hrs.</u>	<u>No. of Engs.</u>	<u>Hrs.</u>	<u>No. of Engs.</u>
SAS—				
Audits—				
SEC	250	1	250	1
ERISA	400	3	140	1
Yellow Book	850	9	100	1
Other	12,900	56	1,200	5
Agreed-Upon Procedures	100	1	100	1
SAARS—				
Reviews	3,100	30	200	2
Compilations	4,400	380	45	3
SSAE—				
Financial Forecast and Projections—				
Examinations	500	20	65	2
Other				
Total	<u>22,500</u>	<u>500</u>	<u>2,100</u>	<u>16</u>
Percentage of A&A Practice Reviewed			<u>9.3%</u>	<u>3.2%</u>

Did the monitoring procedures disclose any situations that would require the firm to take action to prevent future reliance on a report issued by the firm or require the firm to perform additional procedures to provide a basis for the report issued? Yes X. No . If yes, describe the situation and the action(s) taken by the firm. A management representation letter was not obtained from an audit client. The representation letter has now been obtained.

See attachment for summary of monitoring findings and for recommendations of corrective actions.

Monitoring Coordinator Signature _____ Date _____
 Approved _____ Date _____

Findings and Recommendations

1. Finding—On several engagements reviewed, we noted inappropriate answers on the disclosure checklist which resulted in the financial statements missing a few disclosures. There was no pattern to the missing disclosures and all were minor in nature.

Recommendation—The firm should hold a staff meeting for all professional personnel to remind them about the importance of completing the disclosure checklist correctly. If personnel do not fully understand a question they should read the underlying professional literature and consult with the quality control partner if further guidance is needed or they believe continuing professional development should be offered on the topic.

2. Finding—On one audit engagement, the firm failed to obtain a management representation letter even though such letters are required under auditing standards. Our testing was expanded to cover all of the firm's audit clients to ensure that this was an isolated occurrence.

Recommendation—The firm should develop a final report routing sheet that documents all procedures that have not been performed at the time that a report is submitted for typing. The firm should establish procedures to ensure that all of the documented procedures are performed before the report is issued.

3. Finding—Although the firm obtains signed independence, integrity, and objectivity confirmations from all of its staff on an annual basis, two of those confirmations disclosed exceptions which were not resolved and that resolution documented. No inappropriate reports were issued as a result.

Recommendation—The quality control partner who is in charge of obtaining independence, integrity, and objectivity confirmations should, when monitoring their receipt, review the confirmations for exceptions, resolve any exceptions noted, and document the resolutions. In the two cases noted, no independence problems occurred as a result of the exceptions.

.55

Exhibit 2
Sample Completed Summary Monitoring Report
Preissuance Review
(Based on Example 4)

Monitoring Period: From April 1, 20XX to June 30, 20XX

Name of Reviewer(s): John Smith, James Doe

Briefly describe the monitoring procedures used by the firm. The firm evaluated compliance with its quality control policies and procedures at the engagement level through performance of preissuance reviews and summarized the results quarterly (each January, April, July, and October). Appendix C of the Monitoring Guidance was used when testing the broad functional elements of quality control for the year (each July). A preissuance review checklist was used when reviewing selected accounting and auditing engagements. The preissuance reviews covered the report, financial statements, and working papers on all audit engagements issued during the quarter and a representative sample of the other types of engagements. No preissuance reviewer was associated with the engagement he or she reviewed.

Scope of engagements reviewed:	<i>Total for Year</i>		<i>Total for Qtr.</i>		<i>Engs. Reviewed</i>	
	<i>No. of</i>		<i>No. of</i>		<i>No. of</i>	
	<i>Hrs.</i>	<i>Engs.</i>	<i>Hrs.</i>	<i>Engs.</i>	<i>Hrs.</i>	<i>Engs.</i>
SAS—						
Audits—						
Yellow Book	600	3	200	1	200	1
Other	900	5	370	2	370	2
Agreed-Upon Procedures						
SAARS—						
Reviews	800	20	200	5	80	2
Compilations	1,200	130	280	30	50	5
SSAE—						
Other						
Total	<u>3,500</u>	<u>158</u>	<u>1,050</u>	<u>38</u>	<u>700</u>	<u>10</u>
Percentage of A&A Practice Reviewed					<u>66.6%</u>	<u>26.3%</u>

Did the monitoring procedures disclose any situations that would require the firm to take action to prevent future reliance on a report issued by the firm or require the firm to perform additional procedures to provide a basis for the report issued? Yes ____ . No X . If yes, describe the situation and the action(s) taken by the firm. Because the firm uses preissuance reviews to evaluate compliance with its policies and procedures at the engagement level, all engagement deficiencies noted as a result of those reviews were corrected before reports were issued.

See attachment for summary of monitoring findings and for recommendations of corrective actions.

Monitoring Coordinator Signature _____ Date _____
 Approved _____ Date _____

Findings and Recommendations

1. Finding—On some of the engagements reviewed, we noted a few disclosure deficiencies that would have been caught if the firm had required the completion of a comprehensive reporting and disclosure checklist.

Recommendation—The firm should adopt a policy requiring that a comprehensive reporting and disclosure checklist be completed on all engagements on which the firm reports on year-end financial statements.

2. Finding—On several audit engagements reviewed, we noted that the working papers did not document the extent of testing of related party transactions and review of subsequent events. However, we are satisfied that the necessary procedures were performed on each engagement.

Recommendation—The firm should expand its standard audit program to include procedures for testing related party transactions and reviewing subsequent events.

3. Finding—On several audit engagements reviewed, we noted that SAS 82, *Consideration of Fraud in a Financial Statement Audit*, was implemented early and the firm did not fully document the identified fraud risk factors and the auditor's response to them.

Recommendation—The firm should purchase or develop practice aids to assist professional staff in documenting their identification of fraud risk factors and response to them.

4. Finding—While the firm circularizes independence, integrity, and objectivity confirmations among its staff on an annual basis, two individuals failed to sign the confirmations.

Recommendation—The partner-in-charge of obtaining the independence, integrity, and objectivity confirmations should monitor receipt of the confirmations and report to the other partner when they have all been returned.

5. Finding—Two non-CPA professional personnel who work on audit and accounting engagements participated in no accounting and auditing-related CPE.

Recommendation—The two non-CPA professional personnel should be enrolled immediately in an annual accounting and auditing update course. In addition, the firm should revise its quality control policies and procedures to include a requirement that accounting and auditing personnel participate in an appropriate amount of CPE in accounting and auditing areas.

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PRM Section 18200

Guide for Performing Inspections

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PRM Section 18200

Guide for Performing Inspections

Notice to Readers

This guide has been developed by the SEC Practice Section Peer Review Committee and the AICPA Peer Review Board to assist firms in achieving the benefits to be derived from an effective inspection program. It is not intended to, and does not, establish standards for the performance of an inspection.

The approach to selecting engagements and, if applicable, offices for review during a peer review is being revised to require reviewers to base their selections on comprehensive risk assessment of the reviewed firm's accounting and auditing practice. This approach has not been reflected in this document.

Introduction

.01 Statement on Quality Control Standards, (SQCS), 2 and 4, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*, requires that members should practice in firms that have in place internal quality-control procedures to ensure that services are competently delivered and adequately supervised for the firm's accounting and auditing practice.

.02 SQCS No. 2 identifies five elements of quality control and states that a firm shall consider each of these elements, to the extent applicable to its practice, in establishing its quality control policies and procedures. The statement recognizes that the nature and extent of a firm's quality control policies and procedures depend on a number of factors, such as its size, the degree of operating autonomy allowed its personnel and its practice offices, the nature of its practice and its organization, and appropriate cost-benefit considerations.

.03 One of the five elements of quality control is monitoring. Inspection, which is a form of monitoring, is a retrospective evaluation at a fixed point in time of the adequacy of the firm's quality control policies and procedures, its personnel's understanding of those policies and procedures and communicating circumstances that may necessitate changes to its system of quality control or the need to improve compliance with that system. This guide has been developed to assist firms in achieving the benefits to be derived from an effective inspection, especially small firms and sole practitioners. It is not intended to, and does not, establish standards for performance of an inspection.

Objectives of an Inspection

.04 The objectives of an inspection are to determine if a firm is complying with its quality control policies and procedures and conforming with professional standards during a specified period of time, and to identify on a timely basis areas where improvements may be necessary.

.05 When performing its inspection, a firm may wish to expand its testing to accomplish additional objectives, such as evaluating engagement efficiency, training supervisory staff to effectively review engagements, or testing compliance with requirements of membership organizations or regulatory bodies.

.06 An inspection includes the following basic procedures:

- a. Reviewing and testing the firm's compliance with the quality control policies and procedures that make up the firm's quality control system (compliance testing).
- b. Reviewing selected engagements of the firm, including relevant working papers and reports (engagement testing).
- c. Summarizing the findings from the review of engagements and tests of compliance with quality control policies and procedures.
- d. Determining any corrective actions to be taken and improvements to be made with respect to the specific engagements reviewed or quality control system as a whole.
- e. Communicating the inspection findings and the planned corrective actions to appropriate firm personnel.
- f. Following-up to make sure that the planned corrective actions were taken.

.07 The nature, extent, and timing of an inspection will be largely influenced by environmental factors such as the following:

- a. Size of the firm
- b. Style of management and methods of internal communication
- c. Level of involvement of senior firm personnel in decision making
- d. The types and mix of accounting, auditing, tax, and other services provided
- e. Industry concentrations and specializations
- f. Background and experience of professional personnel
- g. Extent of appropriate continuing professional education taken by professional personnel
- h. Extent to which others outside the firm are consulted
- i. The results of the firm's last peer review, quality review, or inspection

Determining Who Should Perform the Inspection

.08 The assignment of individuals to perform an inspection should be made with the same due care that would be used in assigning personnel to an engagement. In making such assignments, the firm should emphasize the productive nature of the assignment. The importance placed on an inspection will determine how productive it is and the benefits the firm derives.

.09 Depending on the size of a firm, the nature of its practice, and other environmental factors, an inspection may be performed by one individual or by a group of individuals. In either case, the primary responsibility for the inspection should be assigned to an owner of the firm. This person may delegate part or all of the testing procedures to qualified assistants.

.10 In assigning assistants to a task, consideration should be given to the degree of technical training and proficiency required in the circumstances. Some tests of administrative procedures can be performed by nonprofessional staff, but only qualified professional personnel who are knowledgeable in accounting and auditing matters should be involved in the review of engagements. Inspection of engagements, therefore, should be carried out by persons who would qualify as reviewers under the standards governing the practice-monitoring program in which the firm is enrolled. At a minimum, inspectors of engagements should be CPAs and have sufficient experience in the industries and functional areas which they are inspecting to be able to challenge material accounting, auditing or reporting issues.

.11 Individuals assigned to the inspection team should be objective when performing their tasks. Although not a requirement, it is desirable, whenever possible, to assign individuals who were not otherwise involved in the performance of the engagements they are to inspect. A checklist that may be used when coordinating an inspection program is included in Appendix A.

.12 Depending on the size of a firm and the environmental factors previously discussed, a firm may wish to consider having someone from outside the firm perform the inspection rather than using internal personnel. Some firms have found this advantageous because the outsider can provide a fresh perspective and may be more objective when performing the various procedures. Unlike peer reviews and quality reviews, inspections may be performed on a reciprocal basis because independence is not an issue that must be considered.

.13 If a firm decides to use inspectors from outside the firm, it should consider the qualifications for inspectors discussed above in making the selection of the individual(s). In such circumstances, an owner of the firm should be given responsibility for coordinating the inspection efforts and ensuring that all appropriate steps are taken, including determining whether necessary corrective actions are taken.

Timing of the Inspection Program

.14 The inspection program should be timely and it should cover each year between peer reviews. (A firm may elect to have its peer review substitute for an inspection for the year covered by the review.) Timeliness is important so that any necessary corrective action, especially actions that affect the performance of a subsequent audit, review or compilation, can be implemented before a deficiency, if one took place, is repeated.

.15 Most firms carry out an inspection as if it were a mini-peer review. The review of the firm's compliance with its quality control policies and procedures and review on a post-issuance basis of selected engagements are performed at a fixed time during the year. Some firms, however, prefer to coordinate the review of engagements more closely with other procedures they might have established. Flexibility in timing is entirely appropriate, subject to these two guidelines:

- a. The supervisory review of the working papers, files and reports carried out by the engagement partner before an audit, review or compilation report is issued *never* qualifies as an inspection procedure.
- b. A firm needs to summarize and take action on inspection findings on engagements on a timely basis. Therefore, if a firm reviews selected or all engagements over a period of time, findings should be summarized periodically, not just once a year. This summarization should be based on review notes or point sheets prepared for that purpose, not just on memory.

.16 Firms that inspect engagements at other than one time during the year often do so as part of an ongoing procedure for carrying out an additional preissuance review of the report, financial statements, and working papers by someone not associated with the engagement, such as a second partner or a report review department. (See *AICPA Professional Standards*, Vol. 2, QC Section 10-1.18.)

.17 Some firms may choose to perform an inspection of selected engagements prior to beginning engagement planning. It is particularly important to be certain that the review of the engagement is the equivalent to the review that would have been performed as an inspection procedure after issuance of the report, not just the review that is made under SAS No. 22, "Planning and Supervision," and that the inspection findings are taken into account in planning and carrying out the subsequent engagement.

How to Perform the Inspection

.18 The scope of an inspection should be similar to that of a peer review. Sufficient testing should be performed to allow the inspectors to evaluate whether the firm is effectively applying its procedures as they relate to the other eight elements of quality control.

Review of Compliance With Policies and Procedures

.19 An inspection should address, to the extent applicable, each of the other eight elements of quality control. Firms may choose to address many of the policies and procedures relating to elements such as supervision, consultation, professional development, advancement, assigning personnel to engagements, acceptance and continuance of clients, and hiring during the review of engagements.

.20 Appendix B includes suggested procedures to test compliance with the firm's quality control policies and procedures.

.21 The general procedures to be performed for each of the applicable elements of quality control include:

- a. A review of the firm's policies and procedures and an evaluation of their continuing appropriateness.
- b. A review of the administrative files and interviews of appropriate individuals to verify compliance with and understanding of the firm's policies and procedures.
- c. Testing of compliance with the policies and procedures within the firm's system and/or on selected engagements.

Review of Engagements

.22 Firms ordinarily place considerable emphasis during an inspection on the review of engagements. In selecting engagements, a firm may find it helpful to consider the guidelines contained in the standards governing the practice monitoring program in which it is enrolled. These standards provide that the selection should include a reasonable cross section of the firm's auditing *and* accounting practice. The SECPS peer review standards require reviewers to select engagements and offices for review based on a comprehensive risk assessment of the reviewed firm's accounting and auditing practice much like the risk assessment approach to an audit. This approach can be found in Section 2000 of the *SEC Practice Section Reference Manual*. The SECPS Peer Review Committee believes that the peer review guidance in Section 2000 can be and should be considered when selecting engagements and, if applicable, offices to be inspected.

.23 An inspection should include work performed by a cross section of the firm's personnel involved in the accounting and auditing function. In addition, the selection of engagements to be reviewed should take into consideration:

- a. Industry concentrations
- b. Large, complex, and high risk engagements
- c. Governmental engagements
- d. Initial engagements

- e. Engagements with a significant public interest (such as SEC engagements and audits conducted pursuant to the Employee Retirement Income Security Act)
- f. Engagements that have not previously been inspected or reviewed

.24 As a general rule, at least 5 to 10% of the firm's accounting and auditing hours should be reviewed during the inspection. The engagements subject to review will be those with years ending during the period under review. However, if a more recent engagement has been performed, that engagement should be reviewed.

.25 The objectives of the review of engagements are to evaluate whether the firm is complying with its quality control policies and procedures and conforming with professional standards, including generally accepted accounting principles (GAAP), generally accepted auditing standards (GAAS), standards for accounting and review services (SSARS), standards for financial forecasts and projections, and standards for financial and compliance audits contained in governmental auditing standards (the "yellow book"). To achieve these objectives, the review should include a review of reports, financial statements, accompanying footnotes, related working papers, correspondence and, where appropriate, discussions with professional staff.

.26 The depth of review of working papers should be left to the judgment of the inspector(s). However, the review of working papers ordinarily should include a review of all "key areas" on an engagement. It does not need to be a review of every working paper. The key areas are the most critical sections in an engagement. Examples of some of the key areas for a manufacturing engagement would be inventory, accounts receivable, accounts payable, sales and cost of sales.

.27 In reviewing engagements, many people find it useful to use engagement review checklists, such as the ones developed by the AICPA for use on peer reviews. However, any other comprehensive reporting, disclosure, and working paper review checklists can be used. (See the section on "Alternative Approaches to Documenting An Inspection.")

.28 Under the AICPA practice monitoring programs, checklists and supplements have been developed specifically for general audits, audits of governmental, not-for-profit, and banking entities, and compilation and review engagements. The engagement checklists may require modification for engagements involving other specialized industries, such as construction and insurance. Checklists and quality control system questionnaires are available in the *AICPA Peer Review Program Manual* and the *SEC Practice Section Peer Review Program Manual*.

.29 For each engagement reviewed, the inspector should evaluate whether anything came to the individual's attention that caused the inspector to believe that—

- a. The financial statements were not presented in all material respects in accordance with generally accepted accounting principles or an other comprehensive basis of accounting, if applicable, or the report was appropriately modified.
- b. The firm did not have a reasonable basis under the applicable standards (GAAS, SSARS, or governmental auditing standards) for the report issued.
- c. The report was not appropriate in the circumstances.
- d. The documentation does not support the report issued.
- e. The firm did not comply with its quality control policies and procedures.

.30 Should an inspector believe that the firm may have issued an inappropriate report on a client's financial statements or omitted necessary procedures, the firm should investigate the matter and determine what action, if any, should be taken pursuant to AU sections 561 and 390 and AR Sections 9100.13-.15 of the AICPA's *Professional Standards*.

Other Review Procedures

.31 During an inspection, many firms test compliance with the membership requirements of the various organizations to which they or their members belong: the AICPA, state CPA societies, PCPS, and SECPS, even though this is not required by quality control standards. As a practical matter, many of these membership requirements are covered by the firm's quality control policies and procedures and are tested during other phases of the inspection. For example, compliance with the AICPA's and the Division for CPA Firms' continuing professional education requirements (CPE) may be tested when the firm's policies and procedures for professional development are inspected. Appendix C includes a program for testing compliance with certain of the Division for CPA Firms' membership requirements.

Summarizing Inspection Findings

.32 At the conclusion of the various inspection procedures, each finding should be evaluated in conjunction with the other findings noted during the inspection for the implications to the firm's quality control system as a whole. For example, on one engagement a minor disclosure may have been omitted that results in a note to the file reminding the engagement personnel to make sure that the disclosure is made in next year's financial statements. If the deficiency is noted on several engagements, corrective action also may be needed on a firm-wide basis to prevent the recurrence of these deficiencies.

.33 Regardless of when engagements are inspected, inspection findings should be summarized in a manner that enables a firm to best determine the necessary corrective actions. Some firms use the summary review engagement checklists from the peer review and quality review manuals for summarizing engagement related inspection findings. Other firms scan the findings and summarize them informally; this is common when the number of engagements reviewed is small and/or the number of findings is minimal.

Reporting on Inspection Findings

.34 Appropriate documentation requirements should be established by each firm to demonstrate compliance with its policies and procedures for inspection (see the next section on "Alternative Approaches to Documenting An Inspection"). At a minimum, a report or memorandum should be prepared on the scope of the inspection, the inspection findings, and the recommendations of the inspectors. A sample report that a firm may use for this purpose has been developed and is included in Appendix D, or the firm may develop its own reporting format. For multi-office firms, consideration should be given to preparing a separate report for each office inspected.

Determining Necessary Corrective Actions

.35 Upon receipt of the inspection report, the owner(s) of the firm should evaluate what corrective actions, if any, should be taken in connection with the recommendations of the inspector(s). Corrective actions can include:

- a. Additional staff training in specific areas or industries.
- b. Changes in quality control policies and procedures.
- c. Updates or additions to technical manuals and practice aids.
- d. More careful monitoring of compliance with the policies and procedures.
- e. Appropriate corrective actions on specific engagement deficiencies.

.36 There should be a record of the corrective actions and improvements planned by the firm to address the findings and appropriate assignment of responsibility for implementing the recommendations.

Communicating Inspection Findings and Corrective Actions

.37 After the necessary corrective actions have been decided, the inspection findings and the changes being made as a result of those findings should be communicated orally or in writing to the owners and employees of the firm (if any).

Following-Up on Planned Corrective Actions

.38 Timely and effective follow-up on the steps taken to implement planned corrective actions is critical to an effective inspection program. Within a reasonable period of time after the firm was scheduled to take the planned corrective actions, steps should be taken to determine whether the planned corrective actions have been acted upon and whether they have achieved the objectives for which they were designed.

Retention of Inspection Documents

.39 At the conclusion of an inspection, only the inspection summary or report should be retained until the team captain on the firm's next peer or quality review has the opportunity to review that summary or report. Typically, all detailed working papers should not be retained after that summary or report is prepared. However, the detailed working papers on an inspection may be retained for a longer period if the firm expects the peer reviewer or quality reviewer to consider the inspection program to reduce the scope of the peer review or quality review. (Typically, reviewers of smaller firms will give little or no consideration to inspection due to the scope requirements and cost/benefit considerations.)

Alternative Approaches to Documenting an Inspection

.40 The size and nature of a firm and the environment in which it practices will affect the extent of documentation prepared regarding the inspection procedures, findings, and corrective actions. A formal or an informal documentation approach can be used.

.41 Under the formal approach to inspection documentation, inspector(s) will:

- a. Complete the quality control compliance program in Appendix B or develop and complete other comprehensive program(s).
- b. Complete comprehensive engagement review checklists, such as those used by peer reviewers and quality reviewers while performing the review of reports, financial statements, footnotes and working papers on selected engagements.
- c. Prepare summaries of findings on compliance tests and reviews of engagements.
- d. Prepare an inspection report such as the one in Appendix D.

.42 Generally, the formal approach is preferable for all CPA firms regardless of size.

.43 Under the informal approach to inspection documentation, inspector(s) will:

- a. Review compliance with its quality control policies and procedures without preparing or completing a quality control compliance program.

- b. Review selected reports, financial statements, and working papers without formally completing comprehensive engagement review checklists such as those used by peer reviewers and quality reviewers. (In these cases, the firm will usually make reference to such a checklist to make sure that all appropriate matters are considered.)
- c. Keep notes (or summaries) reflecting the deficiencies noted during the performance of inspection procedures.
- d. Prepare an inspection report such as the one in Appendix D.

.44 The informal approach has only been found to be effective for sole practitioners without professional staff and firms with very small accounting or auditing practices.

.45 Examples of the application of the approaches to the inspection and the documentation thereof are included in Examples 1 through 3 at the end of this document along with a description of the environmental factors influencing the inspection program.

Relationship of Consulting Reviews to Inspections

.46 Some firms may have a consulting review before their initial peer review. Consulting reviews are confidential, "trial-run" reviews during which a reviewer, who has experience relevant to the firm undergoing the review, will visit the firm, usually for 1 day, to identify strengths and/or weaknesses and give the firm advice on how to prepare for the review. The review includes a cursory review of the working papers, financial statements, and reports prepared by the firm.

.47 A firm planning to have a consulting review may wish to consider whether the consulting review it plans to have should be expanded to satisfy the firm's annual inspection requirement for the year. Depending on the size of the firm, an inspection may be performed instead of a consulting review for only a little more money.

Benefits of an Inspection

.48 An inspection can assure a firm that it has an effective quality control system in place and that the firm's quality control system is being complied with. It also ensures that the firm will have the chance to make improvements or changes in its quality control system on a timely basis. Oftentimes, the professionals know the strengths and weaknesses of their firm. However, time does not always permit the firm to focus on these areas and make necessary changes. An inspection allows the firm to allocate time at least once a year to focus on its strengths and weaknesses with the intent of improving the overall quality of the firm and the services it provides.

Appendix A

Checklist for Coordinating an Inspection Program



	Initial	Date
1. Determine who will coordinate the inspection program for the firm.	_____	_____
2. Determine who will perform the inspection.	_____	_____
3. Establish the approach and timetable for performing the inspection procedures.	_____	_____
4. Determine forms and checklists to be used during the inspection and the extent of documentation required.	_____	_____
5. Make a selection of engagements for review.	_____	_____
6. Review administrative files for compliance with the firm's quality control policies and procedures.	_____	_____
7. Review the selected engagements.	_____	_____
8. Summarize the inspection findings and determine what corrective actions should be taken.	_____	_____
9. Prepare an inspection report covering the scope of the inspection, the inspection findings, and the recommended corrective actions.	_____	_____
10. Decide how long to retain detailed inspection working papers.	_____	_____
11. Review the recommended corrective actions and reach final conclusions on the actions to be taken.	_____	_____
12. Communicate the inspection findings and the planned corrective actions to the other members of the firm (if any).	_____	_____
13. Follow-up on planned corrective actions to determine whether the actions were taken as planned and whether they achieve the objective(s) for which they were planned.	_____	_____



Appendix B

Program for Inspection of Compliance With Policies and Procedures Related to Specific Aspects of The Five Elements of Quality Control

Period Covered _____

	<i>Findings, Including Extent of Testing</i>	<i>Done By</i>
<p>Independence</p> <ol style="list-style-type: none"> 1. Identify a sample of situations in which independence questions arose during the period being inspected and consider whether the resolution of such questions appears appropriate. 2. Review the written independence confirmations obtained by the firm for a sample of professional personnel, if required by firm policy. Determine through review of each professional’s written representation near the time of initial employment and at least annually thereafter that he or she 1) has read the firm’s independence policies, 2) understands their applicability to his or her activities and those of his or her spouse and close relatives and 3) has complied with the requirements of the firm’s independence policies since the prior certification. 3. Determine by review of appropriate documentation and by discussions with selected staff that the firm has advised all professional personnel on a timely basis of entities to which the independence rules apply and that professional personnel are familiar with the firm’s independence policies and procedures. 4. Review the documentation maintained for independence training as required by the firm’s policies for a sample of professional personnel performing professional services for clients. 5. Identify a sample of the corrective steps taken and documentation maintained on apparent independence violations reported by professionals within the U.S. member firm and consider whether the corrective steps appear appropriate. 6. Determine by a review of selected engagements whether fees were paid for the prior year’s services prior to the issuance of the current year’s report. 		

Consultation

1. Inspect the firm’s library for its audit and accounting practice and determine whether it is sufficiently comprehensive and current. Specifically determine that the library includes recent pronouncements and literature appropriate for the firm’s specialties and that loose-leaf services are filed on a timely basis.
2. On the engagements reviewed, determine whether consultation took place and was documented in accordance with the firm’s policies.
3. If sufficient testing of consultation policies and procedures was not performed in 2 above, determine through inquiry or review of subject files whether consultations took place and were correctly applied.

Supervision

1. On the engagements reviewed:
 - a. Determine whether the technical materials (audit manuals, standardized forms, checklists, and questionnaires) that are required by firm policy were used.
 - b. Evaluate whether the technical materials are sufficiently comprehensive and up-to-date.
 - c. Determine whether the firm complied with its policies and procedures for the review of engagement working papers, reports and financial statements.
 - d. Determine whether the firm’s procedures for resolving differences of opinions among members of the engagement team were followed and are appropriate.

Professional Development

1. Review the firm’s CPE records on a test basis and consider whether:
 - a. They appear adequate to demonstrate compliance with AICPA, state board, and state society requirements and whether they indicate that the firm’s plans for CPE were carried out.
 - b. Professional personnel have complied with the CPE requirements set forth in *Government Audit Standards* (if applicable).

*Findings, Including
Extent of Testing*

Done By

	<i>Findings, Including Extent of Testing</i>	<i>Done By</i>
<p>Consultation</p> <ol style="list-style-type: none"> 1. Inspect the firm’s library for its audit and accounting practice and determine whether it is sufficiently comprehensive and current. Specifically determine that the library includes recent pronouncements and literature appropriate for the firm’s specialties and that loose-leaf services are filed on a timely basis. 2. On the engagements reviewed, determine whether consultation took place and was documented in accordance with the firm’s policies. 3. If sufficient testing of consultation policies and procedures was not performed in 2 above, determine through inquiry or review of subject files whether consultations took place and were correctly applied. <p>Supervision</p> <ol style="list-style-type: none"> 1. On the engagements reviewed: <ol style="list-style-type: none"> a. Determine whether the technical materials (audit manuals, standardized forms, checklists, and questionnaires) that are required by firm policy were used. b. Evaluate whether the technical materials are sufficiently comprehensive and up-to-date. c. Determine whether the firm complied with its policies and procedures for the review of engagement working papers, reports and financial statements. d. Determine whether the firm’s procedures for resolving differences of opinions among members of the engagement team were followed and are appropriate. <p>Professional Development</p> <ol style="list-style-type: none"> 1. Review the firm’s CPE records on a test basis and consider whether: <ol style="list-style-type: none"> a. They appear adequate to demonstrate compliance with AICPA, state board, and state society requirements and whether they indicate that the firm’s plans for CPE were carried out. b. Professional personnel have complied with the CPE requirements set forth in <i>Government Audit Standards</i> (if applicable). 		

- c. Professional personnel have complied with the Section’s requirements (if the firm is a member of either the PCPS or the SECPS).

Assigning Personnel to Engagements

1. Determine whether staffing and scheduling requirements were identified on a timely basis and approved by appropriate personnel.
2. Determine by interviews with selected staff whether they believe the assignments they have received are appropriate.
3. From the engagements selected for review, determine if the practitioner-in-charge of those accounting, auditing or attestation engagements possessed the knowledge, skills and abilities (competencies), as determined by the firm, to allow them to fulfill their responsibilities related to those engagements.

Hiring

1. Determine by reviewing personnel files of recently hired employees whether:
 - a. The background information and other documentation required by firm policy were obtained.
 - b. The individuals possessed the desired attributes, achievements, and experience and, if not, why an exception was made.

Advancement

1. Determine by reviewing personnel files whether personnel have been evaluated and promoted in accordance with the firm’s policies and procedures.

Acceptance and Continuance of Clients

1. Review the documentation maintained for selected acceptance and continuance decisions and evaluate whether the firm is complying with its policies and procedures and with professional standards.

Inspection

1. Determine whether appropriate corrective actions were taken, including effective follow-up, with respect to the prior period’s inspection findings.

*Findings, Including
Extent of Testing*

Done By

Appendix C

Optional Program for Review of Compliance with the Division for CPA Firms' Membership Requirements

Period Covered _____



*Findings, Including
Extent of Testing*

Done By

I. Requirements for Members of the PCPS and SECPS

1. Determine whether each proprietor, shareholder, or partner of the firm resident in the United States and eligible for AICPA membership, is a member of the AICPA.
2. Determine whether the firm filed its most recent annual report with the section.

II. Additional Requirements for Members of SECPS

3. Determine whether the firm has complied with the requirements for rotation of partners on SEC engagements [SECPS §1000.08(e)].
4. Determine whether a concurring review was performed, prior to the issuance of any audit report on the financial statements of SEC clients, of the audit reports, financial statements and selected working papers by a partner qualified to do such review, who is other than the audit partner in charge of the engagement [SECPS §1000.08(f)].
5. Determine whether the firm has refrained from performing those management advisory services that are proscribed by the Section [SECPS §1000.08(h)].
6. Determine whether the firm maintains documentation in the working papers of its annual report to the audit committee or board of directors of each SEC audit client on the total fees received from the client for management advisory services during the year and a description of the types of services rendered [SECPS §1000.08(i)].
7. Determine whether the firm has reported to the Quality Control Inquiry Committee on a timely basis litigation or other actions against it or its personnel in situations required by the Section [SECPS §1000.08(k)].

	<i>Findings, Including Extent of Testing</i>	<i>Done By</i>

- 8. Determine whether the firm communicated in writing on a timely basis to an SEC registrant and the Office of the Chief Accountant of the SEC when the client-auditor relationship with the SEC registrant has ceased [SECPS §1000.08(m)].
- 9. Determine whether the firm has developed a statement of firm philosophy and communicated that statement to professional personnel on a periodic basis [SECPS §1000.08(l)].
- 10. Determine whether the firm has complied with the membership requirement for firms that are members of, correspondent with, or similarly associated with foreign associated firms that audit SEC registrants [SECPS §1000.08(n)].

*Findings, Including
Extent of Testing*

Done By

<i>Findings, Including Extent of Testing</i>	<i>Done By</i>



Appendix D

Sample Inspection Report

Inspection Period: From _____ to _____

Name of Inspectors: _____

Timing of Inspection: _____

Briefly describe the inspection program (including major considerations in selecting engagements and offices to be reviewed). _____

Scope of engagements reviewed:	<i>Firm Totals*</i>		<i>Engs. Reviewed*</i>	
	<u>Hrs.</u>	<u>No. of Engs.</u>	<u>Hrs.</u>	<u>No. of Engs.</u>
Audit	_____	_____	_____	_____
Reviews	_____	_____	_____	_____
Compilations	_____	_____	_____	_____
Other Accounting Services	_____	_____	_____	_____
Total	=====	=====	=====	=====
Percentage of A&A Practice Reviewed			===== %	===== %

Did the inspection disclose any situations that would require the firm to take action to prevent future reliance on a report issued by the firm or require the firm to perform additional auditing or review procedures to provide a basis for the report issued? If yes, describe the situation and the action taken by the firm.

The inspection findings and the recommendations regarding actions taken for improvements in the firm are attached.

Inspection Coordinator Signature _____ Date _____

Approved _____ Date _____

* Approximate totals may be used.

Example 1 of the Application of the Inspection Guidelines*

Description of the Firm

Size of Firm	2 Partners 6 Professional staff other than the partners 1 Office								
Background	Each of the partners has 15 years of public accounting experience; the last 5 years have been spent as partners.								
Nature of Practice	<table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">8 Audits</td> <td style="text-align: right;">1,500 hours</td> </tr> <tr> <td>20 Reviews</td> <td style="text-align: right;">800 hours</td> </tr> <tr> <td>40 Compilations with disclosures</td> <td style="text-align: right;">600 hours</td> </tr> <tr> <td>90 Compilations omitting substantially all disclosures</td> <td style="text-align: right;">600 hours</td> </tr> </table> <p>Tax and management advisory service engagements make up the remainder of the practice.</p>	8 Audits	1,500 hours	20 Reviews	800 hours	40 Compilations with disclosures	600 hours	90 Compilations omitting substantially all disclosures	600 hours
8 Audits	1,500 hours								
20 Reviews	800 hours								
40 Compilations with disclosures	600 hours								
90 Compilations omitting substantially all disclosures	600 hours								
Industry Concentrations	The major concentrations are construction, not-for-profit organizations, and school districts. The firm also has clients in: manufacturing, retail, and professional services. The firm does no audits of SEC clients.								
Environment	<ul style="list-style-type: none"> • While each partner has auditing and accounting clients, one partner performs the majority of the auditing and accounting engagements. • On certain larger engagements, one partner will review the financial statements prepared in connection with the other partners' clients. • The partner responsible for the 4 school district audits is responsible for ensuring that he and the primary staff on those audits have the necessary CPE under <i>Government Auditing Standards</i>. • The firm periodically holds in-house CPE for the staff which is taught by one of the partners. 								

Inspection Procedures

Timing of Inspection	All inspection procedures will be performed during November since the 4 school district audits are not completed until September. This timing is believed to be the most effective and efficient. (The partners recognized that they could expand their preissuance review procedures if they so desired.)
Documentation Approach	The partners have agreed that the formal documentation approach should be adopted since the committees governing the AICPA practice-monitoring programs believe that the formal documentation approach is more effective. The formal approach will include the completion of:

* This is an example of the application of the inspection guidance contained in this document. Practitioners should not assume that following this example or the other examples in this document will automatically satisfy the objectives of an inspection. Careful attention must be given to making sure that these objectives are achieved.

- Appendix B of this document when testing the applicable elements of quality control.
- The engagement review checklists used in performing quality reviews and peer reviews. The partners believe that these checklists act as good “memory joggers” for accounting issues that they encounter on an infrequent basis.

Summarization

After the sample of engagements is inspected and the applicable elements of quality control have been tested, the deficiencies will be summarized and the coordinating partner will evaluate what actions, if any, should be taken to prevent the recurrence of the deficiencies noted.

Reporting

After the inspection procedures are performed, the inspection report contained in Appendix D of this document will be completed.

Retention Policy

After the inspection report is finalized, no working papers, checklists, programs, or notes will be retained regarding the engagements reviewed or the findings on those engagements or the review of the quality control system.

Follow-Up

4 months after the inspection report is prepared and the planned corrective actions are identified, the coordinating partner will perform sufficient procedures to determine whether the corrective actions have been taken and whether they have achieved their objectives.

Example 2 of the Application of the Inspection Guidelines

Description of the Firm

Size of Firm	Sole practitioner without staff.	
Background	The sole practitioner has 15 years of public accounting experience of which the last 5 have been spent as a sole practitioner.	
Nature of Practice	2 Audits	300 hours
	5 Reviews	200 hours
	10 Compilations with disclosures	200 hours
	44 Compilations omitting substantially all disclosures (generated by a computer)	220 hours
	Tax and management advisory service engagements make up the remainder of the practice.	
Industry Concentrations	None. However, the firm does have clients in the following areas: manufacturing, wholesale distribution and professional services. The firm does no audits of SEC or governmental clients.	
Environment	<ul style="list-style-type: none"> • The sole practitioner is a member of an informal group of sole practitioners that meets twice a month to discuss issues of common interest and concern (including accounting, auditing, tax, and management topics). • The practitioner is active in state CPA society activities and frequently attends CPE sessions held by the society. • The practitioner consults with others when unsure about the approach to be taken on an accounting, auditing, or tax issue. 	

Inspection Procedures

Timing of Inspection	The practitioner believes that he can be more efficient by performing an inspection of engagements immediately before he plans the next year's engagements.
Documentation Approach	<p>A combination of the two approaches has been chosen as described below:</p> <ul style="list-style-type: none"> • Appendix B of this document will be used to test and document the review of the applicable elements of quality control. This review will be performed each November immediately before the practitioner's busy season. • A preplanning engagement checklist has been developed that addresses the objectives of inspection. Inspection procedures will include a review of the report, financial statements, and working papers on last year's engagement to determine—

- a.* The report and financial statements conform with applicable professional standards.
- b.* The engagement was performed in accordance with applicable professional standards (statements on auditing standards, statements on accounting and review services, etc.).
- c.* The engagement has been performed in accordance with the firm's policies and procedures.

Although comprehensive engagement review checklists—such as those used by peer reviewers—will not be completed, the practitioner plans to periodically make reference to those checklists while performing the inspection procedures.

Summarization	While any deficiencies noted on engagements are corrected when the next year's engagement is performed, summaries of the findings are kept in an Inspection Finding Folder. (The names of the clients are not retained on the summaries.) Each May and November, the practitioner summarizes the findings and evaluates what actions, if any, should be taken to prevent the recurrence of the deficiencies noted.
Reporting	In May and November, the inspection report contained in Appendix D of this document will be completed.
Retention Policy	After the inspection report is finalized, no working papers, checklists, programs, or notes will be retained regarding the engagements reviewed or the findings on those engagements or the review of the quality control system.
Follow-Up	5 months after the inspection report is prepared and the planned corrective actions are identified, the practitioner will perform sufficient procedures to determine whether the corrective actions indicated in the inspection report have been taken and whether they have achieved their objectives.

Example 3 of the Application of the Inspection Guidelines

Description of the Firm

Size of Firm	Sole practitioner with 1 part-time professional staff person.	
Background	The sole practitioner has 25 years of public accounting experience of which the last 15 have been spent as a sole practitioner.	
Nature of Practice	2 Audits	250 hours
	2 Reviews	75 hours
	2 Compilations with disclosures	40 hours
	11 Compilations omitting substantially all disclosures	60 hours
	Tax and management advisory service engagements make up the remainder of the practice.	
Industry Concentrations	None. However, the firm does have clients in the following areas: manufacturing, construction, and not-for-profit organizations. The firm does no audits of SEC or governmental clients.	
Environment	<ul style="list-style-type: none"> • The practitioner takes various continuing professional education (CPE) courses offered by the state CPA society, primarily in the tax area; the practitioner takes very few CPE courses on accounting or auditing topics except for an annual auditing and accounting update course. • The practitioner takes a majority of his courses in a self-study format. • The practitioner rarely finds the need to consult with individuals outside his firm on accounting or auditing issues. 	

Inspection Procedures

Timing of Inspection	Because of the practitioner's focus on tax practice, he believes that more can be gained by performing a detailed review of engagements at one time during the year; this also will allow him to more readily focus on the objectives of an inspection. The practitioner believes that he can perform his own inspection since his auditing and accounting practice is not very complex. However, he recognizes that he could use someone from outside the firm (perhaps on a reciprocal basis) if he so desires.
Documentation Approach	Due to the practitioner's limited accounting and auditing related CPE, the formal approach will be chosen as described below:

- Appendix B of this document will be used to test and document the review of the applicable elements of quality control. This review will be performed each July.
- The engagement review checklists used in performing peer reviews will be completed to document the review of the selected engagements.

Summarization

After the sample of engagements is inspected, the deficiencies will be summarized and the practitioner will evaluate what actions, if any, should be taken to prevent the recurrence of the deficiencies noted.

Reporting

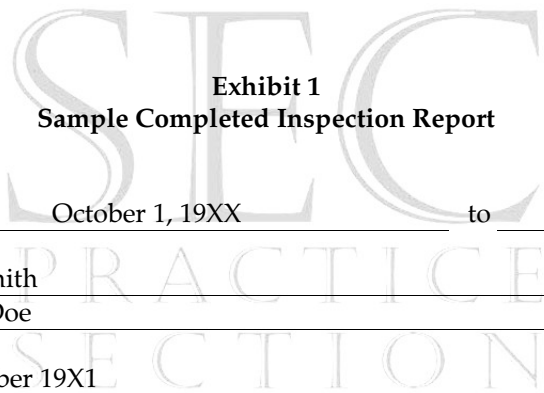
After the inspection procedures are performed, the inspection report contained in Appendix D of this document will be completed.

Retention Policy

After the inspection report is finalized, no working papers, checklists, programs, or notes will be retained regarding the engagements reviewed or the findings on those engagements or the review of the quality control system.

Follow-Up

6 months after the inspection report is prepared and the planned corrective actions are identified, the practitioner will perform sufficient procedures to determine whether the corrective actions have been taken and whether they have achieved their objectives.



**Exhibit 1
Sample Completed Inspection Report**

Inspection Period: From October 1, 19XX to September 30, 19X1

Name of Inspectors: John Smith
James Doe

Timing of Inspection: November 19X1

Briefly describe the inspection program (including major considerations in selecting engagements and offices to be reviewed). Appendix B of the Guide for Performing Inspections was used to test compliance with our quality control policies and procedures and the engagement review checklists contained in the SEC Practice Section Peer Review Program Manual were used when reviewing engagements. A representative sample of engagement was selected, including audit, review, and compilation engagements. The engagements covered our major industry concentrations (school districts, not-for-profit organizations, construction). Appendix C of the Guide for Performing Inspections was used to test compliance with the SEC Practice Section membership requirements.

Scope of engagements reviewed:	<i>Firm Totals*</i>		<i>Engs. Reviewed*</i>	
	<u>Hrs.</u>	<u>No. of Engs.</u>	<u>Hrs.</u>	<u>No. of Engs.</u>
Audit	1500	8	350	2
Reviews	800	20	80	2
Compilations	1200	130	80	4
Other Accounting Services	C	C	C	C
Total	<u>3500</u>	<u>158</u>	<u>510</u>	<u>8</u>
Percentage of A&A Practice Reviewed			<u>14.6%</u>	<u>5%</u>

Did the inspection disclose any situations that would require the firm to take action to prevent future reliance on a report issued by the firm or require the firm to perform additional auditing or review procedures to provide a basis for the report issued? Yes X, No . If yes, describe the situation and the action taken by the firm. In error, a management representation letter was not obtained from an audit client. This letter has now been obtained.

The inspection findings and the recommendations regarding actions taken for improvements in the firm are attached. SEE ATTACHED.

Inspection Coordinator Signature _____ Date _____

Approved _____ Date _____

* Approximate totals may be used.

Inspection Findings and Recommendations

Finding—On some of the engagements reviewed, we noted a few disclosure deficiencies that would have been caught if the firm had required the completion of a comprehensive reporting and disclosure checklist.

Recommendation—The firm should adopt a policy requiring that a comprehensive reporting and disclosure checklist be completed on all engagements on which the firm reports on year-end financial statements.

Finding—On several engagements reviewed, we noted that the working papers did not document the extent of testing of related party transactions and review of subsequent events. However, we are satisfied that the necessary procedures were performed on each engagement.

Recommendation—The firm should expand its standard audit program to include procedures for testing related party transactions and reviewing subsequent events.

Finding—On one audit engagement, the firm failed to obtain a management representation letter even though such letters are required under auditing standards. Our testing was expanded to cover all of the firm's audit clients to ensure that this was an isolated occurrence.

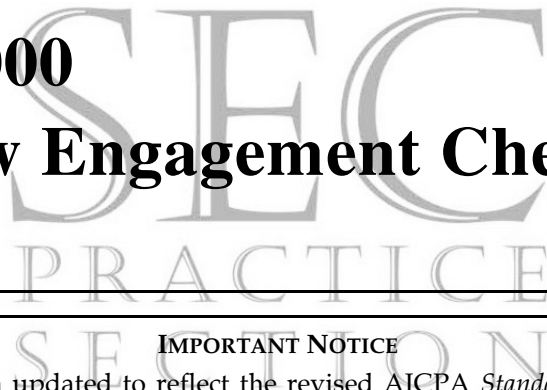
Recommendation—The firm should develop a final report routing sheet that documents all procedures that have not been performed at the time that a report is submitted for typing. The firm should establish procedures to ensure that all of the procedures outlined on the routing sheet are performed before the report is issued.

Finding—While the firm circularizes independence confirmations among its staff on an annual basis, two individuals failed to sign the confirmations.

Recommendation—The partner-in-charge of obtaining the independence confirmations should monitor receipt of the confirmations and report to the other partners when they have all been returned.

Section 20,000

Peer Review Engagement Checklists



IMPORTANT NOTICE

This section has been updated to reflect the revised AICPA *Standards for Performing and Reporting on Peer Reviews* (the Standards). Since the Standards are effective for peer reviews commencing on or after January 1, 2001, with early implementation NOT ALLOWED, these materials should be filed at or shortly before the effective date of the Standards, but should NOT BE FILED earlier than that time. However, it is recommended that you read these materials as soon as possible.

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[The next page is 20,101.]

SEC
PRACTICE
SECTION

PRM
20100

Instructions

Section 20,100

Instructions for Use of Peer Review Engagement Checklists in the SEC Practice Section and AICPA Peer Review Programs

IMPORTANT NOTICE

This section has been updated to reflect the revised AICPA *Standards for Performing and Reporting on Peer Reviews* (the Standards). Since the Standards are effective for peer reviews commencing on or after January 1, 2001, with early implementation NOT ALLOWED, these materials should be filed at or shortly before the effective date of the Standards, but should NOT BE FILED earlier than that time. However, it is recommended that you read these materials as soon as possible.

General

.01 The review of engagements should include the review of financial statements, accountants' reports, working paper files, and correspondence, as well as discussions with professional personnel of the reviewed firm.

.02 The review of audit engagements should ordinarily include all key areas of the engagements selected to determine whether well-planned, appropriately executed, and suitably documented procedures were performed in accordance with professional standards and the reviewed firm's quality control policies and procedures.

.03 Since in most cases the engagement personnel will not be responsible for establishing firm policies, the reviewer should not challenge firm policies in discussions with engagement personnel. If any questions or observations regarding the appropriateness of the firm's policies and procedures develop as a result of the engagement reviews, these matters should be discussed with the team captain.

Peer Review Engagement Checklists

.04 The following checklists have been developed for use by review teams performing system reviews (for engagement and report reviews performed under the AICPA Peer Review Program see Sections 23,000 and 24,000 in the AICPA *Peer Review Program Manual*) and are contained in this section of the manual:

- | | |
|--|------------------|
| a. General Compilation Engagement Checklist ¹ | (Section 20,200) |
| b. General Review Engagement Checklist | (Section 20,300) |
| c. General Audit Engagement Checklist | (Section 20,400) |
| d. Governmental Audit Engagement Checklist | (Section 20,500) |

¹ The General Compilation Engagement Checklist includes an additional section on Compilation Engagements That Omit Substantially All Disclosures.

- e. Not-for-Profit Audit Engagement Checklist (Section 20,600)
- f. Employee Benefit Plan Engagement Checklist (Section 20,700)
- g. Prospective Financial Statement Engagement Checklist (Section 20,800)
- h. Agreed Upon Procedures Engagement Checklist (Section 20,900)
- i. Other Attestation Engagement Checklist (Section 21,000)
- j. Engagement Checklist Supplements (Section 22,000)

.05 The general peer review engagement checklists were developed for use in reviewing engagement of “for-profit” companies. They will require extensive modification or supplementation for engagements involving companies in certain specialized industries. Reviewers may wish to refer to the specialized industry disclosure checklists and illustrative financial statements published by the AICPA.

.06 The peer review engagement checklists (which can be used for most engagements on system reviews) contain the following sections²—

- a. The first section of each checklist contains questions on the accountant’s report and the related financial statements and footnotes. This section of the checklist ordinarily would be completed for each engagement reviewed. However, on peer reviews of firms that have their own report and financial statement disclosure checklist that is completed by the firm’s personnel and filed with the engagement working papers, this section may not have to be completed for each engagement. In such situations, the comprehensiveness of the firm’s checklist and the appropriateness of its use on specific engagements should be tested by the review team. Any disclosure or reporting deficiencies identified by the reviewer should be noted in the comments section of the engagement checklist or on a “Matter for Further Consideration” (MFC) form.
- b. The second section of the checklist contains questions concerning planning and other general procedures that normally should be performed for the applicable level of service (e.g., audit, review, or compilation). This section should be completed for each engagement reviewed.
- c. The third section included in the general audit engagement checklist contains questions relating to specific audit areas. It is not ordinarily necessary to answer all parts of this section because of the emphasis on key audit areas. (See paragraph .08 below for a discussion of the “key audit area” approach.)
- d. The fourth section of the checklist for review of audit engagements and the third section of the checklists for review of review and compilation engagements contain questions concerning the five quality control areas. These questions are based on the typical policies and procedures that might be established by a firm. All the policies and procedures included in these questions will not have been adopted by all firms. Therefore, the team captain should determine, before reviews of engagements are conducted, if modifications to the checklists are necessary to fit the policies and procedures adopted by the reviewed firm. For example, a number of the questions are not applicable to sole practitioners without full-time professional staff.

Techniques for Review of Engagements

.07 Background information about an engagement should be obtained by discussion with the engagement partner and by reading the engagement profile sheet (which should be completed by the reviewed firm prior to commencement of the review of the engagement), the primary financial statements and any program sections, memoranda or other working papers describing the company and its business, the firm’s audit approach and problem areas.

² The Governmental Audit Engagement Checklist includes all of the sections discussed herein, as well as an additional section on compliance with the requirements of the Single Audit Act of 1984.

.08 Most reviewers find it effective to perform the review—that is, read the financial statements and the related report, review the “top files,” applicable sections of the audit programs, correspondence files, consolidating working papers and other “key audit area” working papers—and then complete the peer review engagement checklist. Any unanswered questions on the checklist are then completed by additional reference to the engagement files.

.09 The depth of review of working papers for particular engagements is left to the judgment of the reviewers; however, the review should ordinarily include all the key areas of an engagement. A page-by-page review of all working papers is *not* necessary. Points to be considered in determining the key areas include—

- a. Key areas in the client’s industry (e.g., revenue recognition for construction companies; inventories and accounts receivable for manufacturing and retail concerns; or loan loss allowances for financial institutions).
- b. Key areas noted during the review of the financial statements and discussions with engagement personnel (e.g., review of loan defaults or follow-up of litigation matters).
- c. Key areas identified by the firm in planning or conducting the engagement.
- d. Recent accounting and auditing developments and pronouncements.
- e. Weaknesses noted in other engagements reviewed.
- f. Weaknesses noted by the firm during its inspection program.
- g. Weaknesses noted in the last review of the firm’s quality control system.

.10 Ordinarily, in applying the “key area” concept, all key areas should be reviewed. However, to keep time requirements within reasonable limits, reviewers may decide not to review all key areas of a specific engagement. In such cases, the reviewer should document in the working papers the reasons why all key areas were not reviewed. The reviewer should also exercise judgment in determining how many accounting and auditing hours to claim with respect to the engagement.

.11 For each engagement reviewed (audits, reviews, and compilations), the *Standards* require the review team to document whether anything came to its attention that caused it to believe that —

- a. The financial statements were not presented in all material respects in accordance with generally accepted accounting principles (or, if applicable, another comprehensive basis of accounting).
- b. The firm did not have a reasonable basis under applicable professional standards for the report issued.
- c. The documentation on the engagement did not support the report issued.
- d. The firm did not comply with its quality control policies and procedures in all material respects.

.12 If the review team answers “yes” with respect to items *a.*, *b.*, *c.*, or *d.* above, the team captain should promptly inform an appropriate member of the reviewed firm (generally on a “Matter for Further Consideration” form). The reviewed firm should investigate the matter questioned by the review team and determine what action, if any, should be taken. The reviewed firm should advise the team captain of the results of its investigation and document the actions taken or planned or its reasons for concluding that no action is required. If the reviewed firm believes that it can continue to support its previously issued report and the review team continues to believe that there may be a significant failure to reach appropriate conclusions in the application of professional standards, the review team should pursue any remaining questions with the reviewed firm and, if necessary, with the entity administering the review. The review team should also consider expanding the scope of the review by selecting additional engagements to determine the extent and cause of significant departures from professional standards.

.13 In evaluating the reviewed firm's response, the review team should recognize that it has not made an examination of the financial statements in question in accordance with generally accepted auditing standards and that it has not had the benefit of access to the client's records, discussions with the client, or specific knowledge of the client's business. Nevertheless, a disagreement on the resolution of the matter may persist in some circumstances and the reviewed firm should be aware that it may be requested by either—

- a. The state CPA society administering the review to refer unresolved matters to the AICPA Peer Review Board for a final determination.
 - b. Or the SECPS Peer Review Committee, or its designated representative, for a resolution.
-

[The next page is 20,201.]

PRM
20200

General Compilation
Engagement

Section 20,200

General Compilation Engagement Checklist



ENGAGEMENT PROFILE

Engagement Code No. _____ Date of Financial Statements* _____
 Owner/Partner _____ Date of Report (engagement letter if no report
 Manager _____ was issued) _____
 Senior _____ Date Report/ Financial Statement
 Office _____ Released _____

This engagement involves reporting (or compiling without a report) on a:

1. balance sheet complete set of financial statements
 income sheet financial statements without statement of cash flows
2. that (include) (omit) substantially all required disclosures and
3. that (include) (do not include) supplementary information.

The financial statements are for an entity that is a (an):

- independent entity subsidiary, division or branch
 consolidated or combined group other (explain)

The financial statements cover an (annual) (interim) reporting period.

Date that the fee for the prior engagement was paid _____

Key data reported on by this office for this engagement:

Total assets \$ _____
 Equity \$ _____
 Net sales \$ _____
 Net income \$ _____

Major lines of business: _____

Complex or troublesome engagement areas: _____

Compilation hours on this engagement:

Owner _____
 Manager (or equivalent) _____
 Senior/other professionals _____
 Total this office _____
 Total budgeted _____

Personnel Continuity:

Owner or Partner *Manager or equivalent*

Number of years assigned to this job _____
 Number of years in current position on the job _____

Date Engagement Review Performed _____ Date Checklist Reviewed by Team Captain _____

Reviewer _____ Signature _____

* To determine the applicability of all cross-referenced pronouncements, consider their effective dates.

Checklist for Review of a Compilation of Financial Statements

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Note: This checklist has been updated through SSARS No. 8, SFAS No. 142, FASB Interpretation No. 44 and SOP 01-2 and SQCS No. 5.

Explanation of References

AC	Reference to section number in FASB <i>Accounting Standards Current Text</i>
AR	Reference to section number in AICPA <i>Professional Standards</i> (vol. 2)
AU	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
EITF	Emerging Issues Task Force pronouncement
ET	<i>Code of Professional Conduct</i> in AICPA <i>Professional Standards</i> (vol. 2)
FAS	Reference to Financial Accounting Standards Board pronouncement
QC	Quality Control Standards in AICPA <i>Professional Standards</i> (vol. 2)
SOP	AICPA Statement of Position [included in the AICPA <i>Technical Practice Aids</i> (TPA)]
SSARS	Reference to Statements on Standards for Accounting and Review Services

I. REPORT AND FINANCIAL STATEMENTS

Note: This is a highly summarized checklist. Reviewers may wish to consult the professional standards cited for detailed information about the requirements. All “no” answers must be thoroughly explained.

- If the firm has used its own report and financial statement disclosure checklist on this engagement, it may be reviewed in lieu of completing this checklist provided the reviewer has determined that the firm’s checklist is current, comprehensive, and appropriate for the engagement. If the firm’s checklist is used, please provide a copy in lieu of this checklist.

For all compilation engagements performed under SSARS No. 8 where no report is issued, Sections III and V should be completed in lieu of Sections I and II.

For all engagements, except as noted above, involving financial statements where a report is issued and which omit substantially all disclosures, Section IV should be completed in lieu of Section I.

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Accountants’ Report					
Does the accountant’s report contain all of the elements required by professional standards and appropriate language for the following:					
Dating of the report in conformity with the requirements of professional standards? (AR Sec. 100.12)	C101	_____	_____	_____	_____
Departures from the basis of accounting used? (AR Sec. 100.40–.42)	C102	_____	_____	_____	_____
Coverage of all periods for which financial statements are presented? (AR Sec. 200.02)	C103	_____	_____	_____	_____
Disclosure of the basis of accounting for financial statements presented in conformity with a comprehensive basis of accounting other than GAAP if the financial statements do not disclose this information? (AR Secs. 100.17 and 9100.41–.45)	C104	_____	_____	_____	_____
The degree of responsibility, if any, the accountant is taking with respect to supplementary information accompanying the basic financial statements? (AR Sec. 100.44, for CIRAs, see SOP 93-5 [TPA Sec. 11,270] and the Supplemental CIRA Checklist)	C105	_____	_____	_____	_____
Reference to the accountant’s compilation report on each page of the financial statements? (AR Sec. 100.13)	C106	_____	_____	_____	_____
All other respects?	C107	_____	_____	_____	_____
Financial Statements and Notes					
General					
Are the financial statements suitably titled? (AR Sec. 9100.42)	C108	_____	_____	_____	_____
Do the financial statements appear to be appropriate in form and free of material error? (AR Sec. 100.10)	C109	_____	_____	_____	_____
Is the accounting appropriate and are the disclosures adequate regarding:					
Significant accounting policies? [AC Sec. A10.105–.108, for an other comprehensive basis of accounting (OCBOA) AU Sec. 623.02–.04]	C110	_____	_____	_____	_____
Accounting changes? (AC Sec. A06)	C111	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All “no” answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Comparative financial statements? (AC Sec. F43)	C112	_____	_____	_____	_____
Business combinations? (AC Sec. B50)	C113	_____	_____	_____	_____
For business combinations initiated after June 30, 2001, or for those accounted for using the purchase method on or after July 1, 2001, except for non-profit organizations and mutual enterprises, have the applicable accounting and disclosure provisions of FAS No. 141 been complied with?	C114	_____	_____	_____	_____
Are all majority-owned subsidiaries consolidated in the financial statements, unless consolidation is specifically not required by professional standards? (AC Sec. C51.102 and .103)	C115	_____	_____	_____	_____
If an individual or entity controls a group of related entities, did the accountant consider whether combined financial statements may be more meaningful? (AC Sec. C51.121-.122)	C116	_____	_____	_____	_____
For financial instruments, is information about concentrations of credit risk and fair value (including the methods and significant assumptions used to estimate fair value) disclosed? (AC Sec. F25.105G, .115A-.115K and .116A-.116D)	C117	_____	_____	_____	_____
For derivative instruments and hedging activities, have the applicable accounting and disclosure provisions of FAS No. 133, as amended, been complied with? (AC Sec. D50)	C118	_____	_____	_____	_____
Effective June 30, 2000, for companies that have not adopted FAS No. 133 for derivative financial instruments and hedging activities, the company must adopt FAS No. 138 concurrently with FAS No. 133. Therefore, in conjunction with the adoption of FAS No. 133, have derivative financial instruments and hedging activities been properly accounted for and disclosed in accordance with FAS No. 138, <i>Accounting for Certain Derivative Instruments and Certain Hedging Activities (an amendment of FASB Statement No. 133)</i> ?	C119	_____	_____	_____	_____
Exemption from certain required disclosures about financial instruments for certain non-public entities? (AC Sec. F25.105J-.105L)	C120	_____	_____	_____	_____
Are required disclosures made concerning related-party transactions? (AC Sec. R36)	C121	_____	_____	_____	_____
Are required disclosures about risks and uncertainties made regarding the nature of operations, the use of estimates, certain significant estimates, and current vulnerabilities due to certain concentrations? (SOP 94-6 [TPA Sec. 10,640])	C122	_____	_____	_____	_____
Have transfers of assets to a not-for-profit organization or charitable trust that raises or holds contributions for others been properly accounted for and disclosed in accordance with FAS No. 136?	C123	_____	_____	_____	_____
Are foreign currency transactions and translation of financial statements denominated in a foreign currency properly accounted for and disclosed? (AC Sec. F60)	C124	_____	_____	_____	_____
Are insurance and reinsurance contracts that do not transfer insurance risk properly accounted and disclosed under SOP 98-7? (TPA Sec. 10,760)	C125	_____	_____	_____	_____
Are foreign operations and export sales adequately disclosed? (AC Sec. F65)	C126	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Are nonmonetary transactions properly accounted for and disclosed? (AC Secs. C11.102 and N35)	C127	_____	_____	_____	_____
With respect to contingencies and commitments:					
Are loss contingencies accrued and/or disclosed as appropriate? (AC Sec. C59.104-.116 and .120)	C128	_____	_____	_____	_____
Are other contingencies and commitments adequately disclosed, including environmental remediation related matters? (AC Secs. C32.102-.105, C59.116-.120, and SOP 96-1 pars .142-.173 [TPA Sec. 10,680.142-.173])	C129	_____	_____	_____	_____
Are the financial statements adjusted, where appropriate, for the effect of subsequent events and do they include disclosure of significant subsequent events, whether or not adjustments were made? (AC Sec. C59.105 and .115)	C130	_____	_____	_____	_____
Are the financial statements adjusted where appropriate, and do they disclose uncertainties regarding the entity's ability to continue as a going concern? (AR Sec. 100.40 fn 18 and AU Sec. 341.10 and .11)	C131	_____	_____	_____	_____
Are defined benefit pension plans properly accounted for and disclosed? (AC Sec. P16.150, .150A and .187)	C132	_____	_____	_____	_____
Are all other pension plans properly accounted for and disclosed? (AC Sec. P16)	C133	_____	_____	_____	_____
Are postretirement plans other than pensions properly accounted for and disclosed? (AC Sec. P40.169, .169A, .172-.173, .178 and .179)	C134	_____	_____	_____	_____
Are postemployment benefits (after employment but before retirement) properly accounted for and disclosed? (AC Secs. P32 and P40)	C135	_____	_____	_____	_____
Have defined contribution pension plans been properly accounted for and disclosed in accordance with SOP 99-3 [TPA Sec. 10,790]?	C136	_____	_____	_____	_____
If the entity is or has been a "development stage enterprise," are adequate disclosures made? (AC Sec. De4.105-.109)	C137	_____	_____	_____	_____
Do the financial statements, where required, include appropriate disclosures of employee stock ownership plans (ESOPs)? (SOP 93-6 [TPA Sec. 10,580])	C138	_____	_____	_____	_____
Are adjustments of financial statements for prior periods appropriate? (AC Sec. A35)	C139	_____	_____	_____	_____
If a quasi-reorganization or corporate readjustment has occurred, has the proper accounting been applied and is the new retained earnings account dated? (AC Sec. Q15)	C140	_____	_____	_____	_____
Balance Sheet					
Is the accounting appropriate and are the disclosures adequate regarding:					
Segregation of assets and liabilities, if applicable, into current and noncurrent classifications? (AC Sec. B05)	C141	_____	_____	_____	_____
Valuation allowances? (AC Sec. V18)	C142	_____	_____	_____	_____
Restricted cash, including compensating balances? (AC Secs. B05.107 and C59.120)	C143	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Classification of debt and equity securities as held-to-maturity (debt securities only), trading, or available-for-sale, and presentation of unrealized holding gains and losses on available-for-sale securities in a separate component of shareholders' equity? (AC Sec. I80.103-.110)	C144	___	___	___	___
Accounts and Notes Receivable:					
Loans and related origination fees? (AC Sec. L20.104-.106 and .120)	C145	___	___	___	___
Effect of interest rates that do not reflect market rates? (AC Sec. I69.109)	C146	___	___	___	___
Effects of troubled debt restructurings? (AC Secs. D22.136-.137 and I08)	C147	___	___	___	___
Other receivables?	C148	___	___	___	___
Are the recorded investments in loans for which impairment has been recognized, the total allowance for credit losses related to those impaired loans, the activity in the allowance for credit losses account, and creditor's income recognition policy disclosed? (AC Sec. I08.118 and .118A)	C149	___	___	___	___
Inventories? (AC Sec. B05.105, I78 and for interim financial reporting AC Sec. I73.107 and .109)	C150	___	___	___	___
Investments accounted for under the equity method? (AC Sec. I82.109-.110)	C151	___	___	___	___
Property and equipment, including accounting for the impairment of long-lived assets to be held and long-lived assets to be disposed of, assets of discontinued operations, and capitalized interest? (AC Secs. D40.105, I08.122-.138, I13.108 and I67)	C152	___	___	___	___
Sales-type, direct financing, leveraged, and operating leases of lessors? (AC Sec. L10.119 and .143-.149)	C153	___	___	___	___
Other assets, including intangible assets, unamortized computer software costs, deferred tax assets and deferred charges, and their impairment, if applicable? (AC Secs. I08, I27.140-.143, I60, Co2.102-.110, and I27.140-.142; SOP 98-1 [TPA Sec. 10,720])	C154	___	___	___	___
For goodwill or other intangible assets acquired before July 1, 2001 (except for not-for-profit organizations and mutual enterprises), effective for fiscal years beginning after December 15, 2001, does the company's accounting and reporting comply with FASB Statement No. 142, <i>Goodwill and Other Intangible Assets</i> ?	C155	___	___	___	___
For goodwill or other intangible assets acquired after June 30, 2001 (except for not-for-profit organizations and mutual enterprises), does the company apply the amortization and non-amortization requirements of FASB Statement No. 142, <i>Goodwill and Other Intangible Assets</i> ?	C156	___	___	___	___
Pledged assets? (AC Sec. C59.120)	C157	___	___	___	___
Related assets and liabilities? [These may be offset in the balance sheet only when all of the following conditions are met: (1) each party owes the other determinable amounts, (2) the reporting party has the right to set off, (3) the reporting party intends to set off, and (4) the right to set off is enforceable at law.] (AC Sec. B10)	C158	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Current liabilities? (AC Sec. B05.108-.109, .109A and .118)	C159	___	___	___	___
Short-term liabilities expected to be refinanced? (AC Sec. B05.110-.118, .138 and .139)	C160	___	___	___	___
Notes payable and other debt:					
Maturities, rates, and sinking fund requirements for the next five years? (AC Sec. C32.104 and .105)	C161	___	___	___	___
Other terms and covenants? (AC Sec. C59.120 and SOP 97-1 [TPA Sec. 10,690])	C162	___	___	___	___
Effect of interest rates that do not reflect market rates? (AC Sec. I69)	C163	___	___	___	___
Effect of troubled debt restructurings? (AC Sec. D22.121-.122)	C164	___	___	___	___
Effect of early extinguishment of debt? (AC Sec. I17.104)	C165	___	___	___	___
Capital leases of lessees? (AC Sec. L10.106, .107 and .112)	C166	___	___	___	___
Other liabilities and deferred credits, including classification of deferred tax liabilities, employees' compensation for future absences, special termination benefits to employees, and deferred revenue? (AC Secs. C44.104-.108, I27.140, and SOP 96-1, Chs. 5-7 [TPA Sec. 10,680])	C167	___	___	___	___
Capital stock (number of shares authorized, issued, and outstanding, par or stated value per share, rights and preferences of various classes)? (AC Secs. C16 and C24)	C168	___	___	___	___
Treasury stock? (AC Sec. C23)	C169	___	___	___	___
Stock option and stock purchase plans? (AC Sec. C47)	C170	___	___	___	___
Does the company's accounting for compensatory and noncompensatory stock compensation comply with Interpretation No. 44 with respect to:					
The definition of employee for purposes of applying Opinion No. 25?	C171	___	___	___	___
The criteria for determining whether a plan qualifies as a non-compensatory plan?	C172	___	___	___	___
The accounting consequence of various modifications to the terms of a previously fixed stock option or award? and	C173	___	___	___	___
The accounting for an exchange of stock compensation awards in a business combination?	C174	___	___	___	___
Stock subscriptions receivable? (EITF 85-1)	C175	___	___	___	___
Retained earnings, including appropriations thereof and restrictions on dividends? (AC Secs. C59.120 and R70.103)	C176	___	___	___	___
Changes in stockholders' equity? (AC Secs. Co8.102, .102; A35.103, .105-.107; and C49.106-.108)	C177	___	___	___	___
Redemption requirements on capital stock for the next five years? (AC Secs. C24.106 and C32.105; for redemption requirements outside of the issuer's control, e.g., mandatory redeemable preferred stock, TPA Sec. 4110.08)	C178	___	___	___	___
Income Statement					
Are the important components of the income statement separately disclosed?	C179	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Is the accounting appropriate and are the disclosures adequate regarding:					
Method of income recognition, for example: long-term contracts and real estate transactions? (AC Secs. R10, Co4.110, Co5 and FAS Inter. No. 43)	C180	___	___	___	___
Realized gains and losses and unrealized holding gains and losses for changes in fair value and transfers between categories of investments and losses? (AC Sec. I80)	C181	___	___	___	___
Application of the equity method? (AC Sec. I82.109)	C182	___	___	___	___
Advertising costs? (SOP 93-7 [TPA Sec. 10,590])	C183	___	___	___	___
Research and development costs? (AC Sec. R50)	C184	___	___	___	___
Costs of start-up activities? (SOP 98-5 [TPA Sec. 10,750])	C185	___	___	___	___
Computer software costs? (AC Sec. Co2.110 and SOP 98-1 [TPA Sec. 10,720])	C186	___	___	___	___
Capitalization of interest costs? (AC Sec. I67)	C187	___	___	___	___
Discount or premium on notes receivable or payable? (AC Sec. I69.108-.109)	C188	___	___	___	___
Recognition of impairment of long-lived assets? (AC Sec. I08.122-.138)	C189	___	___	___	___
For goodwill or other intangible assets acquired before July 1, 2001 (except for not-for-profit organizations and mutual enterprises), effective for fiscal years beginning after December 15, 2001, does the company's accounting and reporting comply with FASB Statement No. 142, <i>Goodwill and Other Intangible Assets</i> ?	C190	___	___	___	___
For goodwill or other intangible assets acquired after June 30, 2001 (except for not-for-profit organizations and mutual enterprises), does the company apply the amortization and non-amortization requirements of FASB Statement No. 142, <i>Goodwill and Other Intangible Assets</i> ?	C191	___	___	___	___
Depreciation? (AC Sec. D40)	C192	___	___	___	___
Compensatory stock issuance plans? (AC Sec. C47)	C193	___	___	___	___
Does the company's accounting for compensatory and noncompensatory stock compensation comply with Interpretation No. 44 with respect to:					
The definition of employee for purposes of applying Opinion No. 25?	C194	___	___	___	___
The criteria for determining whether a plan qualifies as a non-compensatory plan?	C195	___	___	___	___
The accounting consequence of various modifications to the terms of a previously fixed stock option or award? and	C196	___	___	___	___
The accounting for an exchange of stock compensation awards in a business combination?	C197	___	___	___	___
Deferred compensation agreements? (AC Sec. C38)	C198	___	___	___	___
Sales transactions in which the buyer has the right to return the product? (AC Sec. R75.107-.109)	C199	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Product financing arrangement? (AC Sec. D18.106–.107)	C200	___	___	___	___
Operating leases and rent expense of lessees? (AC Sec. L10.111–.112)	C201	___	___	___	___
Software revenue recognition? (SOP 97-2 [TPA Sec. 10,700], SOP 98-1 [TPA Sec. 10,720], SOP 98-4 [TPA Sec. 10,740], and SOP 98-9 [TPA Sec. 10,770])	C202	___	___	___	___
Income Taxes:					
The types of temporary differences and carryforwards that result in a deferred tax liability or asset? (AC Sec. I27.140–.143)	C203	___	___	___	___
Significant components of income tax expense, including the current tax expense or benefit, deferred tax expense or benefit, investment tax credits, government grants that reduce income tax expense, the benefits of operating loss carryforwards, and adjustments due to changes in tax laws, rates, and tax status? (AC Secs. I27.144 and C49.118–.119)	C204	___	___	___	___
Components of net deferred tax liability or asset including, if present, the total of all deferred tax liabilities, total of all deferred tax assets, the total valuation allowance, and the net change in the valuation allowance? (AC Sec. I27.142 and .143)	C205	___	___	___	___
Significant reconciling items between GAAP income tax expense or benefit attributable to continuing operations and the amount of income tax expense that would result from applying the federal statutory rates to pre-tax income loss from continuing operations? (A nonpublic company needs to disclose the nature of such items; a public company also needs to include a reconciliation using percents or amounts) (AC Sec. I27.146)	C206	___	___	___	___
Amounts and expiration dates of operating loss and tax credit carryforwards for tax purposes? (AC Sec. I27.147)	C207	___	___	___	___
Discontinued operations? (AC Sec. 113)	C208	___	___	___	___
Extraordinary items? (AC Sec. I17)	C209	___	___	___	___
Unusual or infrequent items, but not both? (AC Sec. I22)	C210	___	___	___	___
If the enterprise has both net income and other comprehensive income, are total comprehensive income and the components of other comprehensive income displayed appropriately in the financial statements? (AC Sec. C49.108–.120)	C211	___	___	___	___
Statement of Cash Flows					
Is a statement of cash flows presented for each period for which results of operations are provided (or is the report appropriately modified)? (AC Sec. C25.101)	C212	___	___	___	___
Does it properly report cash provided or used by investing, financing, and operating activities? (AC Sec. C25.112–.124)	C213	___	___	___	___
Does it report the net effect of cash flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents, and do the amounts of cash and cash equivalents agree with the amounts on the balance sheet? (AC Sec. C25.124)	C214	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Does it provide a reconciliation between net income and net cash flow from operating activities? (AC Sec. C25.127)	C215	_____	_____	_____	_____
Are noncash investing and financing activities disclosed? (AC Sec. C25.134)	C216	_____	_____	_____	_____
If the indirect method of reporting net cash flows from operating activities was used, were the amounts of interest and income taxes paid disclosed? (AC Sec. C25.127)	C217	_____	_____	_____	_____
Are cash equivalents limited to short-term, highly liquid investments that are both readily convertible to known amounts of cash and of an original maturity of three months or less, and is the enterprise's policy for determining which items are treated as cash equivalents disclosed? (AC Sec. C25.106-.108)	C218	_____	_____	_____	_____
Are the components of the cash flow statement shown at "gross" and not "net" amounts? (AC Sec. C25.109-.111A)	C219	_____	_____	_____	_____
Are cash flows from purchases, sales, and maturities of available-for-sale securities and held-to-maturity securities classified as cash flows from investing activities and reported gross for each security classification and are cash flows from purchases, sales, and maturities of trading securities classified as cash flows from operating activities? (AC Sec. I80.117)	C220	_____	_____	_____	_____
Other					
If the industry in which the client is operating is covered by an AICPA audit and accounting guide, are the suggested format, statements, and disclosures consistent with the guide?	C221	_____	_____	_____	_____
Summary					
Does it appear that disclosures in the financial statements are reasonably adequate?	C222	_____	_____	_____	_____

II. GENERAL PROCEDURES

<i>Ques.</i>	<i>N/A*</i>	<i>Yes</i>	<i>No</i>	<i>Ref.**</i>
Based on inquiry of the accountant or review of engagement files, if any, was an understanding with the client established as to the services to be performed? (Professional standards require the accountant to establish an understanding with the entity, preferably, though not required to be, in writing.) (AR Sec. 100.05)	C223	_____	_____	_____
If the engagement is to compile financial statements not expected to be used by a third party, has the accountant provided written communication describing the nature and limitations of the service to be performed and a description of the report, if a report is necessary? (AR Sec. 100.05)	C224	_____	_____	_____
Based on inquiry of the accountant or review of engagement files, if any, did it appear that the accountant possessed a level of knowledge about the accounting principles and practices of the industry in which the entity operates and possessed a general understanding about the entity's business transactions, the form of its accounting records, the stated qualifications of its accounting personnel, the accounting basis on which the financial statements are to be presented, and the form and content of the financial statements? (AR Sec. 100.07-.08)	C225	_____	_____	_____
If the engagement was originally intended to be an audit or review, rather than a compilation, did the accountant consider (AR Sec. 100.45-.50):				
The reason given for the client's request, particularly the implications of a restriction on the scope of the audit or review, whether imposed by the client or by circumstances?	C226	_____	_____	_____
The additional effort required to complete the audit or review?	C227	_____	_____	_____
The estimated additional cost to complete the audit or review?	C228	_____	_____	_____
Based on inquiry of the accountant or review of the engagement files, if any, does it appear that the accountant read the compiled financial statements and consider whether such financial statements appeared to be appropriate in form and free of obvious material errors? (AR Sec. 100.10)	C229	_____	_____	_____
If the accountant became aware that information supplied by the entity was incorrect, incomplete, or otherwise unsatisfactory for the purpose of compiling financial statements, did the accountant obtain additional or revised information? (AR Sec. 100.09)	C230	_____	_____	_____
Based on inquiry of the accountant or review of engagement files, if any, have all questions, exceptions or notes posed during the work been followed up and resolved?	C231	_____	_____	_____
If the accountant had become aware that information supplied by the entity was incorrect, incomplete or otherwise unsatisfactory subsequent to the date of the report, did the accountant consider the				

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
guidance in professional standards in determining an appropriate course of action, and does the matter appear to be properly resolved? (AR Sec. 100.43)	C232	_____	_____	_____	_____
If comparative financial statements have been presented and the accountant's report on the prior period financial statements contains a changed reference to a departure from generally accepted accounting principles, does the current report have an explanatory paragraph indicating the date of the previous report, circumstances or events that caused the reference to be changed, and, if applicable, that the financial statements of the prior period have been changed? (AR Sec. 200.13-.15)	C233	_____	_____	_____	_____

III. FUNCTIONAL AREAS[†]

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Independence, Integrity, and Objectivity (QC Sec. 20.09 and .10)					
If anything has been noted that may indicate a lack of independence, integrity, and objectivity, was the matter identified and appropriately resolved by the firm and its effects appropriately considered? If the accountant was not independent, was the report appropriately modified? (ET Sec. 101 and AR Sec. 100.19)	C301	_____	_____	_____	_____
Were the fees (billed/unbilled) for prior years' services paid prior to issuance of the report for the current engagement? (ET Sec. 191.103 and .104)	C302	_____	_____	_____	_____
Personnel Management (QC Sec. 20.11–.13) (These steps may not be necessary for recurring compilation engagements with no unusual complexity.)					
Based on inquiry of the accountant or review of engagement files, if any, were scheduling and staffing requirements identified on a timely basis and approved by appropriate personnel?	C303	_____	_____	_____	_____
Does it appear engagement personnel possessed an appropriate mix of experience or expertise and technical training in relation to the complexity or other requirements of the engagement and the involvement of supervisory personnel?	C304	_____	_____	_____	_____
Does it appear that the practitioner in charge of the engagement possessed the following knowledge, skills, and abilities (competencies) to fulfill their responsibilities on the engagement:					
An understanding of the role of the firm's system of quality control and the AICPA's <i>Code of Professional Conduct</i> ?	C305	_____	_____	_____	_____
An understanding of the performance, supervision, and reporting aspects of the engagement?	C306	_____	_____	_____	_____
An understanding of the applicable accounting, auditing, or attestation professional standards including those standards directly related to the industry in which a client operates?	C307	_____	_____	_____	_____
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?	C308	_____	_____	_____	_____
Skills that indicate sound professional judgment?	C309	_____	_____	_____	_____
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?	C310	_____	_____	_____	_____

[†] The AICPA's *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice* provides guidance on how to develop and implement a system of quality control for a firm's accounting and auditing practice in compliance with the requirements of Statements on Quality Control Standards Nos. 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice* (QC Sec. 20), as amended, 3, *Monitoring a CPA Firm's Accounting and Auditing Practice* (QC Sec. 30), and 5, *The Personnel Management Element of a Firm's System of Quality Control—Competencies Required by a Practitioner-in-Charge of an Attest Engagement* (QC Sec. 40).

* The N/A column should be used when the item either does not exist or is not material.

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Does it appear that the practitioner-in-charge of the engagement possessed the knowledge, skills and abilities (competencies) to fulfill his/her responsibilities on the engagement as noted in par. 8 of QC Sec. 40?	C311	___	___	___	___
Based on inquiry of the accountant or review of engagement files, if any, did the personnel assigned to this engagement appear to be familiar with the applicable professional pronouncements (FASB, AICPA, etc.)?	C312	___	___	___	___
Acceptance and Continuance of Clients and Engagements (QC Sec. 20.14-.16)					
Based on inquiry of the accountant or review of engagement files, if any, does it appear that the firm's guidelines for acceptance and continuance of client relationships, including performing specific engagements for the client, were complied with?	C313	___	___	___	___
Engagement Performance (QC Sec. 20.17-.19)					
Were the firm's guidelines for engagement performance (such as the form and content of working papers) complied with if the firm has such guidelines?	C314	___	___	___	___
Based on inquiry of the accountant or review of engagement files, if any, was there appropriate consultation:					
In situations specified by firm policy?	C315	___	___	___	___
Where the complexity or unusual nature of the issue warranted it?	C316	___	___	___	___
Were any circumstances noted where the firm consulted or should have consulted regarding an engagement matter (i.e., a complex, unusual, or a technical issue) with individuals within the firm, an external party or by researching in applicable professional literature, based on the firm's policies and procedures or where the complexity or nature of the issue warranted consultation?					
___ No (skip to question C322)					
___ Yes (respond to questions C317 to C321)					
If an individual was consulted (internally or externally), does it appear they were aware of all relevant facts and circumstances?	C317	___	___	___	___
If professional literature was researched, does it appear that the research was thorough and the sources consulted were complete, correct and up-to-date?	C318	___	___	___	___
Does it appear that the person(s) consulted (internally or externally) and/or the individual(s) performing the research had an appropriate level of knowledge, competence, judgment and (if applicable) authority?	C319	___	___	___	___
Based on the facts and circumstances, were the firm's conclusions reasonable and consistent with professional standards?	C320	___	___	___	___
Is the firm's report, the financial statements, or other information affected by the matter consistent with the results of the consultation?	C321	___	___	___	___
If the engagement records indicated a difference of opinion between the engagement personnel and/or specialist or other consultant was the difference resolved in accordance with firm policy and was the basis of the resolution appropriately documented?	C322	___	___	___	___

IV. QUESTIONS FOR USE ON ENGAGEMENTS INVOLVING FINANCIAL STATEMENTS THAT OMIT SUBSTANTIALLY ALL DISCLOSURES

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Accountants' Report					
Does the accountant's report contain all of the elements required by professional standards and appropriate language for the following:					
Dating of the report in conformity with the requirements of professional standards? (AR Sec. 100.12)	C401	_____	_____	_____	_____
Departures from the basis of accounting used? (AR Sec. 100.16-.18 and .40-.42)	C402	_____	_____	_____	_____
Coverage of all periods for which financial statements are presented? (AR Sec. 200.02)	C403	_____	_____	_____	_____
Disclosure of the basis of accounting for financial statements presented in conformity with a comprehensive basis of accounting other than GAAP if the financial statements do not disclose this information? (AR Secs. 100.17 and 9100.41-.45)	C404	_____	_____	_____	_____
The degree of responsibility, if any, the accountant is taking with respect to supplementary information accompanying the basic financial statements? (AR Sec. 100.44)	C405	_____	_____	_____	_____
Reference to the accountant's compilation report on each page of the financial statements? (AR Sec. 100.13)	C406	_____	_____	_____	_____
All other respects?	C407	_____	_____	_____	_____
Financial Statements					
General					
Are the financial statements suitably titled? (AR Sec. 9100.42)	C408	_____	_____	_____	_____
Do the financial statements appear to be appropriate in form and free of material error? (AR Sec. 100.10)	C409	_____	_____	_____	_____
Is the accounting appropriate for accounting changes? (AC Sec. A06)	C411	_____	_____	_____	_____
Are all majority-owned subsidiaries consolidated in the financial statements, unless consolidation is specifically not required by professional standards? (AC Sec. C51.102)	C414	_____	_____	_____	_____
If an individual or entity controls a group of related entities, did the accountant consider whether combined financial statements may be more meaningful? (AC Sec. C51.121 and .122)	C415	_____	_____	_____	_____
For derivative instruments and hedging activities, have the applicable accounting and disclosure provisions of FAS No. 133, as amended, been complied with? (AC Sec. D50)	C416	_____	_____	_____	_____
Effective June 30, 2000, for companies that have not adopted FAS No. 133 for derivative financial instruments and hedging activities, the company must adopt FAS No. 138 concurrently with FAS No. 133. Therefore, in conjunction with the adoption of FAS No. 133, have derivative financial instruments and hedging activities been properly					

* The N/A column should be used when the item either does not exist or is not material.

** All "No" answers must be explained on the pages provided at the end of this checklist.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
accounted for and disclosed in accordance with FAS No. 138, <i>Accounting for Certain Derivative Instruments and Certain Hedging Activities (an amendment of FASB Statement No. 133)</i> ?	C417	___	___	___	___
Are foreign currency transactions and translation of financial statements denominated in a foreign currency properly accounted for and disclosed? (AC Sec. F60)	C418	___	___	___	___
Are insurance and reinsurance contracts that do not transfer insurance risk properly accounted and disclosed under SOP 98-7? (TPA Sec. 10,760)	C419	___	___	___	___
Are nonmonetary transactions properly accounted for? (AC Secs. C11.102 and N35)	C425	___	___	___	___
Are loss contingencies accrued, as appropriate? (AC Sec. C59)	C426	___	___	___	___
Are the financial statements adjusted for significant subsequent events? (AC Sec. C59.105 and .112)	C428	___	___	___	___
Are the financial statements adjusted where appropriate regarding the entity's ability to continue as a going concern? (AR Sec. 100.40, fn 18 and AU Sec. 341.10 and .11)	C429	___	___	___	___
Are defined benefit pension plans properly accounted for? (AC Sec. P16.150)	C430	___	___	___	___
Are all other pension plans properly accounted for? (AC Sec. P16)	C431	___	___	___	___
Have postemployment and postretirement benefits, other than pensions, been properly accounted for? (AC Secs. P32 and P40)	C432	___	___	___	___
Are adjustments of financial statements for prior periods appropriate? (AC Sec. A35)	C437	___	___	___	___
If a quasi-reorganization or corporate readjustment has occurred, has the proper accounting been applied and is the new retained earnings account dated? (AC Sec. Q15)	C438	___	___	___	___
Have transfers of assets to a not-for-profit organization or charitable trust that raises or holds contributions for others been properly accounted for in accordance with FAS No. 136?	C439	___	___	___	___
For financial statements with years ending after December 15, 1999, have defined contribution pension plans been properly accounted for in accordance with SOP 99-3 (TPA Sec. 10,790)?	C440	___	___	___	___

Balance Sheet

Is the presentation and accounting appropriate regarding:

Segregation of assets and liabilities, if applicable, into current and noncurrent classifications? (AC Sec. B05)

C441 ___ ___ ___ ___

Valuation allowances? (AC Sec. V18)

C442 ___ ___ ___ ___

Classification of debt and equity securities as held-to-maturity (debt securities only), trading, or available-for-sale, and presentation of unrealized holding gains and losses on available-for-sale securities in a separate component of shareholders' equity? (AC Sec. I80.103-.110)

C443 ___ ___ ___ ___

Effect of troubled debt restructuring? (AC Sec. D22)

C445 ___ ___ ___ ___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Operating and capital leases? (AC Sec. L10)	C451	___	___	___	___
Other assets, including deferred charges?	C452	___	___	___	___
Presentation of notes payable and other debt?	C457	___	___	___	___
Other liabilities, including compensation for future absences? (AC Sec. C44.104–.108, SOP 96-1, Ch. 7 [TPA Sec. 10,680])	C463	___	___	___	___
Treasury stock? (AC Sec. C23)	C465	___	___	___	___
Income Statement					
Are the important components of the income statement separately stated?	C471	___	___	___	___
Are the presentation and accounting appropriate regarding:					
Method of income recognition; for example, long-term contracts and real estate transactions? (AC Secs. R10, Co4, Co5 and FAS Inter. No. 43)	C472	___	___	___	___
Realized gains and losses and unrealized holding gains and losses for changes in fair value and transfers between categories of investments and losses presented? (AC Sec. I80)	C473	___	___	___	___
Application of the equity method? (AC Sec. I82.109)	C474	___	___	___	___
Depreciation? (AC Sec. D40)	C482	___	___	___	___
For goodwill or other intangible assets acquired before July 1, 2001 (except for not-for-profit organizations and mutual enterprises), effective for fiscal years beginning after December 15, 2001, does the company's accounting and reporting comply with FASB Statement No. 142, <i>Goodwill and Other Intangible Assets</i> ?	C483	___	___	___	___
For goodwill or other intangible assets acquired after June 30, 2001 (except for not-for-profit organizations and mutual enterprises), does the company apply the amortization and non-amortization requirements of FASB Statement No. 142, <i>Goodwill and Other Intangible Assets</i> ?	C484	___	___	___	___
Deferred compensation agreements? (AC Sec. C38)	C485	___	___	___	___
Provisions for income taxes? (AC Sec. I27)	C489	___	___	___	___
Discontinued operations? (AC Sec. I13)	C494	___	___	___	___
Extraordinary items? (AC Sec. I17)	C495	___	___	___	___
Unusual or infrequent items, but not both? (AC Sec. I22)	C496	___	___	___	___
If the enterprise has both net income and other comprehensive income, are total comprehensive income and the components of other comprehensive income displayed appropriately in the financial statements? (AC Sec. C49.108–.120)	C497	___	___	___	___
Statement of Cash Flows					
Is a statement of cash flows presented for each period for which results of operations are provided? (AC Sec. C25.101)	C498	___	___	___	___
Does it properly report cash provided or used by investing, financing, and operating activities? (AC Sec. C25.112–.124)	C499	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Does it report the net effect of cash flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents, and do the amounts of cash and cash equivalents agree with the amounts on the balance sheet? (AC Sec. C25.124)	C500	_____	_____	_____	_____
Does it provide a reconciliation between net income and net cash flow from operating activities? (AC Sec. C25.127)	C501	_____	_____	_____	_____
Are cash equivalents limited to short-term, highly liquid investments that are both readily convertible to known amounts of cash and of an original maturity of three months or less? (AC Sec. C25.106–.108)	C504	_____	_____	_____	_____
Are the components of the cash flow statements shown at “gross” and not “net” amounts? (AC Sec. C25.109–.111A)	C505	_____	_____	_____	_____
Are cash flows from purchases, sales, and maturities of available-for-sale securities and held-to-maturity securities classified as cash flows from investing activities and reported gross for each security classification and are cash flows from purchases, sales, and maturities of trading securities classified as cash flows from operating activities? (AC Sec. I80.117)	C506	_____	_____	_____	_____
Other					
If the industry in which the client is operating is covered by an AICPA audit and accounting guide, are the format and statements consistent with the guide?	C507	_____	_____	_____	_____
If the statements include only a few disclosures in the form of notes, are they labeled as “Selected Information—Substantially All Disclosures Required By Generally Accepted Accounting Principles Are Not Included,” as required by SSARS? (AR Sec. 100.16)	C509	_____	_____	_____	_____

**V. QUESTIONS FOR USE ON COMPILATION ENGAGEMENTS PERFORMED
UNDER SSARS NO. 8 WHERE NO REPORT IS ISSUED.**

Effective for financial statements submitted after December 31, 2000, the Accounting and Review Services Committee issued SSARS No. 8, *Amendment to Statement on Standards for Accounting and Review Services No. 1, "Compilation and Review of Financial Statements."* SSARS No. 8 amends SSARS No. 1, *Compilation and Review of Financial Statements*, to create new options for accountants when performing compilation engagements in which financial statements are not expected to be used by a third party.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Does the documentation of the understanding include the following descriptions or statements (AR Sec. 100.21):					
The nature and limitations of the services to be performed?	C510	___	___	___	___
A compilation is limited to presenting in the form of financial statements information that is the representation of management?	C511	___	___	___	___
The financial statements will not be audited or reviewed?	C512	___	___	___	___
No opinion or any other form of assurance on the financial statements will be provided?	C513	___	___	___	___
Management has knowledge about the nature of the procedures applied and the basis of accounting and assumptions used in the preparation of the financial statements?	C514	___	___	___	___
Acknowledgment of management's representation and agreement that the financial statements are not to be used by third parties?	C515	___	___	___	___
The engagement cannot be relied upon to disclose errors, fraud, or illegal acts?	C516	___	___	___	___
Did the documentation of the understanding of the engagement performed under SSARS No. 8 where no report was issued address the following additional matters if applicable (AR Sec. 100.21):					
Material departures from GAAP or OCBOA may exist and the effects of those departures, if any, on the financial statements may not be disclosed?	C517	___	___	___	___
Substantially all disclosures (and statement of cash flows, if applicable) required by GAAP or OCBOA may be omitted?	C518	___	___	___	___
Lack of independence?	C519	___	___	___	___
A reference to supplementary information?	C520	___	___	___	___
Did the accountant include a reference on each page of the financial statements restricting their use such as "Restricted for Management's Use Only," or "Solely for the information and use by the management of [name of entity] and not intended to be and should not be used by any other party" (AR Sec. 100.22)	C521	___	___	___	___

VI. EXPLANATION OF "NO" ANSWERS AND OTHER COMMENTS

The following pages are provided for your comments on all "no" answers for which an MFC form was not generated or to expand upon any of the "yes" answers. All "no" answers must be thoroughly explained and reviewed with the engagement owner.

<i>Page Number</i>	<i>Question Number</i>	<i>Explanatory Comments</i>	<i>Disposition of Comments*</i>
------------------------	----------------------------	-----------------------------	-------------------------------------

SEC
PRACTICE
SECTION

* The nature of the disposition of comments may vary, such as:

- Note "resolved" and the manner of resolution.
- Note "not significant" to indicate a "no" answer is appropriate, but that the manner is not significant enough to warrant the preparation of an MFC form.

*Page
Number*

*Question
Number*

Explanatory Comments

*Disposition
of Comments*

SEC
PRACTICE
SECTION

Note: Attach additional sheets if required.

VII. CONCLUSIONS

EXPLAIN BELOW THE REASONS FOR ANY "YES" ANSWERS. BE SPECIFIC.

Based on the work performed, did anything come to your attention that caused you to believe that:

- The firm did not perform the engagement in all material respects in accordance with Statements on Standards for Accounting and Review Services? (ET Sec. 202) YES* NO
- The financial statements for a compilation engagement where a report was issued, did not conform with generally accepted accounting principles (or where applicable, a comprehensive basis of accounting other than GAAP) in all material respects and the compilation report was not appropriately modified (ET Sec. 203) or for a compilation engagement where **no** report was issued, the accountant did not include a reference on each page of the financial statements restricting their use such as "Restricted for Management's use only"? (ET Sec. 202) YES* NO
- The compilation report (engagement letter if no report was issued) was not appropriate in the circumstances? YES* NO
- If engagement deficiencies were noted, was there an indication that:
 - The firm did not comply with its policies and procedures on this engagement in all material respects? YES* NO
 - The firm's policies and procedures are not appropriately designed with respect to this engagement? YES* NO

[The next page is 20,301.]

* If this question is answered "yes," see additional guidance contained in Section 3100.51–.53 of the *Standards for Performing and Reporting on Peer Reviews* in the AICPA *Peer Review Program Manual* or Section 2000.83–.89 in the *SEC Practice Section Reference Manual*.

PRM
20300

General Review
Engagement

Section 20,300

General Review Engagement Checklist



Engagement Code No. _____ Office _____
 Owner/Partner _____ Date of Financial Statements* _____
 Manager _____ Date of Report _____
 Senior _____ Date Report Released _____

This engagement involves reporting on a (an):

- independent entity subsidiary, division or branch
- consolidated or combined group other (explain)

The financial statements cover an (annual) (interim) reporting period and (do) (do not) include supplemental information.

Date that the fee for the prior engagement was paid _____

Key data reported on by this office for this engagement:

Total assets \$ _____
 Equity \$ _____
 Net sales \$ _____
 Net income \$ _____

Major line of business: _____

Complex or troublesome engagement areas: _____

Review hours on this engagement:

Owner _____
 Manager (or equivalent) _____
 Senior/other professionals _____
 Total this office _____
 Total budgeted _____

Personnel Continuity:

<i>Owner or Partner</i>	<i>Manager or equivalent</i>
---------------------------------	--------------------------------------

Number of years assigned to this job _____
 Number of years in current position on the job _____

Date Engagement Review Performed _____

Date Checklist Reviewed by Team Captain _____

Reviewer _____

Signature _____

* To determine the applicability of all cross-referenced pronouncements, consider their effective dates.

General Review Engagement Checklist

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Note: This checklist has been updated through SSARS No. 8, FAS No. 142, FASB Interpretation No. 44, and SOP 01-3 and SQCS No. 5.

Explanation of References:

AC	Reference to section number in FASB <i>Accounting Standards Current Text</i>
AR	Reference to section number in AICPA <i>Professional Standards</i> (vol. 2)
AU	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
EITF	Emerging Issues Task Force pronouncement
ET	<i>Code of Professional Conduct</i> in AICPA <i>Professional Standards</i> (vol. 2)
FAS	Reference to Financial Accounting Standards Board pronouncement
QC	Quality Control Standards in AICPA <i>Professional Standards</i> (vol. 2)
SOP	AICPA Statement of Position [included in the AICPA <i>Technical Practice Aids</i> (TPA)]

I. REPORT AND FINANCIAL STATEMENTS

Note: This is a highly summarized checklist. Reviewers may wish to consult the professional standards cited for detailed information about the requirements. All "no" answers must be thoroughly explained.

- If the firm has used its own report and financial statement disclosure checklist on this engagement, it may be reviewed in lieu of completing this checklist provided the reviewer has determined that the firm's checklist is current, comprehensive, and appropriate for the engagement. If the firm's checklist is used, please provide a copy in lieu of this checklist.**

SECTION	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Accountants' Report					
Does the accountant's report contain all of the elements required by professional standards and appropriate language for the following:					
Dating of the report in conformity with the requirements of professional standards? (AR Sec. 100.34)	R101	_____	_____	_____	_____
Departures from the basis of accounting used? (AR Sec. 100.40-.42)	R102	_____	_____	_____	_____
Coverage of all periods for which financial statements are presented? (AR Sec. 200.02)	R103	_____	_____	_____	_____
Disclosure of the basis of accounting for financial statements presented in conformity with a comprehensive basis of accounting other than GAAP if the financial statements do not disclose this information? (AR Sec. 9100.01 and .02)	R104	_____	_____	_____	_____
The degree of responsibility, if any, the accountant is taking with respect to supplementary information accompanying the basic financial statements? (AR Sec. 100.44, for CIRAs, see SOP 93-5 [TPA Sec. 11,270] and the Supplemental CIRA Checklist)	R105	_____	_____	_____	_____
Reference to the accountant's review report on each page of the financial statements? (AR Sec. 100.35)	R106	_____	_____	_____	_____
All other respects? (AR Sec. 100.40-.44)	R107	_____	_____	_____	_____

Financial Statements and Notes

General

Are the financial statements suitably titled? (AR Sec. 9100.42-.43; AU Sec. 623.07 and .24)	R108	_____	_____	_____	_____
Is the accounting appropriate and are the disclosures adequate regarding:					
Significant accounting policies? [AC Sec. A10.105-.108; for an other comprehensive basis of accounting (OCBOA) AU Sec. 623.02-.04]	R109	_____	_____	_____	_____
Accounting changes? (AC Sec. A06)	R110	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Comparative financial statements? (AC Sec. F43)	R111	_____	_____	_____	_____
Business combinations? (AC Sec. B50)	R112	_____	_____	_____	_____
For business combinations initiated after June 30, 2001 or for those accounted for using the purchase method on or after July 1, 2001, except for not-for-profit organizations and mutual enterprises, did acquirer,					
Account for the transaction as purchase as required by FASB Statement No. 141, <i>Business Combinations</i> ? (pars. 13 and 14)	R113	_____	_____	_____	_____
Recognize an intangible asset, separate from goodwill if it arises from contractual or other legal rights? (par. 39)	R114	_____	_____	_____	_____
If an intangible asset does not arise from contractual or other legal rights, recognize a separate intangible asset, apart from goodwill, if the intangible asset is capable of being divided from the acquired entity and sold, transferred, licensed, rented, or exchanged either separately or in combination with a related contract, asset, or liability? (par. 39)	R115	_____	_____	_____	_____
Recognize goodwill for the excess of the cost over the net amounts assigned to assets acquired and liabilities assumed, other than amounts assigned to separable intangible assets? (par. 43)	R116	_____	_____	_____	_____
Reduce the amounts that otherwise would have been assigned to all of the acquired assets on a pro rata basis, if the fair value of the acquired net assets exceeds acquisition cost? (pars. 44 and 45)	R117	_____	_____	_____	_____
Recognize an extraordinary gain in the acquisition period, if any excess remains after reducing the acquired assets? (pars. 44 and 45)	R118	_____	_____	_____	_____
Document the basis for and method of determining the purchase price of the acquired entity? (par. 50)	R119	_____	_____	_____	_____
Include all required financial statement disclosures? (pars. 51–58)	R120	_____	_____	_____	_____
Are all majority-owned subsidiaries consolidated in the financial statements, unless consolidation is specifically not required by professional standards? (AC Sec. C51.102 and .103)	R121	_____	_____	_____	_____
If an individual or entity controls a group of related entities, did the accountant consider whether combined financial statements may be more meaningful? (AC Sec. C51.121 and .122)	R122	_____	_____	_____	_____
For financial instruments, is information about concentrations of credit risk and fair value (including the methods and significant assumptions used to estimate fair value) disclosed? (AC Sec. F25.105G, .115A–.115K and .116A–.116D)	R123	_____	_____	_____	_____
Exemption from certain required disclosures about financial instruments for certain non-public entities? (AC Sec. F25.105J –.105L)	R124	_____	_____	_____	_____
For derivative instruments and hedging activities, have the applicable accounting and disclosure provisions of FAS No. 133, as amended by FAS No. 138, been complied with? (AC Secs. F25 and D50)	R125	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Effective for fiscal years beginning after June 15, 2000, for companies that have not adopted FAS No. 133 for derivative financial instruments and hedging activities, the company must adopt FAS No. 138 concurrently with FAS No. 133. Therefore, in conjunction with the adoption of FAS No. 133, have derivative financial instruments and hedging activities been properly accounted for and disclosed in accordance with FAS No. 138, <i>Accounting for Certain Derivative Instruments and Certain Hedging Activities (an amendment of FASB Statement No. 133)</i> ? (AC Sec. D50)	R126	_____	_____	_____	_____
Have transfers of assets to a not-for-profit organization or charitable trust that raises or holds contributions for others been properly accounted for and disclosed? (AC Sec. No.5.176 and .177)	R127	_____	_____	_____	_____
Are required disclosures made concerning related-party transactions? (AC Sec. R36)	R128	_____	_____	_____	_____
Are required disclosures about risks and uncertainties made regarding the nature of operations, the use of estimates, certain significant estimates, and current vulnerabilities due to certain concentrations? (SOP 94-6 [TPA Sec. 10,640])	R129	_____	_____	_____	_____
Are insurance and reinsurance contracts that do not transfer insurance risk properly accounted and disclosed under SOP 98-7? (TPA Sec. 10,760)	R130	_____	_____	_____	_____
Are foreign currency transactions and translation of financial statements denominated in a foreign currency properly accounted for and disclosed? (AC Sec. F60)	R131	_____	_____	_____	_____
Are foreign operations and export sales adequately disclosed? (AC Sec. F65)	R132	_____	_____	_____	_____
Are nonmonetary transactions properly accounted for and disclosed? (AC Sec. N35)	R133	_____	_____	_____	_____
With respect to contingencies and commitments:					
Are loss contingencies accrued and/or disclosed as appropriate? (AC Sec. C59.104-.116, and .120)	R134	_____	_____	_____	_____
Are other contingencies and commitments adequately disclosed, including environmental remediation related matters? (AC Secs. C32.102-.105 and C59.118-.120 and SOP 96-1, pars. .142-.173 [TPA Sec. 10,680.142-.173])	R135	_____	_____	_____	_____
Are the financial statements adjusted, where appropriate, for the effect of subsequent events and do they include disclosure of significant subsequent events, whether or not adjustments were made? (AC Sec. C59.105-.115)	R136	_____	_____	_____	_____
Are the financial statements adjusted, where appropriate, and do they disclose uncertainties regarding the entity's ability to continue as a going concern? (AR Sec. 100.41 fn 19 and AU Sec. 341.10 and .11)	R137	_____	_____	_____	_____
Are defined benefit pension plans properly accounted for and disclosed? (AC Sec. P16.150, .150A, .153A, .166, .167 and .187)	R138	_____	_____	_____	_____
Have defined contribution pension plans been properly accounted for and disclosed in accordance with SOP 99-3? (TPA Sec. 10,790)	R139	_____	_____	_____	_____
Are all other pension plans properly accounted for and disclosed? (AC Sec. P16)	R140	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Are post-retirement benefit plans other than pensions properly accounted for and disclosed? (AC Sec. P40.169, .169A, .172, .173, .178, and .179)	R141	_____	_____	_____	_____
Have postemployment benefits (after employment but before retirement) been properly accounted for and disclosed? (AC Secs. P32 and P40)	R142	_____	_____	_____	_____
If the entity is or has been a "development stage enterprise," are adequate disclosures made? (AC Sec. De4.105-.109)	R143	_____	_____	_____	_____
Do the financial statements, where required, include appropriate disclosures of employee stock ownership plans (ESOPs)? (SOP 93-6 [TPA Sec. 10,580])	R144	_____	_____	_____	_____
Are adjustments of financial statements for prior periods appropriate? (AC Sec. A35)	R145	_____	_____	_____	_____
If a quasi-reorganization or corporate readjustment has occurred, has the proper accounting been applied and is the new retained earnings account dated? (AC Sec. Q15)	R146	_____	_____	_____	_____

Balance Sheet

Is the accounting appropriate and are the disclosures adequate regarding:

Segregation of assets and liabilities, if applicable, into current and noncurrent classifications? (AC Sec. B05)

R147 _____

Valuation allowances? (AC Sec. V18)

R148 _____

Restricted cash, including compensating balances? (AC Secs. B05.107 and C59.120)

R149 _____

Classification of debt and equity securities as held-to-maturity (debt securities only), trading, or available-for-sale, and presentation of unrealized holding gains and losses on available-for-sale securities in a separate component of shareholders' equity? (AC Sec. I80.103-.110)

R150 _____

Accounts and Notes Receivable:

Loans and related origination fees? (AC Sec. L20.104-.106 and .120)

R151 _____

Effect of interest rates that do not reflect market rates? (AC Sec. I69.109)

R152 _____

Effects of troubled debt restructurings? (AC Secs. D22.121, .136, .137 and I08)

R153 _____

Other receivables?

R154 _____

Are the recorded investments in loans for which impairment has been recognized, the total allowance for credit losses related to those impaired loans, the activity in the allowance for credit losses account, and creditor's income recognition policy disclosed? (AC Sec. I08.118)

R155 _____

Inventories? (AC Secs. B05.105 and I78)

R156 _____

Investments accounted for under the equity method? (AC Secs. I82.109 and .110)

R157 _____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Property and equipment, including accounting for the impairment of long-lived assets to be held and long-lived assets to be disposed of, assets of discontinued operations, and capitalized interest? (AC Secs. D40.105, I08.122-.138, I13.108, and I67)	R158	___	___	___	___
Sales-type, direct financing, leveraged, and operating leases of lessors? (AC Secs. L10.119 and .143-.149)	R159	___	___	___	___
Other assets, including intangible assets, unamortized computer software costs, deferred tax assets, and deferred charges, and their impairment, if applicable? (AC Secs. I08, I27.140, I60, Co2.102-.111, and I27.140-.142; SOP 98-1 [TPA Sec. 10,720])	R160	___	___	___	___
For goodwill or other intangible assets acquired before July 1, 2001 (except for not-for-profit organizations and mutual enterprises), effective for fiscal years beginning after December 15, 2001, does the company's accounting and reporting comply with FASB Statement No. 142, <i>Goodwill and Other Intangible Assets</i> ?	R161	___	___	___	___
For goodwill or other intangible assets acquired after June 30, 2001 (except for not-for-profit organizations and mutual enterprises), does the company apply the amortization and non-amortization requirements of FASB Statement No. 142, <i>Goodwill and Other Intangible Assets</i> ?	R162	___	___	___	___
Pledged assets? (AC Sec. C59.120)	R163	___	___	___	___
Related assets and liabilities? [These may be offset in the balance sheet only when all of the following conditions are met: (1) each party owes the other determinable amounts, (2) the reporting party has the right to set off, (3) the reporting party intends to set off, and (4) the right to set off is enforceable at law.] (AC Sec. B10)	R164	___	___	___	___
Current liabilities? (AC Sec. B05.108, .109, .109A, and .118)	R165	___	___	___	___
Short-term liabilities expected to be refinanced? (AC Sec. B05.110-.118, .138, and .139)	R166	___	___	___	___
Notes payable and other debt:					
Maturities, rates, and sinking fund requirements for the next five years? (AC Sec. C32.104 and .105)	R167	___	___	___	___
Other terms and covenants? (AC Sec. C59.120 and SOP 97-1 [TPA Sec. 10,690])	R168	___	___	___	___
Effect of interest rates that do not reflect market rates? (AC Sec. I69)	R169	___	___	___	___
Effect of troubled debt restructurings? (AC Sec. D22.121 and .122)	R170	___	___	___	___
Effect of early extinguishment of debt? (AC Sec. I17.104)	R171	___	___	___	___
Capital leases of lessees? (AC Sec. L10.106, .107, and .112)	R172	___	___	___	___
Other liabilities and deferred credits, including classification of deferred tax liabilities, employees' compensation for future absences, special termination benefits to employees, and deferred revenue? (AC Secs. C44.104 and .108, I27.140 and SOP 96-1, Chs. 5-7 [TPA Sec. 10,680])	R173	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Capital stock (number of shares authorized, issued and outstanding, par or stated value per share, rights and preferences of various classes)? (AC Secs. C16 and C24)	R174	___	___	___	___
Treasury stock? (AC Sec. C23)	R175	___	___	___	___
Stock option and stock purchase plans? (AC Sec. C47)	R176	___	___	___	___
Does the company's accounting for compensatory and noncompensatory stock compensation comply with Interpretation No. 44 with respect to: (C47.147-.237)					
The definition of employee for purposes of applying Opinion No. 25?	R177	___	___	___	___
The criteria for determining whether a plan qualifies as a non-compensatory plan?	R178	___	___	___	___
The accounting consequence of various modifications to the terms of a previously fixed stock option or award? and	R179	___	___	___	___
The accounting for an exchange of stock compensation awards in a business combination?	R180	___	___	___	___
Stock subscriptions receivable? (EITF 85-1)	R181	___	___	___	___
Retained earnings, including appropriations thereof and restrictions on dividends? (AC Secs. C59.120 and R70.103)	R182	___	___	___	___
Changes in stockholders' equity? (AC Secs. C08.102, .102A; A35.103, .105-.107 and C49.106-.108)	R183	___	___	___	___
Redemption requirements on capital stock for the next five years? (AC Secs. C24.106 and C32.105; for redemption requirements outside of the issuer's control, e.g., mandatory redeemable preferred stock, TPA Sec. 4110.08)	R184	___	___	___	___
Income Statement					
Are the important components of the income statement separately disclosed?	R185	___	___	___	___
Is the accounting appropriate and are the disclosures adequate regarding:					
Method of income recognition, where appropriate; for example: long-term contracts and real estate transactions? (AC Secs. R10, Co4.110, Co5, and FAS Inter. No. 43)	R186	___	___	___	___
Realized gains and losses and unrealized holding gains and losses for changes in fair value transfers between categories of investments and losses? (AC Sec. I80)	R187	___	___	___	___
Application of the equity method? (AC Sec. I82.109)	R188	___	___	___	___
Advertising costs? (SOP 93-7 [TPA Sec. 10,590])	R189	___	___	___	___
Research and development costs? (AC Sec. R50)	R190	___	___	___	___
Costs of start-up activities? (SOP 98-5 [TPA Sec. 10,750])	R191	___	___	___	___
Computer software costs? (AC Sec. Co2.110 and SOP 98-1 [TPA Sec. 10,720])	R192	___	___	___	___
Capitalization of interest costs? (AC Sec. I67)	R193	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Discount or premium on notes receivable or payable? (AC Sec. I69.108 and .109)	R194	___	___	___	___
Recognition of impairment of long-lived assets? (AC Sec. I08.122-.138)	R195	___	___	___	___
For goodwill or other intangible assets acquired before July 1, 2001 (except for not-for-profit organizations and mutual enterprises), effective for fiscal years beginning after December 15, 2001, does the company's accounting and reporting comply with FASB Statement No. 142, <i>Goodwill and Other Intangible Assets</i> ?	R196	___	___	___	___
For goodwill or other intangible assets acquired after June 30, 2001(except for not-for-profit organizations and mutual enterprises), does the company apply the amortization and non-amortization requirements of FASB Statement No. 142, <i>Goodwill and Other Intangible Assets</i> ?	R197	___	___	___	___
Depreciation? (AC Sec. D40)	R198	___	___	___	___
Compensatory stock issuance plans? (AC Sec. C47)	R199	___	___	___	___
Deferred compensation agreements? (AC Sec. C38)	R200	___	___	___	___
Sales transactions in which the buyer has a right to return the product? (AC Sec. R75.107-.109)	R201	___	___	___	___
Product financing arrangements? (AC Sec. D18.106 and .107)	R202	___	___	___	___
Operating leases and rent expense of lessees? (AC Sec. L10.111 and .112)	R203	___	___	___	___
Software revenue recognition? (SOP 97-2 [TPA Sec. 10,700], SOP 98-1 [TPA Sec. 10,720], SOP 98-4 [TPA Sec. 10,740], and SOP 98-9 [TPA Sec. 10,770])	R204	___	___	___	___
Income Taxes:					
The types of temporary differences and carryforwards that cause significant portions of a deferred tax liability or asset? (AC Sec. I27.140-.143)	R205	___	___	___	___
Significant components of income tax expense, including the current tax expense or benefit, deferred tax expense or benefit, investment tax credits, government grants that reduce income tax expense, the benefits of operating loss carryforwards, and adjustments due to changes in tax laws, rates, and tax status? (AC Secs. I27.144 and C49.118-.119)	R206	___	___	___	___
Components of the net deferred tax liability or asset including, if present, the total of all deferred tax liabilities, total of all deferred tax assets, the total valuation allowance, and the net change in the valuation allowance? (AC Sec. I27.142 and .143)	R207	___	___	___	___
Significant reconciling items between GAAP income tax expense or benefit attributable to continuing operations and the amount of income tax expense that would result from applying the federal statutory rates to pre-tax income or loss from continuing operations? (A nonpublic company needs to disclose the nature of such items; a public company also needs to include a reconciliation using percents or amounts) (AC Sec. I27.146)	R208	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Amounts and expiration dates of operating loss and tax credit carryforwards for tax purposes? (AC Sec. I27.147)	R209	___	___	___	___
Discontinued operations? (AC Sec. I13)	R210	___	___	___	___
Extraordinary items? (AC Sec. I17)	R211	___	___	___	___
Unusual or infrequent items, but not both? (AC Sec. I22)	R212	___	___	___	___
If the enterprise has both net income and other comprehensive income, are total comprehensive income and the components of other comprehensive income displayed appropriately in the financial statements? (AC Sec. C49.108-.120)	R213	___	___	___	___

Statement of Cash Flows

Is a statement of cash flows presented for each period for which results of operations are provided? (AC Sec. C25.101)	R214	___	___	___	___
Does it properly report cash provided or used by investing, financing and operating activities? (AC Sec. C25.112-.124)	R215	___	___	___	___
Does it report the net effect of cash flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents, and do the amounts of cash and cash equivalents agree with the amounts on the balance sheet? (AC Sec. C25.124)	R216	___	___	___	___
Does it provide a reconciliation between net income and net cash flow from operating activities? (AC Sec. C25.127)	R217	___	___	___	___
Are noncash investing and financing activities disclosed? (AC Sec. C25.134)	R218	___	___	___	___
If the indirect method of reporting net cash flows from operating activities was used, were the amounts of interest and income taxes paid disclosed? (AC Sec. C25.127)	R219	___	___	___	___
Are cash equivalents limited to short-term, highly liquid investments that are both readily convertible to known amounts of cash and an original maturity of three months or less, and is the enterprise's policy for determining which items are treated as cash equivalents disclosed? (AC Sec. C25.106-.108)	R220	___	___	___	___
Are the components of the cash flow statement shown at "gross" and not "net" amounts? (AC Sec. C25.109-.111A)	R221	___	___	___	___
Are cash flows from purchases, sales, and maturities of available-for-sale securities and held-to-maturity securities classified as cash flows from investing activities and reported gross for each security classification and are cash flows from purchases, sales, and maturities of trading securities classified as cash flows from operating activities? (AC Sec. I80.117)	R222	___	___	___	___

Other

If the industry in which the client is operating is covered by an AICPA audit and accounting guide, are the format, statements, and disclosures consistent with the guide?	R223	___	___	___	___
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Summary

Does it appear that disclosures in the financial statements are reasonably adequate?	R224	___	___	___	___
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II. GENERAL REVIEW PROCEDURES

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Based on inquiry of the accountant or review of engagement files, if any, was an understanding with the client established as to the services to be performed? (Professional standards require the accountant to establish an understanding with the entity, preferably, though not required to be, in writing.) (AR Sec. 100.05)	R225	___	___	___	___
Based on inquiry of the accountant or review of engagement files, if any, did it appear that the accountant possessed a level of knowledge of the accounting principles and practices of the industry in which the entity operates and possessed an understanding of the entity's business? (AR Sec. 100.25-.27)	R226	___	___	___	___
If the engagement was originally intended to be an audit, rather than a review of financial statements, did the accountant consider (AR Sec. 100.45-.50):					
The reason given for the client's request, particularly the implications of a restriction on the scope of the audit, whether imposed by the client or by circumstances?	R227	___	___	___	___
The additional audit effort required to complete the audit?	R228	___	___	___	___
The estimated additional cost to complete the audit?	R229	___	___	___	___
Did the accountant's inquiries and analytical procedures consist of the following (AR Sec. 100.28):					
Inquiries concerning the entity's accounting principles and practices and the methods followed in applying them?	R230	___	___	___	___
Inquiries concerning the entity's procedures for recording, classifying, and summarizing transactions, and accumulating information for disclosure in the financial statements?	R231	___	___	___	___
Analytical procedures designed to identify relationships and individual items that appear to be unusual?	R232	___	___	___	___
Inquiries concerning actions taken at meetings of stockholders, board of directors, committees of the board of directors, or comparable meetings that may affect the financial statements?	R233	___	___	___	___
Reading the financial statements to consider, on the basis of information coming to the accountant's attention, whether the financial statements appear to conform with generally accepted accounting principles?	R234	___	___	___	___
Obtaining reports from other accountants, if any, who have been engaged to audit or review the financial statements of significant components of the reporting entity, its subsidiaries, and other investees?	R235	___	___	___	___

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Inquiries of persons having responsibility for financial and accounting matters concerning (1) whether the financial statements have been prepared in conformity with generally accepted accounting principles consistently applied, (2) changes in the entity's business activities or accounting principles and practices, (3) matters as to which questions have arisen in the course of applying the foregoing procedures, and (4) events subsequent to the date of the financial statements that would have a material effect on the financial statements?	R236	___	___	___	___
If the accountant became aware that information that came to the accountant's attention was incorrect, incomplete, or otherwise unsatisfactory, did the accountant perform additional procedures as deemed necessary to achieve limited assurance that there were no material modifications that should be made to the financial statements in order for the statements to be in conformity with generally accepted accounting principles? (AR Sec. 100.31)	R237	___	___	___	___
Do the accountant's working papers adequately reflect (AR Sec. 100.32): The matters covered in the accountant's inquiry and analytical procedures?	R238	___	___	___	___
Unusual matters that the accountant considered during the performance of the review, including their disposition?	R239	___	___	___	___
Did the accountant obtain a representation letter from members of management whom the accountant believes are responsible for and knowledgeable, directly or through others in the organization, about the matters covered in the representation letter? (AR Sec. 100.29)	R240	___	___	___	___
If any circumstances were encountered by the accountant that precluded the accountant from performing inquiries and analytical procedures as deemed necessary or the client did not provide the accountant with a representation letter (AR Sec. 100.37): Did the accountant consider whether these circumstances should have resulted in an incomplete review?	R241	___	___	___	___
Did the accountant consider whether these same circumstances would also preclude him/her from issuing a compilation report?	R242	___	___	___	___
Do such determinations by the accountant appear to be proper?	R243	___	___	___	___
If there is an indication that the accountant became aware that information supplied by the entity was incorrect, incomplete or otherwise unsatisfactory subsequent to the date of the report, did the accountant consider the guidance in professional standards in determining an appropriate course of action, and does the matter appear to be properly resolved? (AR Sec. 100.43 and AU Sec. 561)	R244	___	___	___	___
If comparative financial statements have been presented and the prior period accountant's report on the prior period financial statements contains a changed reference to a departure from generally accepted accounting principles, does the current report have an explanatory paragraph indicating the date of the previous report, circumstances or events that caused the reference to be changed and, if applicable, that the financial statements of the prior period have been changed? (AR Sec. 200.13-.15)	R245	___	___	___	___

III. FUNCTIONAL AREAS[†]

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Independence, Integrity, and Objectivity (QC Sec. 20.09 and .10)					
If anything has been noted that may indicate a lack of independence, integrity, and objectivity, was the matter identified and appropriately resolved by the firm and its effects appropriately considered? (ET Sec. 101)	R301	___	___	___	___
Was appropriate assurance of independence obtained from other firms engaged to perform segments of the engagement? (AU Sec. 543.10)	R302	___	___	___	___
Were the fees (billed/unbilled) for prior years' services paid prior to issuance of the report for the current engagement? (ET Sec. 191.103 and .104)	R303	___	___	___	___
Personnel Management (QC Sec. 20.11–.13)					
Were scheduling and staffing requirements identified on a timely basis and approved by appropriate personnel?	R304	___	___	___	___
Does it appear engagement personnel (including leased and per diem employees) possessed an appropriate mix of experience or expertise and technical training in relation to the complexity or other requirements of the engagement and the involvement of supervisory personnel?	R305	___	___	___	___
Does it appear that the practitioner in charge of the engagement possessed the following knowledge, skills, and abilities (competencies) to fulfill their responsibilities on the engagement:					
An understanding of the role of the firm's system of quality control and the AICPA's <i>Code of Professional Conduct</i> ?	R306	___	___	___	___
An understanding of the performance, supervision, and reporting aspects of the engagement?	R307	___	___	___	___
An understanding of the applicable accounting, auditing, or attestation professional standards including those standards directly related to the industry in which a client operates?	R308	___	___	___	___
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?	R309	___	___	___	___
Skills that indicate sound professional judgment?	R310	___	___	___	___

[†] The AICPA's *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice* provides guidance on how to develop and implement a system of quality control for a firm's accounting and auditing practice in compliance with the requirements of Statements on Quality Control Standards Nos. 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice* (QC Sec. 20), as amended, 3, *Monitoring a CPA Firm's Accounting and Auditing Practice* (QC Sec. 30), and 5, *The Personnel Management Element of a Firm's System of Quality Control—Competencies Required by a Practitioner-in-Charge of an Attest Engagement* (QC Sec. 40).

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
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?	R311	___	___	___	___
Based on inquiry of the accountant or review of the engagement files, did the personnel (including leased and per diem employees) assigned to this engagement appear to be familiar with the applicable professional pronouncements (FASB, AICPA, etc.)?	R312	___	___	___	___
Does it appear that the practitioner-in-charge of the engagement possessed the knowledge, skills and abilities (competencies) to fulfill his/her responsibilities on the engagement as noted in par. .08 of QC Sec. 40?	R313	___	___	___	___
Acceptance and Continuance of Clients and Engagements (QC Sec. 20.14–.16)					
Based on inquiry of the accountant or review of the engagement files, does it appear that the firm’s guidelines for acceptance and continuance of client relationships, including performing specific engagements for the client, were complied with?	R314	___	___	___	___
Engagement Performance (QC Sec. 20.17–.19)					
Did the owner (or manager) approve the overall engagement plan (including the engagement program) as the final planning step and convey approval or modifications to the engagement staff?	R315	___	___	___	___
Does it appear that involvement by the owner and manager was both adequate and appropriately timed to provide for planning and supervision as the job progressed?	R316	___	___	___	___
Were the firm’s guidelines for engagement performance (such as the form and content of working papers) complied with if the firm has such guidelines?	R317	___	___	___	___
Were any circumstances noted where the firm consulted or should have consulted regarding an engagement matter (i.e., a complex, unusual, or a technical issue) with individuals within the firm, an external party or by researching in applicable professional literature, based on the firm’s policies and procedures or where the complexity or nature of the issue warranted consultation?					
___ No (skip to question R323)					
___ Yes (respond to questions R318 to R322)					
If an individual was consulted (internally or externally), does it appear they were aware of all relevant facts and circumstances?	R318	___	___	___	___
If professional literature was researched, does it appear the research was thorough and the sources consulted were complete, correct and up-to-date?	R319	___	___	___	___
Does it appear the person(s) consulted (internally or externally) and/or the individual(s) performing the research had an appropriate level of knowledge, competence, judgment and (if applicable) authority?	R320	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Based on the facts and circumstances, were the firm's conclusions reasonable and consistent with professional standards?	R321	_____	_____	_____	_____
Is the firm's report, the financial statements, or other information affected by the matter consistent with the results of the consultation?	R322	_____	_____	_____	_____
If the engagement records indicated a difference of opinion between the engagement personnel and/or specialist or other consultant was the difference resolved in accordance with firm policy and was the basis of the resolution appropriately documented?	R323	_____	_____	_____	_____

IV. EXPLANATION OF "NO" ANSWERS AND OTHER COMMENTS

The following pages are provided for your comments on all "no" answers for which an MFC form was not generated or to expand upon any of the "yes" answers. All "no" answers must be thoroughly explained and reviewed with the engagement owner.

<i>Page Number</i>	<i>Question Number</i>	<i>Explanatory Comments</i>	<i>Disposition of Comments*</i>
------------------------	----------------------------	-----------------------------	-------------------------------------

SEC
PRACTICE
SECTION

* The nature of the disposition of comments may vary, such as:

- Note "resolved" and the manner of resolution.
- Note "not significant" to indicate a "no" answer is appropriate, but that the manner is not significant enough to warrant the preparation of an MFC form.

<i>Page Number</i>	<i>Question Number</i>	<i>Explanatory Comments</i>	<i>Disposition of Comments</i>
<p>SEC PRACTICE SECTION</p>			

Note: Attach additional sheets if required.

V. CONCLUSIONS

EXPLAIN BELOW THE REASONS FOR ANY "YES" ANSWERS. BE SPECIFIC.

Based on the work performed, did anything come to your attention that caused you to believe that:

- The firm did not perform the engagement in all material respects in accordance with Statements on Standards for Accounting and Review Services? (ET Sec. 202) YES* NO
- The financial statements did not conform with generally accepted accounting principles (or, where applicable, a comprehensive basis of accounting other than GAAP) in all material respects and the review report was not appropriately modified? (ET Sec. 203) YES* NO
- The review report was not appropriate in the circumstances? YES* NO
- The documentation on this engagement does not evidence compliance with professional standards? YES* NO
- If engagement deficiencies were noted, was there an indication that:
 - a. The firm did not comply with its policies and procedures on this engagement in all material respects? YES* NO
 - b. The firm's policies and procedures are not appropriately designed with respect to this engagement? YES* NO

[The next page is 20,401.]

* If this question is answered "yes," see additional guidance contained in Section 3100.51–.53 of the *Standards for Performing and Reporting on Peer Reviews* in the AICPA *Peer Review Program Manual* or Section 2000.83–.89 in the *SEC Practice Section Reference Manual*.

PRM
20400

General Audit
Engagement

Section 20,400

General Audit Engagement Checklist



ENGAGEMENT PROFILE

Engagement Code No. _____ Office _____
 Owner/Partner _____ Date of Financial Statements* _____
 Manager _____ Date of Report _____
 Concurring Reviewer** _____ Date Report Released _____

Is this an SEC audit client? Yes ___ No ___

Is the client a part of other related groups? Yes ___ No ___

This engagement involves reporting on:

- financial statements (single entity)
- consolidated financial statements
- combined financial statements
- subsidiary, division or branch
- special report
- interim reviews
- reportable conditions—material weaknesses
- other (explain)

Was the work performed at the request of another office? Yes ___ No ___

Date that the fee for the prior year's engagement was paid _____

Key data reported on by this office for this engagement:

Total assets \$ _____
 Equity \$ _____
 Net sales \$ _____
 Net income \$ _____

Major line of business: _____

Complex or troublesome audit areas: _____

List any non-audit (excluding tax) services performed for the client during the period of the financial statements being reported on and through the date of the auditor's report:

Personnel Continuity:

	<i>Owner or Partner</i>	<i>Manager or equivalent</i>
Number of years assigned to this job	_____	_____
Number of years in current position on the job	_____	_____

* To determine the applicability of all cross-referenced pronouncements, consider their effective dates.

** Engagement performance policies and procedures required by paragraph 18 of Statement on Quality Control Standards (SQCS) No. 2 encompass all phases of a firm's policies and procedures for the design and execution of the engagement which include the concurring partner review for SEC engagements.

Audit hours on this engagement:

	<i>Total</i>	<i>Prior to Commencement of Field Work</i>	<i>During Field Work</i>	<i>After Completion of Field Work</i>
Owner or Partner	_____	_____	_____	_____
Manager (or equivalent)	_____	_____	_____	_____
Concurring Reviewer***	_____	_____	_____	_____
Senior/Other Professionals	_____	_____	_____	_____
Total this office	_____	_____	_____	_____

LIST OF KEY AUDIT AREAS SELECTED BY REVIEWER

A reviewer is not required to look at all the working papers for a particular engagement. The depth of the review is based on the reviewer’s judgment; however, the review is directed primarily to the key areas of an engagement, including complex or troublesome areas. Ordinarily, all key audit areas should be reviewed. List below the key areas on this engagement, and if any key areas are not reviewed, indicate the reasons for this omission. In completing this checklist, all questions in Sections I, II, IV, V (if applicable), VI, and VII should be answered in addition to the questions in Section III for the key areas identified, and for commitments and contingencies, income and expenses, and other.

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

Date Engagement Review Performed _____ Date Checklist Reviewed by Team Captain _____

Reviewer _____ Signature _____

*** Not applicable on reviews of non-SEC clients unless required by firm policy.

Checklist for Review of Audit Engagements

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Note: This checklist has been updated through SAS No. 94, FAS No. 142, FASB Interpretation No. 44, SOP 01-03, and ISB Standard No. 3 and SQCS No. 5.

Explanation of References:

AC	Reference to section number in FASB <i>Accounting Standards Current Text</i>
AT	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
AU	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
EITF	Emerging Issues Task Force pronouncement
ET	<i>Code of Professional Conduct</i> in AICPA <i>Professional Standards</i> (vol. 2)
FAS	Financial Accounting Standards Board pronouncement
ISB	Independence Standards Board Standards
QC	Quality Control Standards in AICPA <i>Professional Standards</i> (vol. 2)
SECPS	<i>SEC Practice Section Reference Manual</i> (July 2000, Update No. 12)
SOP	AICPA Statement of Position (included in the AICPA <i>Technical Practice Aids</i> (TPA))
TPA	AICPA <i>Technical Practice Aids</i>

I. REPORT AND FINANCIAL STATEMENTS

Note: This is a highly summarized checklist. Reviewers may wish to consult the professional standards cited for detailed information about the requirements. All “no” answers must be thoroughly explained. If the firm has used its own report and financial statement disclosure checklist on this engagement, it may be reviewed in lieu of completing this checklist provided the reviewer has determined that the firm’s checklist is current, comprehensive, and appropriate for the engagement.

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Auditor’s Report					
Is the report dated in conformity with the requirements of professional standards? (AU Secs. 508.08j, .28 and 530)	A101	_____	_____	_____	_____
Does the report appropriately include the basic elements required under professional standards and is appropriate language used for modifying the report in the circumstances described in such standards? (AU Secs. 508.08–.11 and 623)	A102	_____	_____	_____	_____
Does the report cover all periods for which financial statements are presented? (AU Sec. 508.08 and .65)	A103	_____	_____	_____	_____
If the financial statements of a prior period have been audited by a predecessor auditor whose report is not presented, has the successor auditor included the appropriate reference to the predecessor auditor in the introductory paragraph? (AU Sec. 508.74)	A104	_____	_____	_____	_____
If supplementary information accompanies the basic financial statements, does the auditor describe in the report the degree of responsibility, if any, the auditor is taking? (AU Secs. 551 for accompanying information and 558 “for required supplementary information”)	A105	_____	_____	_____	_____
For special reports, have professional standards been complied with regarding:					
Statements prepared in accordance with a comprehensive basis of accounting other than generally accepted accounting principles? (AU Sec. 623.01–.10)	A106	_____	_____	_____	_____
Specified elements, accounts or items of a financial statement? (AU Sec. 623.11–.18)	A107	_____	_____	_____	_____
Compliance with aspects of agreements or regulatory requirements related to audited financial statements? (AU Sec. 623.19–.21)	A108	_____	_____	_____	_____
Financial presentations to comply with contractual agreements or regulatory provisions? (AU Sec. 623.22–.30)	A109	_____	_____	_____	_____
Financial information in prescribed forms or schedules (AU Sec. 623.32 and .33)	A110	_____	_____	_____	_____
For reports on financial statements of a U.S. entity that have been prepared in conformity with accounting principles generally accepted in another country for use outside the United States, has there been compliance with professional standards? (AU Sec. 534)	A111	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All “no” answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the use of the report has been restricted, is there compliance with the applicable provisions of SAS No. 87? (AU Sec. 532)	A112	___	___	___	___
If the entity has:					
Reported changes resulting from a transaction or event, did the auditor not add a consistency explanatory paragraph to the auditor's report? (AU Sec. 420.08)	A113	___	___	___	___
Had a pooling of interest that was not accounted for retroactively in the comparative financial statements, did the auditor not add a consistency explanatory paragraph to the auditor's report? (AU Sec. 420.09)	A114	___	___	___	___
Had single-year financial statements that reported a pooling of interest that did not disclose combined information for prior year, did the auditor add a consistency explanatory paragraph to the auditor's report? (AU Sec. 420.22)	A115	___	___	___	___
Financial Statements and Notes					
General					
Are the financial statements suitably titled? (AU Sec. 623.07 and .24)	A116	___	___	___	___
Is the accounting appropriate and are the disclosures adequate regarding:					
Significant accounting policies? (AC Sec. A10.105-.108; for OCBOA, AU Secs. 623.09, .10, and 9623.88-.93)	A117	___	___	___	___
Accounting changes? (AC Sec. A06)	A118	___	___	___	___
Comparative financial statements? (AC Sec. F43)	A119	___	___	___	___
Business combinations? (AC Sec. B50)	A120	___	___	___	___
For business combinations initiated after June 30, 2001 or for those accounted for using the purchase method on or after July 1, 2001, except for not-for-profit organizations and mutual enterprises, did acquirer,					
Account for the transaction as purchase as required by FASB Statement No. 141, <i>Business Combinations</i> ? (pars. 13 and 14)	A121	___	___	___	___
Recognize an intangible asset, separate from goodwill if it arises from contractual or other legal rights? (par. 39)	A122	___	___	___	___
If an intangible asset does not arise from contractual or other legal rights, recognize a separate intangible asset, apart from goodwill, if the intangible asset is capable of being divided from the acquired entity and sold, transferred, licensed, rented, or exchanged either separately or in combination with a related contract, asset, or liability? (par. 39)	A123	___	___	___	___
Recognize goodwill for the excess of the cost over the net amounts assigned to assets acquired and liabilities assumed, other than amounts assigned to separable intangible assets? (par. 43)	A124	___	___	___	___
Reduce the amounts that otherwise would have been assigned to all of the acquired assets on a pro rata basis, if the fair value of the acquired net assets exceeds acquisition cost? Recognize an extraordinary gain in the acquisition period, if any excess remains after reducing the acquired assets? (pars. 44 and 45)	A125	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Document the basis for and method of determining the purchase price of the acquired entity? (par. 50)	A126	_____	_____	_____	_____
Include all required financial statement disclosures? (pars. 51–58)	A127	_____	_____	_____	_____
Are all majority-owned subsidiaries consolidated in the financial statements, unless consolidation is specifically not required by professional standards? (AC Sec. C51.102 and .103)	A128	_____	_____	_____	_____
If an individual or entity controls a group of related entities, did the auditor consider whether combined financial statements may be more meaningful? (AC Sec. C51.121 and .122)	A129	_____	_____	_____	_____
For financial instruments, is information about concentrations of credit risk, and if required, about fair value (including the methods and significant assumptions used to estimate fair value) disclosed? (AC Sec. F25.105G, .115A–.115K, and .116A–.116D)	A130	_____	_____	_____	_____
For derivative instruments and hedging activities, is there compliance with the applicable accounting and disclosure provisions of FAS No. 133, as amended by FAS No. 138? (AC Sec. F25 and AC Sec. D50)	A131	_____	_____	_____	_____
Effective for fiscal years beginning after June 15, 2000, for companies that have not adopted FAS No. 133 for derivative financial instruments and hedging activities, the company must adopt FAS No. 138 concurrently with FAS No. 133. Therefore, in conjunction with the adoption of FAS No. 133, have derivative financial instruments and hedging activities been properly accounted for and disclosed in accordance with FAS No. 138, <i>Accounting for Certain Derivative Instruments and Certain Hedging Activities (an amendment of FASB Statement No. 133)</i> ? (AC Sec. D50)	A132	_____	_____	_____	_____
Are transfers of financial assets, the servicing of financial assets and the extinguishment of liabilities properly accounted for and disclosed? (AC Secs. F35 and F39)	A133	_____	_____	_____	_____
The Financial Accounting Standards Board issued FAS No. 140, <i>Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FASB Statement No. 125</i> . FAS No. 140:					
<ul style="list-style-type: none"> • Replaces FAS No. 125; • Revises the guidance concerning accounting for securitizations and other transfers of financial assets and collateral; and • Requires certain disclosures not included in FAS No. 125. 					
With respect to FAS No. 140 accounting and disclosure requirements: (AC Sec. F39)					
Are transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001 properly accounted for and disclosed?	A134	_____	_____	_____	_____
For fiscal years ending after December 15, 2000, has securitization transactions and the recognition and reclassification of collateral been properly accounted for and disclosed?	A135	_____	_____	_____	_____
Are required disclosures made concerning related-party transactions? (AC Sec. R36)	A136	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Are required disclosures about risks and uncertainties made regarding the nature of operations, the use of estimates, certain significant estimates, and current vulnerabilities due to certain concentrations? (SOP 94-6, TPA Sec. 10,640)	A137	___	___	___	___
Are insurance and reinsurance contracts that do not transfer insurance risk properly accounted and disclosed? (AC Sec. 150 and SOP 98-7 [TPA Sec. 10,760])	A138	___	___	___	___
Are foreign currency transactions and translation of financial statements denominated in a foreign currency properly accounted for and disclosed? (AC Sec. F60)	A139	___	___	___	___
Are foreign operations and export sales adequately accounted for? (AC Sec. F65)	A140	___	___	___	___
Are nonmonetary transactions properly accounted for and disclosed? (AC Secs. C11.102 and N35)	A141	___	___	___	___
With respect to contingencies and commitments:					
Are loss contingencies accrued and/or disclosed as appropriate? (AC Sec. C59.104-.116, and. 120)	A142	___	___	___	___
Are other contingencies and commitments adequately disclosed, including environmental remediation-related matters? (AC Secs. C32.102-.105 and C59.116-.120; SOP 96-1, pars. 142-173 [TPA Sec. 10,680.142-.173])	A143	___	___	___	___
Are the financial statements adjusted, where appropriate, for the effect of subsequent events and do they include disclosure of significant subsequent events, whether or not adjustments were made? (AC Sec. C59.105 and .115 and AU Secs. 560.01-.09 and 561)	A144	___	___	___	___
Have defined benefit pension plans been properly accounted for and disclosed? (AC Sec. P16.150, .150A, .153A, .166, .167, and .187)	A145	___	___	___	___
Have other pension plans been properly accounted for and disclosed? (AC Sec. P16)	A146	___	___	___	___
Have postretirement plans other than pensions been properly accounted for and disclosed? (AC Sec. P40.169, .169A, .172, .173, .178, and .179)	A147	___	___	___	___
Have postemployment benefits (after employment, but before retirement) been properly accounted for and disclosed? (AC Secs. P32 and P40)	A148	___	___	___	___
Have defined contribution pension plans been properly accounted for and disclosed in accordance with SOP 99-3 (TPA Sec. 10,790)?	A149	___	___	___	___
If the entity is or has been a "development stage enterprise," are adequate disclosures made? (AC Sec. De4.105-.109)	A150	___	___	___	___
Do the financial statements, where required, include appropriate presentations of employee stock ownership plans (ESOPs)? (SOP 93-6, TPA Sec. 10,580)	A151	___	___	___	___
Are adjustments of financial statements for prior periods appropriate? (AC Sec. A35)	A152	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If a quasi-reorganization or corporate readjustment has occurred, has the proper accounting been applied and is the new retained earnings account dated? (AC Sec. Q15)	A153	___	___	___	___
Balance Sheet					
Is the accounting appropriate and are the disclosures adequate regarding:					
Segregation of assets and liabilities, if applicable, into current and noncurrent classifications? (AC Sec. B05)	A154	___	___	___	___
Valuation allowances? (AC Sec. V18)	A155	___	___	___	___
Restricted cash (e.g., compensating balances)? (AC Secs. B05.107 and C59.120)	A156	___	___	___	___
Classification of debt and equity securities as held-to-maturity (debt securities only), trading, or available-for-sale, and presentation of unrealized holding gains and losses on available-for-sale securities in a separate component of shareholders' equity? (AC Sec. I80.103-.110)	A157	___	___	___	___
Accounts and Notes Receivable:					
Loans and related origination fees? (AC Sec. L20.104-.106 and .120)	A158	___	___	___	___
Effect of interest rates that do not reflect market rates? (AC Sec. I69.109)	A159	___	___	___	___
Effect of troubled debt restructurings? (AC Sec. D22.136 and .137)	A160	___	___	___	___
Other receivables?	A161	___	___	___	___
The recorded investments in loans for which impairment has been recognized, the total allowance for credit losses related to those impaired loans, the activity in the allowance for credit losses account, and the creditor's income recognition policy? (AC Sec. I08.118 and .118A)	A162	___	___	___	___
Inventories? (AC Secs. B05.105 and I78)	A163	___	___	___	___
Investments accounted for under the equity method? (AC Sec. I82.109 and .110)	A164	___	___	___	___
Property and equipment, including accounting for the impairment of long-lived assets to be held and used and for long-lived assets to be disposed of, assets of discontinued operations, investment credit, and capitalized interest? (AC Secs. D40.105, I08.122-.138, I13.108, and I67)	A165	___	___	___	___
Sales-type, direct financing, leveraged, and operating leases of lessors? (AC Sec. L10.119 and .143-.149)	A166	___	___	___	___
Other assets, including intangible assets, unamortized computer software costs, deferred tax assets and deferred charges? Were the appropriate reviews made for the impairment whenever events or changes in circumstances indicated that the carrying amount of the asset may not be recoverable? (AC Secs. I08, I27.140-.143, I60, and Co2.102-.110; SOP 98-1 [TPA Sec. 10,720])	A167	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
For goodwill or other intangible assets acquired before July 1, 2001 (except for not-for-profit organizations and mutual enterprises), effective for fiscal years beginning after December 15, 2001, does the company's accounting and reporting comply with FASB Statement No. 142, <i>Goodwill and Other Intangible Assets</i> ?	A168	___	___	___	___
For goodwill or other intangible assets acquired after June 30, 2001 (except for not-for-profit organizations and mutual enterprises), does the company apply the amortization and non-amortization requirements of FASB Statement No. 142, <i>Goodwill and Other Intangible Assets</i> ?	A169	___	___	___	___
Pledged assets? (AC Sec. C59.120)	A170	___	___	___	___
Related assets and liabilities? [These may be offset in the balance sheet only when all of the following conditions are met: (1) each party owes the other determinable amounts, (2) the reporting party has the right to set off the amount owed with the amount owed by the other party, (3) the reporting party intends to set off, and (4) the right to set off is enforceable at law.] (AC Sec. B10)	A171	___	___	___	___
Current liabilities? (AC Sec. B05.108, .109, .109A, and .118)	A172	___	___	___	___
Short-term liabilities expected to be refinanced? (AC Sec. B05.110-.118, .138, and .139)	A173	___	___	___	___
Notes payable and other debt:					
Maturities and rates? (AC Sec. C32.104 and .105)	A174	___	___	___	___
Other terms and covenants? (AC Sec. C59.120; SOP 97-1, par. 17)	A175	___	___	___	___
Effect of interest rates that do not reflect market rates? (AC Sec. I69)	A176	___	___	___	___
Effect of troubled debt restructurings? (AC Sec. D22.121-.122)	A177	___	___	___	___
Effect of early extinguishment of debt? (AC Sec. I17.104)	A178	___	___	___	___
Maturities and sinking fund requirements for the next five years? (AC Sec. C32.105)	A179	___	___	___	___
Capital leases of lessees? (AC Sec. L10.106, .107, and .112)	A180	___	___	___	___
Other liabilities and deferred credits, including environmental remediation liabilities, classification of deferred tax liabilities, employees' compensation for future absences, special termination benefits to employees and deferred revenue? (AC Secs. C44.104-.108 and I27.140 and SOP 96-1, Chs. 5-7 [TPA Sec. 10,680])	A181	___	___	___	___
Capital stock (number of shares authorized, issued and outstanding, par or stated value per share, rights and preferences of various classes)? (AC Secs. C16 and C24)	A182	___	___	___	___
Treasury stock? (AC Sec. C23)	A183	___	___	___	___
Stock option and stock purchase plans? (AC Sec. C47)	A184	___	___	___	___
Does the company's accounting for compensatory and noncompensatory stock compensation comply with Interpretation No. 44 with respect to (AC Sec. C47.147-.237):					
The definition of employee for purposes of applying Opinion No. 25?	A185	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
The criteria for determining whether a plan qualifies as a non-compensatory plan?	A186	___	___	___	___
The accounting consequence of various modifications to the terms of a previously fixed stock option or award? and	A187	___	___	___	___
The accounting for an exchange of stock compensation awards in a business combination?	A188	___	___	___	___
Stock subscriptions receivable? (EITF 85-1)	A189	___	___	___	___
Retained earnings, including appropriations thereof and restrictions on dividends? (AC Secs. C59.120 and R70.103)	A190	___	___	___	___
Changes in stockholders' equity? (AC Secs. C08.102, .102A; and A35.103, .105 and .107; and C49.106-.108)	A191	___	___	___	___
Redemption requirements on capital stock for the next five years? (AC Secs. C24.106 and C32.105; for redemption requirements outside of the issuer's control, e.g., mandatory redeemable preferred stock, TPA Sec. 4110.08)	A192	___	___	___	___

Income Statement

Are the important components of the income statement separately disclosed?	A193	___	___	___	___
Is the accounting appropriate and are the disclosures adequate regarding:					
Method of income recognition, where appropriate, for example: long-term contracts and real estate transactions? (AC Secs. R10, and Co5)	A194	___	___	___	___
Realized gains and losses and unrealized holding gains and losses for changes in fair value and transfers between categories of investments? (AC Sec. I80)	A195	___	___	___	___
Application of the equity method? (AC Sec. I82.109)	A196	___	___	___	___
Advertising costs? (SOP 93-7 [TPA Sec. 10,590])	A197	___	___	___	___
Research and developmental costs? (AC Sec. R50)	A198	___	___	___	___
Costs of start-up activities? (SOP 98-5 [TPA Sec. 10,750])	A199	___	___	___	___
Computer software costs? (AC Sec. Co2.110 and SOP 98-1 [TPA Sec. 10,720])	A200	___	___	___	___
Capitalization of interest costs? (AC Sec. I67)	A201	___	___	___	___
Discount or premium on notes receivable or payable? (AC Sec. I69.108-.109)	A202	___	___	___	___
Recognition of impairment of long-lived assets? (AC Sec. I08.122-.138)	A203	___	___	___	___
Depreciation? (AC Sec. D40)	A204	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
For goodwill or other intangible assets acquired before July 1, 2001 (except for not-for-profit organizations and mutual enterprises), effective for fiscal years beginning after December 15, 2001, does the company's accounting and reporting comply with FASB Statement No. 142, <i>Goodwill and Other Intangible Assets</i> ?	A205	___	___	___	___
For goodwill or other intangible assets acquired after June 30, 2001 (except for not-for-profit organizations and mutual enterprises), does the company apply the amortization and non-amortization requirements of FASB Statement No. 142, <i>Goodwill and Other Intangible Assets</i> ?	A206	___	___	___	___
Compensatory stock issuance plans? (AC Sec. C47)	A207	___	___	___	___
Does the company's accounting for compensatory and noncompensatory stock compensation comply with Interpretation No. 44 with respect to (AC Sec. C47.147-.237):					
The definition of employee for purposes of applying Opinion No. 25?	A208	___	___	___	___
The criteria for determining whether a plan qualifies as a non-compensatory plan?	A209	___	___	___	___
The accounting consequence of various modifications to the terms of a previously fixed stock option or award? and	A210	___	___	___	___
The accounting for an exchange of stock compensation awards in a business combination?	A211	___	___	___	___
Deferred compensation agreements? (AC Sec. C38)	A212	___	___	___	___
Sales transactions in which the buyer has a right to return the product? (AC Sec. R75.107-.109)	A213	___	___	___	___
Product financing arrangements? (AC Sec. D18.106 and .107)	A214	___	___	___	___
Operating leases and rent expenses of lessees? (AC Sec. L10.111 and .112)	A215	___	___	___	___
Software revenue recognition? (SOP 97-2 [TPA Sec. 10,700], SOP 98-1 [TPA Sec. 10,720], SOP 98-4 [TPA Sec. 10,740], and SOP 98-9 [TPA Sec. 10,770])	A216	___	___	___	___
Income taxes:					
The types of temporary differences and carryforwards that cause significant portions of a deferred tax liability or asset? (AC Sec. I27.140-.143)	A217	___	___	___	___
Significant components of income tax expense, including the current tax expense or benefit, deferred tax expense or benefit, investment tax credits, government grants that reduce income tax expense, the benefits of operating loss carryforwards, adjustments due to changes in tax laws, rates, tax status, and the income tax expense or benefit allocated to each component of other comprehensive income? (AC Secs. I27.144, C49.118, and .119)	A218	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Components of the net deferred tax liability or asset including, if present, the total of all deferred tax liabilities, total of all deferred tax assets, the total valuation allowance, and the net change in the valuation allowance? (AC Sec. I27.142 and .143)	A219	_____	_____	_____	_____
Significant reconciling items between GAAP income tax expense or benefit attributable to continuing operations and the amount of income tax expense that would result from applying the federal statutory rates to pre-tax income or loss from continuing operations? (A nonpublic company needs to disclose the nature of such items; a public company also needs to include a reconciliation using percents or amounts) (AC Sec. I27.146)	A220	_____	_____	_____	_____
Amounts and expiration dates of operating loss and tax credit carryforwards for tax purposes? (AC Sec. I27.147)	A221	_____	_____	_____	_____
Discontinued operations? (AC Sec. I13)	A222	_____	_____	_____	_____
Extraordinary items? (AC Sec. I17)	A223	_____	_____	_____	_____
Unusual or infrequent items, but not both? (AC Sec. I22)	A224	_____	_____	_____	_____
If the enterprise has both net income and other comprehensive income, are total comprehensive income and the components of other comprehensive income displayed appropriately in the financial statements? (AC Sec. C49.108-.120)	A225	_____	_____	_____	_____
Statement of Cash Flows					
Is a statement of cash flows presented for each period for which results of operations are provided? (AC Sec. C25.101)	A226	_____	_____	_____	_____
Does it report cash provided or used by investing, financing and operating activities? (AC Sec. C25.112-.124)	A227	_____	_____	_____	_____
Does it report the net effect of cash flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents, and did the amounts of cash and cash equivalents agree with the amounts on the balance sheet? (AC Sec. C25.124)	A228	_____	_____	_____	_____
Does it provide a reconciliation between net income and net cash flow from operating activities? (AC Sec. C25.127)	A229	_____	_____	_____	_____
Are noncash investing and financing activities disclosed? (AC Sec. C25.134)	A230	_____	_____	_____	_____
If the indirect method of reporting net cash flows from operating activities was used, were the amounts of interest and income taxes paid disclosed? (AC Sec. C25.127)	A231	_____	_____	_____	_____
Are cash equivalents limited to short-term, highly liquid investments that are both readily convertible to known amounts of cash and of an original maturity of three months or less, and is the enterprise's policy for determining which items are treated as cash equivalents disclosed? (AC Sec. C25.106-.108)	A232	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Do the financial statements avoid reporting cash flow per share amounts? (AC Sec. C25.135)	A233	_____	_____	_____	_____
Are the components of the cash flow statement shown at "gross" and not "net" amounts? (AC Sec. C25.109-.111A)	A234	_____	_____	_____	_____
Are cash flows from purchases, sales, and maturities of available-for-sale securities and held-to-maturity securities classified as cash flows from investing activities and reported gross for each security classification, and are cash flows from purchases, sales, and maturities of trading securities classified as cash flows from operating activities? (AC Sec. I80.117)	A235	_____	_____	_____	_____
Other					
If the industry in which the client is operating is covered by an AICPA audit and accounting guide, are the format, statements, and disclosures consistent with the guide?	A236	_____	_____	_____	_____
Do the financial statements, where required, include appropriate presentation and disclosure of:					
Segment information? (AC Secs. S20 and S30, AU Sec. 9326.22-.35)	A237	_____	_____	_____	_____
Earnings per share information? (AC Sec. E11)	A238	_____	_____	_____	_____

II. GENERAL AUDIT PROCEDURES

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
If applicable, has the auditor established and documented the understanding with the client regarding the engagement? (AU Sec. 310.05-.07)	A300	_____	_____	_____	_____
In planning the audit engagement, did the auditor properly consider: Matters affecting the industry in which the entity operates, such as accounting practices, economic conditions, laws and government regulations, and technological changes? (AU Secs. 311.03 and 801.11)	A301	_____	_____	_____	_____
Matters affecting the entity's business, such as organization and types of products and services and contractual obligations? (AU Sec. 311.03 and .04)	A302	_____	_____	_____	_____
Preliminary judgment about materiality levels? (AU Secs. 311.03 and 312.08)	A303	_____	_____	_____	_____
Did the auditor: (a) assess the risk of material misstatement due to fraud, (b) consider the presence of fraud risk factors, (c) inquire of management about its understanding of the risk of fraud in the entity, and (d) document evidence of the performance of the fraud assessment, including the presence of identified fraud risk factors? (AU Sec. 316)	A304	_____	_____	_____	_____
For identified fraud risk factors, did the auditor develop and document an appropriate audit response? (AU Sec. 316.37)	A305	_____	_____	_____	_____
Did the auditor use analytical procedures in planning the nature, timing and extent of audit procedures? (AU Sec. 329.01 and .06-.08)	A306	_____	_____	_____	_____
If the auditor succeeded another auditor, did the successor auditor initiate communications with the predecessor auditor to ascertain whether there were matters that might assist the auditor in determining whether to accept the engagement? (AU Sec. 315.09)	A307	_____	_____	_____	_____
Did the successor auditor obtain satisfaction as to the account balances at the beginning of the year and consistency of the application of accounting principles in the year being audited as compared with the preceding year? (AU Sec. 315.12 and .13)	A308	_____	_____	_____	_____
If consideration was given to the work of internal auditors in determining the scope of the audit, was it done in accordance with professional standards? (AU Sec. 322) (For audits of financial statements for periods beginning on or after June 1, 2001, see reference to SAS No. 94, <i>The Effect of Information Technology on the Auditor's Consideration of Internal Control in a Financial Statement Audit</i> , on page 20,421. SAS No. 94 substantially amends AU Section 319 to address the implications of information technology on the auditor's internal control consideration)	A309	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
For audits of financial statements for periods beginning before June 1, 2001 or the application SAS No. 94, did the auditor:					
Obtain a sufficient understanding of the entity's internal control, including whether electronic evidential matter may only exist for a specified period of time, to plan the audit? (AU Secs. 319.19, 324.07-.10, and 326.18)	A310	___	___	___	___
Document the understanding of internal control? (AU Sec. 319.44)	A311	___	___	___	___
Document the conclusion that control risks are at the maximum level for those financial statement assertions where control risk is assessed at the maximum level? (AU Sec. 319.57)	A312	___	___	___	___
Document the basis for the conclusion (i.e., tests of controls) that the effectiveness of the design and operation of controls supports the assessed level of control risk when that assessed level is below the maximum level? (AU Sec. 319.57)	A313	___	___	___	___
If the entity transmits, processes, maintains, or accesses significant information by electronic means and it is not practical or possible to reduce detection risk to an acceptable level by performing only substantive tests for one or more financial statement assertions, did the auditor perform tests of controls? (AU Sec. 326.14)	A314	___	___	___	___
If the methods used by the client to process significant accounting information include the use of a service organization, was consideration given to the controls at the service organization that may affect the processing of the client's transactions and internal control? (AU Sec. 324.07-.10)	A315	___	___	___	___
If the entity obtained services from another organization that are part of the entity's information system during planning, did the auditor obtain an understanding of the controls in place by the entity and by the service organization? (AU Sec. 324.07-.10)	A316	___	___	___	___
If the auditor decides to assess control risk below the maximum for financial statement assertions affected by the processing performed by the service organization, was a service auditor's report that describes the results of the service auditor's tests of operating effectiveness obtained, were tests performed by the auditor at the service organization, and/or were tests of the client's controls over the activities of the service organization performed by the auditor, as appropriate? (AU Sec. 324.14-.16)	A317	___	___	___	___
If the engagement included the use of the work (domestic or international) of another office, correspondent or affiliate:					
Do the instructions to the other office or firm appear adequate? (AU Sec. 311)	A318	___	___	___	___
Does it appear that the control exercised over the work of others through supervision and review was adequate? (AU Sec. 311)	A319	___	___	___	___
Was there appropriate follow-up of open matters? (AU Sec. 311)	A320	___	___	___	___
In those cases where another firm was used:					
Were appropriate inquiries made regarding its independence and professional reputation? (AU Sec. 543.10)	A321	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Did the auditor adopt appropriate measures to assure coordination of his or her activities with those of the other auditor in order to achieve a proper review of matters affecting the consolidating or combining of accounts in the financial statements? (AU Sec. 543.10)	A322	_____	_____	_____	_____
If a specialist was used (e.g., actuary, appraiser, engineer, environmental consultant, or geologist):					
Were the appropriate considerations and evaluations made in accordance with professional standards? (AU Sec. 336.06-.11)	A323	_____	_____	_____	_____
Were appropriate procedures applied to the specialist's findings? (AU Sec. 336.12)	A324	_____	_____	_____	_____
Was an appropriately tailored, written audit program prepared? (AU Sec. 311.05 and applicable AICPA Industry Audit Guide)	A325	_____	_____	_____	_____
Was the audit program responsive to the needs of the engagement and the understanding of internal control, including whether electronic evidential matter may only exist for a specified period of time? (AU Secs. 311.05, 319.02, and .05)	A326	_____	_____	_____	_____
Was consideration given to the applicable assertions in developing audit objectives and in designing tests? (AU Sec. 326.09-.14)	A327	_____	_____	_____	_____
If conditions changed during the course of the audit, was the audit program modified as appropriate in the circumstances? (AU Secs. 311.05 and 316.33-.37)	A328	_____	_____	_____	_____
Have all the procedures called for in the audit program been signed when completed? (AU Sec. 339)	A329	_____	_____	_____	_____
If statistical or nonstatistical sampling was used in tests of controls (AU Secs. 319 and 350):					
Did the auditor appropriately consider the specific objective of the test of controls, tolerable rate, allowable risk of overreliance, and characteristics of the population when planning the sample? (AU Sec. 350.31)	A330	_____	_____	_____	_____
Was the sample selected in such a way that it could be expected to be representative of the population? (AU Sec. 350.39)	A331	_____	_____	_____	_____
If the auditor concluded that the sample results did not support the planned assessed level of control risk for an assertion, were the nature, timing and extent of planned substantive procedures reevaluated based on a revised consideration of the assessed level of control risk for the relevant financial statement assertions? (AU Sec. 350.40-.43)	A332	_____	_____	_____	_____
In evaluating the sample, was appropriate consideration given to items for which the planned test of controls or alternative procedure could not be performed, for example, because the documentation was missing? (AU Sec. 350.40)	A333	_____	_____	_____	_____
Was the documentation of the foregoing considerations in accordance with firm policy?	A334	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If statistical or nonstatistical sampling was used for substantive tests of details (AU Sec. 350):					
Did the auditor appropriately consider the specific audit objective, preliminary judgments about materiality levels, acceptable level of risk of incorrect acceptance, and characteristics of the population when planning the sample? (AU Sec. 350.16)	A335	___	___	___	___
Was the sample selected in such a way that it could be expected to be representative of the population? (AU Sec. 350.24)	A336	___	___	___	___
Were the misstatements in the sample projected to the items from which the sample was selected? (AU Sec. 350.26)	A337	___	___	___	___
In evaluating the sample, was appropriate consideration given to items for which the planned substantive tests or alternative procedures could not be performed? (AU Sec. 350.25)	A338	___	___	___	___
Was appropriate consideration given, in the aggregate, to projected misstatements resulting from all audit sampling applications and to all known misstatements from non-sampling applications in evaluating whether the financial statements taken as a whole may be materially misstated? (AU Sec. 350.30)	A339	___	___	___	___
Was the documentation of the foregoing considerations in accordance with firm policy?	A340	___	___	___	___
During the performance of the engagement, did the auditor:					
Consider the guidelines in professional standards in developing, performing, and evaluating the results of analytical procedures used as substantive tests? (AU Sec. 329)	A341	___	___	___	___
Use analytical procedures in the overall review stage of the audit? (AU Sec. 329.01)	A342	___	___	___	___
Has the auditor evaluated the reasonableness of significant accounting estimates made by management? (AU Secs. 326 and 342)	A343	___	___	___	___
Were specific procedures for determining the existence of related parties and examining identified related party transactions applied? (AU Sec. 334)	A344	___	___	___	___
Did the auditor obtain written timely and appropriate representations from management for all periods for which financial statements are included as covered in the auditor's report? Was the representation letter properly dated? (AU Sec. 333)	A345	___	___	___	___
Did the auditor obtain timely and appropriate responses from the entity's attorneys concerning litigation, claims, and assessments? (AU Sec. 337.08-.14)	A346	___	___	___	___
Was appropriate consideration given in the audit, consistent with the firm's policy or guidance, to nonstandard journal entries, including those made solely in the preparation of financial statements (e.g., reclassifications and consolidation entries)?	A347	___	___	___	___
Based on the workpapers and discussions with the engagement team, were all reviewer questions and notes adequately addressed?	A348	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Was appropriate consideration given to passed adjustments and to the risk that the current period's financial statements are materially misstated when prior-period likely misstatements are considered together with likely misstatements arising in the current period? (AU Sec. 312.27 and .30)	A349	_____	_____	_____	_____
If audit tests identify misstatements in the financial statements, did the auditor consider whether such misstatements may be indicative of fraud and consider the implications for the financial statements or develop an appropriate audit response? (AU Sec. 316)	A350	_____	_____	_____	_____
Did the auditor consider whether the accumulated results of audit procedures and other observations affect the initial assessment of the risk of material misstatement due to fraud and if so, if the auditor believed an additional response was required, were any additional risk factors or other conditions that were identified and any further response that the auditor concluded was appropriate documented? (AU Sec. 316)	A351	_____	_____	_____	_____
If the auditor has determined that there is evidence that fraud may exist (even if the matter might be considered inconsequential and if the fraud involves senior management or fraud causes a material misstatement of the financial statements), was the matter brought to the attention of an appropriate level of management; and was the matter reported directly to the audit committee (or others with equivalent authority and responsibility)? (AU Sec. 316)	A352	_____	_____	_____	_____
When the auditor, as a result of the assessment of the risk of material misstatement due to fraud, has identified risk factors that have continuing control implications (whether or not transactions or adjustments that could be the result of fraud have been detected), did the auditor consider whether these risk factors represent reportable conditions relating to the entity's internal control that should be communicated to senior management and the audit committee (or others with equivalent authority and responsibility)? (AU Sec. 316)	A353	_____	_____	_____	_____
If the auditor's procedures disclosed instances or indications of illegal acts, did the auditor:					
Follow up in accordance with professional standards? (AU Sec. 317.10 and .11)	A354	_____	_____	_____	_____
Consider the implications of the detected illegal act in relation to other aspects of the audit, including the reliability of the client's representations? (AU Sec. 317.16)	A355	_____	_____	_____	_____
Communicate directly with the audit committee if the illegal act(s) involved senior management, and document that communication, and obtain assurance that all other illegal acts that came to the auditor's attention, except those that are clearly inconsequential, were adequately communicated? (AU Sec. 317.17)	A356	_____	_____	_____	_____
Did the auditor consider if there was substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time? (AU Sec. 341.02)	A357	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the auditor believed that there was substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, did the auditor obtain information about management's plans that are intended to mitigate the effect of such conditions or events, and evaluate the likelihood that such plans could be implemented effectively? (AU Sec. 341.03(b))	A358	_____	_____	_____	_____
If the auditor's substantial doubt was alleviated, did the auditor consider the need for disclosure of the principal conditions and events that initially caused the auditor to believe there was substantial doubt together with the mitigating factors? (AU Sec. 341.11)	A359	_____	_____	_____	_____
If the auditor's substantial doubt was not alleviated, did the auditor's report include an explanatory paragraph that adequately communicates the auditor's substantial doubt (i.e., include the terms "substantial doubt" and "going concern")? (AU Sec. 341.12 and .13)	A360	_____	_____	_____	_____
During the performance of the audit:					
If the auditor identified reportable conditions, were they communicated to the audit committee, management and others within the organization in a time frame influenced by the relative significance of the matters noted and urgency of corrective action(s), and if the communication was oral, was it documented in the working papers? (AU Sec. 325.09 and .18)	A361	_____	_____	_____	_____
Do the auditor's conclusions regarding whether internal control matters noted during the audit were (or were not) reportable conditions appear appropriate? (AU Sec. 325)	A362	_____	_____	_____	_____
If a report was issued on reportable conditions, did it indicate that the purpose of the audit was to report on the financial statements and not to provide assurance on internal control, and did it include the definition of reportable conditions and the restriction on distribution? (AU Sec. 325.11 and SAS No. 87)	A363	_____	_____	_____	_____
Has the auditor complied with the requirement not to issue a written representation stating that no reportable conditions were noted during an audit? (AU Sec. 325.17)	A364	_____	_____	_____	_____
If the auditor was engaged to prepare or perform procedures on interim financial information filed with a specified regulatory agency and the auditor became aware of matters that caused the auditor to believe such information was probably materially misstated as a result of a departure from generally accepted accounting principles, did the auditor make the appropriate communication? (AU Sec. 722.20 and .21)	A365	_____	_____	_____	_____
Did the auditor perform appropriate procedures regarding events subsequent to the balance-sheet date, but prior to the date of the report? (AU Sec. 560)	A366	_____	_____	_____	_____
Subsequent to the date of the audit report, if the auditor became aware of information that may have existed at the report date and that might have affected his or her audit report on the financial statements, had					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
the auditor then been aware of such information, did the auditor consider the guidance in professional standards in determining an appropriate course of action, and does the matter appear to be properly resolved? (AU Sec. 561)	A367	_____	_____	_____	_____
If there is an indication that the auditor, subsequent to the date of the report, concluded that one or more auditing procedures considered necessary at the time of the audit of the financial statements in the then existing circumstances were omitted from the audit, did the auditor consider the guidance in professional standards in determining an appropriate course of action, and does the matter appear to be properly resolved? (AU Sec. 390)	A368	_____	_____	_____	_____
Where there is an audit committee or some other formal oversight group, or the client is an SEC client, did the auditor:					
Ensure that the appropriate matters were communicated to those with responsibility for oversight of the financial reporting process? (AU Sec. 380.01 and .02)	A369	_____	_____	_____	_____
If the communication was in writing, include a statement that it was intended solely for the use of the audit committee or the board of directors, and if appropriate, management? (AU Sec. 380.03 and SAS No. 87)	A370	_____	_____	_____	_____
If the communication was oral, document the information communicated by appropriate memoranda or notations in the working papers? (AU Sec. 380.03)	A371	_____	_____	_____	_____
With respect to uncorrected financial statement misstatements aggregated by the auditor during the current engagement, has the auditor:					
Obtained an understanding with the entity's management that management is responsible for adjusting the financial statements to correct material misstatements? (AU Sec. 310.06 and SAS No. 89)	A372	_____	_____	_____	_____
Obtained a representation letter from the entity's management that includes an acknowledgement that it has considered the financial statement misstatements aggregated by the auditor during the current engagement and pertaining to the latest period presented, and has concluded that any uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole? (AU Sec. 333.06g and SAS No. 89)	A373	_____	_____	_____	_____
Informed the audit committee about uncorrected misstatements aggregated during the current engagement and pertaining to the latest period presented that was determined by the entity's management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole? (AU Sec. 380.10 and SAS No. 89)	A374	_____	_____	_____	_____
Effective for reports issued or reissued after June 30, 2001, the Auditing Standards Board issued Statement on Auditing Standards No. 93, <i>Omnibus Statement on Auditing Standards—2000</i> . Among other amendments, SAS No. 93 amends SAS No. 58 (AU Sec. 508) to require a reference to the country of origin of: (1) the accounting principles used to prepare financial statements and (2) the auditing standards the auditor followed in performing the audit. For reports issued or reissued after the effective date:					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Does the report include a reference to the country of origin of the accounting principles used to prepare the financial statements?	A375	___	___	___	___
Does the report include a reference to the country of origin of the auditing standards the auditor followed in performing the audit?	A376	___	___	___	___
<p>For audits of financial statements for periods beginning on or after June 1, 2001, Statement on Auditing Standards No. 94, <i>The Effect of Information Technology on the Auditor's Consideration of Internal Control in a Financial Statement Audit</i>, substantially amends AU Sec. 319 to address the implications of information technology on the auditor's internal control consideration. For financial statement audits after the effective date,</p>					
Did the auditor consider information technology ("IT") risks that could result in misstatements in making a judgment about the understanding of internal control necessary to plan the audit and the nature, timing, and extent of procedures the auditor chooses to perform to obtain an understanding? (par. 25)	A377	___	___	___	___
Did the auditor consider whether specialized skills were needed for the auditor to determine the effect of IT on the audit, to understand the IT controls, or to design and perform tests of IT controls or substantive tests? (par. 31)	A378	___	___	___	___
Did the auditor obtain an understanding of the automated and manual procedures the entity uses to prepare financial statements and related disclosures, and how misstatements may occur and did the understanding include the procedures used to: (par. 51)					
Enter transaction totals into the general ledger?	A379	___	___	___	___
Initiate, record, and process journal entries in the general ledger, including standard journal entries and nonstandard journal entries?	A380	___	___	___	___
Record recurring and nonrecurring adjustments to the financial statements that are not reflected in formal journal entries?	A381	___	___	___	___
Did the auditor document his or her understanding of the entity's internal control components obtained to plan the audit? (par. 61)	A382	___	___	___	___
In determining whether to assess control risk at the maximum level or at a lower level that would be effective for specific assertions, did the auditor consider: (par. 67)					
The nature of the assertion?	A383	___	___	___	___
The volume of transactions or data related to the assertion?	A384	___	___	___	___
The nature and complexity of the systems, including the use of information technology, by which the entity processes and controls information supporting the assertion?	A385	___	___	___	___
The nature of the available evidential matter, including evidential matter that is available only in electronic form?	A386	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the auditor determined that it was not possible to design effective substantive tests that by themselves provided sufficient evidence that the one or more financial statement assertions are not materially misstated because a significant amount of the associated information is electronically initiated, recorded, processed, and reported, did the auditor perform tests of controls to gather evidence to use in assessing control risk? (pars. 68 and 69)	A387	___	___	___	___
Did the auditor document his or her conclusions about the: (par. 83)					
Assessed level of control risk?	A388	___	___	___	___
Control risk is at the maximum level for financial statement assertions where control risk is assessed at the maximum level?	A389	___	___	___	___
The basis for his or her conclusion that the effectiveness of the design and operation of controls supports the assessed level of control risk for those assertions where the assessed level of control risk is below the maximum level?	A390	___	___	___	___

III. WORKING PAPER AREAS

Note: Complete the sections determined to be key areas. In addition, the Commitments and Contingencies, Revenue and Expenditure/Expenses, and Other sections must always be completed.

In the audit areas reviewed, the reviewer should evaluate whether the reviewed firm has obtained sufficient competent evidential matter to form conclusions concerning the validity of the assertions of material significance embodied in the financial statements as described in AU Sec. 326. The questions contained in each section represent some of the audit procedures or tests that the reviewed firm might have undertaken to form conclusions in support of financial statement assertions of material significance. If an audit area is not reviewed because it does not represent a key area for that engagement, the reviewer should place an "X" in the box below the name of the working paper area. (As indicated on page 20,402, the reviewer should indicate the reason(s) for not reviewing a key audit area; in such circumstances, the reviewer should not place an "X" below the area.)

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Cash					
<input type="checkbox"/> Not a key area					
Were reconciling items cleared by reference to subsequent statements obtained either directly from the bank or from the client and appropriately tested?	A401	_____	_____	_____	_____
Was due consideration given to cash transactions shortly before and shortly after the balance sheet date to determine whether they were recorded in the proper period?	A402	_____	_____	_____	_____
Do the working papers indicate that the following were considered: (AU Secs. 326, 330, and 339)					
Confirmation of cash balances?	A403	_____	_____	_____	_____
Restriction on cash balances?	A404	_____	_____	_____	_____
Confirmation of bank credit arrangements such as compensating balances?	A405	_____	_____	_____	_____
Confirmation of liabilities and contingent liabilities to banks?	A406	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of cash appear adequate? (AU Secs. 312 and 319)	A407	_____	_____	_____	_____
Receivables					
<input type="checkbox"/> Not a key area					
Were accounts receivable confirmed and appropriate follow-up steps taken, including second requests and alternative procedures? (AU Sec. 330.24-.30 and .34)	A408	_____	_____	_____	_____
If confirmation work was performed prior to year end, is there evidence that adequate substantive procedures were applied to the period from the confirmation date to the balance-sheet date? (AU Sec. 313)	A409	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If a significant number and amount of the accounts receivable selected for positive confirmation did not respond, is there evidence that alternative auditing procedures were performed? (AU Sec. 330.31 and .32)	A410	_____	_____	_____	_____
Were significant notes receivable confirmed as of a date consistent with the auditor's assessment of inherent, control and detection risks? (AU Sec. 313)	A411	_____	_____	_____	_____
Were the results of confirmation and alternative procedures summarized and were appropriate conclusions included in the working papers? (AU Sec. 330.33)	A412	_____	_____	_____	_____
Was collateral (if any) for receivables tested with respect to existence, ownership and value?	A413	_____	_____	_____	_____
Were adequate tests of discounts and allowances made?	A414	_____	_____	_____	_____
Was the reasonableness of allowances for doubtful accounts covered in the working papers and collectibility of receivables adequately considered? (AU Sec. 312.29)	A415	_____	_____	_____	_____
Is there evidence in the working papers that inquiry was made and consideration given to whether receivables are sold, pledged, assigned, or otherwise encumbered?	A416	_____	_____	_____	_____
Was receivable work coordinated with the tests of revenue, including cut-off tests?	A417	_____	_____	_____	_____
Were appropriate procedures applied to notes receivable regarding imputation of interest (if necessary), carrying amount, fair value, and recognition of related interest income? (AC Secs. I69 and F25.115A-.115K)	A418	_____	_____	_____	_____
If accounts receivable confirmations were not requested, has the auditor documented how the presumption for such requests was overcome and were the reasons appropriate? (AU Sec. 330.34 and .35)	A419	_____	_____	_____	_____
Has sufficient audit evidence been obtained to determine that impaired loans (e.g., impaired accounts receivable with terms exceeding one year, notes receivable and other loans) are carried at the present value of the loans' expected future cash flows discounted at the loans' effective interest rates, or at observable market prices, or at the fair value of the collateral if the loans are collateral dependent? (AC Sec. I08.111)	A420	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of receivables appear adequate? (AU Secs. 312 and 319)	A421	_____	_____	_____	_____

Inventories

Not a key area

Where the physical inventory is taken at a date other than the balance-sheet date (or where rotating procedures are used), do the working papers indicate that consideration was given to inventory activities between the inventory date(s) and the balance-sheet date? (AU Sec. 313.08 and .09)

A422 _____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Do the working papers contain evidence that counts were correctly made and recorded (i.e., was control over inventory tags or count sheets maintained and were test count quantities reconciled with the counts reflected in the final inventory)? (AU Sec. 331.09)	A423	___	___	___	___
Were physical inventories observed at all locations where material amounts are located?	A424	___	___	___	___
Where physical inventory in the hands of others was not observed, were inventory confirmations received and/or other appropriate procedures performed (e.g., inventory in public warehouses, on consignment, etc.)? (AU Sec. 331.14)	A425	___	___	___	___
If perpetual inventory records are maintained, do the working papers indicate that differences disclosed by the physical inventory (or cycle counts) are properly reflected in the accounts?	A426	___	___	___	___
Do the working papers indicate that there were adequate tests of:					
The clerical accuracy of the inventory?	A427	___	___	___	___
Costing methods and substantiation of costs used in pricing all elements (raw materials, work in progress, finished goods) of the inventory?	A428	___	___	___	___
Were the results of inventory observations and other tests summarized and were appropriate conclusions drawn?	A429	___	___	___	___
Where LIFO is used, did the auditor consider whether the client's LIFO techniques are generally consistent with those in the AICPA's issues paper on LIFO? (File 3175 November 30, 1984)	A430	___	___	___	___
Do the working papers indicate that consideration was given to whether the inventory was carried at lower of cost or market (including consideration of obsolete or slow-moving inventory)?	A431	___	___	___	___
Were inquiries concerning purchase and sales commitments made, including consideration of any possible adverse effects?	A432	___	___	___	___
Were appropriate inventory cut-off tests performed?	A433	___	___	___	___
Do the working papers indicate that steps were performed to determine if any inventory is pledged?	A434	___	___	___	___
Based on the assessment of inherent and control risks, do the substantive tests of inventory appear adequate? (AU Secs. 312 and 319 and AC Sec. I78)	A435	___	___	___	___
Investments					
<input type="checkbox"/> Not a key area					
Was a summary schedule prepared (or obtained) and details examined with respect to the description, purchase price and date, changes during the period, income, etc., of investments? (AU Sec. 332.23)	A436	___	___	___	___
Were securities either examined or confirmed? (AU Sec. 332.04)	A437	___	___	___	___
Were market quotations or other evidence of the current value of investments inspected? (AU Sec. 322.24-.30)	A438	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Did the auditor consider whether the enterprise's investment activities corroborated or conflicted with management's stated intent for investments and where applicable, whether the enterprise has the ability to hold a debt security to maturity? (AU Sec. 332.09)	A439	_____	_____	_____	_____
Did the auditor obtain written representations from management confirming that the enterprise has properly classified securities as held-to-maturity, trading, or available-for-sale, and with respect to held-to-maturity securities, that management has the intent and the entity has the ability to hold such investments to maturity? (AU Sec. 332.11)	A440	_____	_____	_____	_____
Was the computation of realized and unrealized gains and losses tested by the auditor?	A441	_____	_____	_____	_____
Do the working papers reflect that consideration was given to the appropriateness of the carrying values of securities and their classification? (AC Sec. I80)	A442	_____	_____	_____	_____
Was consideration given to the possible impairment of the carrying value of investments that are classified as held-to-maturity or available-for-sale? (AU Sec. 332.31, .32 and EITF 85-39)	A443	_____	_____	_____	_____
Do the working papers indicate that consideration was given to investments that were pledged, restricted, or had limitations on their marketability?	A444	_____	_____	_____	_____
For investments accounted for on the equity method, were financial statements and other information reviewed to support the amounts presented or the note disclosures made? (AU Sec. 332.13–22)	A445	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of investments appear adequate? (AU Secs. 312 and 319)	A446	_____	_____	_____	_____
Effective for audits of financial statements for fiscal years ending on or after June 30, 2001, the Auditing Standards Board issued SAS No. 92, <i>Auditing Derivative Instruments, Hedging Activities, and Investments in Securities</i> . The SAS supercedes SAS No. 81 (AU Sec. 332), <i>Auditing Investments</i> . For engagements performed on or after the effective date, if derivative financial instruments, hedging activities and/or investment securities, as defined by SAS No. 92, were present, did the auditor:					
Assess inherent and control risk for the required audit assertions (existence, completeness, rights and obligations, valuation, and presentation and disclosure) about derivatives and investment securities?	A447	_____	_____	_____	_____
Develop substantive procedures for derivative instruments and investment securities consistent with the results of the risk assessment to address the auditing assertions?	A448	_____	_____	_____	_____
Prepaid Expenses, Intangible Assets, Deferred Charges, etc.					
<input type="checkbox"/> Not a key area					
Were adequate tests made for all material:					
Prepaid expenses?	A449	_____	_____	_____	_____
Intangible assets? (AC Sec. I60)	A450	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Deferred charges?	A451	___	___	___	___
Other?	A452	___	___	___	___
Is there adequate support for the deferral and amortization (or lack thereof) of these types of assets?	A453	___	___	___	___
Were reviews made of the continuing value and possible impairment of goodwill and other intangible assets? (AC Sec. I60)	A454	___	___	___	___
If insurance policies were pledged as collateral or subjected to premium financing, did the auditor consider whether the accounting for the related loans was appropriate? (AC Sec. I69)	A455	___	___	___	___
Based on the assessment of inherent and control risks, do the substantive tests of prepaid expenses, intangible assets, deferred charges, etc., appear adequate? (AU Secs. 312 and 319)	A456	___	___	___	___
Property, Plant and Equipment					
<input type="checkbox"/> Not a key area					
Was a summary schedule prepared (or obtained) to show beginning balances, changes during the period and ending balances for:					
Property, plant and equipment?	A457	___	___	___	___
Accumulated depreciation?	A458	___	___	___	___
Do the tests appear adequate and were proper conclusions drawn with respect to:					
Additions (e.g., by examining supporting documents and/or physical inspection)?	A459	___	___	___	___
Retirements, etc. (including examining miscellaneous income, scrap sales)?	A460	___	___	___	___
The adequacy of the current and accumulated provisions for depreciation and depletion?	A461	___	___	___	___
Consideration of asset impairment including the status of idle facilities? (AC Sec. I08.122-.130)	A462	___	___	___	___
Do the working papers indicate that the auditor considered whether property was subject to liens?	A463	___	___	___	___
Based on the assessment of inherent and control risks, do the substantive tests of property, plant and equipment appear adequate? (AU Secs. 312 and 319)	A464	___	___	___	___
Liabilities					
<input type="checkbox"/> Not a key area					
Were accounts payable tested adequately for existence?	A465	___	___	___	___
Was an adequate search performed for unrecorded liabilities at the balance sheet date?	A466	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Was the payables work coordinated with the testing of the purchases cut off?	A467	_____	_____	_____	_____
Was consideration given to expenses that might require accrual (e.g., pensions, compensated absences, other postretirement benefits, postemployment benefits provided to former or inactive employees prior to retirement), and to whether the accrued expenses were reasonably stated? (AC Secs. P16, C44, P32, and P40)	A468	_____	_____	_____	_____
Were significant notes and bonds payable, together with interest rates and repayment periods, etc., confirmed, or alternative procedures applied?	A469	_____	_____	_____	_____
Were appropriate procedures applied to notes payable regarding imputation of interest (if necessary), carrying amount, fair value, and recognition of related interest expense? (AC Secs. I69 and F25.115A-.115K)	A470	_____	_____	_____	_____
Do the working papers indicate that the auditor reviewed compliance with the covenants of the enterprise's debt obligations?	A471	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of liabilities appear adequate? (AU Secs. 312 and 319)	A472	_____	_____	_____	_____
Deferred Credits					
<input type="checkbox"/> Not a key area					
Do the working papers indicate that:					
The basis of deferring income is reasonable and consistent from year to year?	A473	_____	_____	_____	_____
Deferrals have been established on a reasonable basis?	A474	_____	_____	_____	_____
Income Taxes (AC Sec. I27)					
<input type="checkbox"/> Not a key area					
Were the current and deferred tax accrual accounts and related provisions analyzed and appropriate auditing procedures applied?	A475	_____	_____	_____	_____
Were adequate auditing procedures performed regarding the adequacy of the valuation allowance related to any deferred tax assets?	A476	_____	_____	_____	_____
Do the working papers contain evidence that, in determining the adequacy of the income tax accruals and provisions, appropriate consideration was given to possible adjustments required for:					
Tax positions taken by the client that might be challenged by the taxing authorities and/or other tax contingencies?	A477	_____	_____	_____	_____
Possible assessments, penalties or interest, including similar adjustments to years not yet examined?	A478	_____	_____	_____	_____
Based upon the review of the financial statements and working papers, and if necessary, discussions with engagement personnel, does it appear that substantive tax matters applicable to this engagement were given adequate consideration?	A479	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Commitments and Contingencies					
Do the working papers contain evidence of the following:					
Inspection of minutes of meetings of the stockholders, board of directors, and executive and other committees of the board?	A480	_____	_____	_____	_____
Inspection of contracts, loan agreements, leases, and correspondence from taxing and other governmental agencies, and similar documents?	A481	_____	_____	_____	_____
Accumulation and analysis of confirmation responses from banks and lawyers?	A482	_____	_____	_____	_____
Inquiries of and discussions with management including management's written representations concerning liabilities, litigation, claims, assessments and regulatory requirements as applicable? (AU Secs. 333 and 337.05)	A483	_____	_____	_____	_____
Procedures regarding other contingent liabilities (such as buy/sell agreements) or guarantees?	A484	_____	_____	_____	_____
Have all material contingencies been properly considered, documented, and reported? (AC Sec. C59)	A485	_____	_____	_____	_____
Was appropriate consideration given to issues related to known environmental matters? (SOP 96-1, Chs. 5 and 7 [TPA Sec. 10,680])	A486	_____	_____	_____	_____
Capital Accounts					
<input type="checkbox"/> Not a key area					
Were changes in capitalization checked to authorizations?	A487	_____	_____	_____	_____
If applicable, was confirmation received from the registrar, or was examination made of stock certificate records?	A488	_____	_____	_____	_____
Do the working papers indicate that there were adequate inquiries and review of applicable documents, if necessary, regarding stock options, warrants, rights, redemptions and conversion privileges?	A489	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of the capital accounts appear adequate? (AU Secs. 312 and 319)	A490	_____	_____	_____	_____
Income and Expenses					
Were tests of payrolls, including account distribution, made where appropriate?	A491	_____	_____	_____	_____
Do the tests of the pension and profit sharing (including the effects of ERISA) expenses and liabilities appear adequate? (AC Sec. P16)	A492	_____	_____	_____	_____
Were appropriate analytical procedures used in substantive tests of revenue and expenses for the period? (AU Sec. 329)	A493	_____	_____	_____	_____
Was adequate consideration given to:					
The client's revenue recognition policy? (AC Sec. A10.105)	A494	_____	_____	_____	_____
Income recognition on transactions where the earnings process was not complete?	A495	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Unusual sales transactions?	A496	_____	_____	_____	_____
Income recognition when the right of return exists? (AC Sec. R75.105-.109)	A497	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests (analytical procedures and tests of details) of revenue and expenses appear adequate? (AU Secs. 312 and 319)	A498	_____	_____	_____	_____
Other					
Have leases been reviewed to determine that capital, operating, sales, and direct financing leases have been properly accounted for? (AC Sec. L10)	A499	_____	_____	_____	_____
Were appropriate procedures applied regarding accompanying information (AU Sec. 551.06 and .08) and/or "required supplementary information" (AU Sec. 558)?	A500	_____	_____	_____	_____
Review of Interim Financial Information:					
Were appropriate procedures performed? (AU Sec. 722.12-.19)	A501	_____	_____	_____	_____
If required by firm policy, was a checklist containing the procedures used?	A502	_____	_____	_____	_____
If consolidated statements are presented:					
Have intercompany balances and transactions been eliminated? (AC Sec. C51.109)	A503	_____	_____	_____	_____
If the financial reporting periods of one or more subsidiaries differ from that of the parent, was recognition given to the effects of intervening events that materially affect financial position, results of operations or cash flows? (AC Sec. C51.107)	A504	_____	_____	_____	_____
Was appropriate consideration given to the carrying value of long-term contracts in relation to their contract prices, estimated costs to complete, and degree of completion? (SOP 81-1, pars. 78-.89 [TPA Sec. 10,330.78-.89])	A505	_____	_____	_____	_____
Did the auditor determine whether contributions made were recognized as expenses in the period made and measured at the fair values of the assets given, or if made in the form of a settlement or cancellation of a donee's liabilities, at the fair value of the liabilities canceled? (AC Sec. C67.114)	A506	_____	_____	_____	_____
Were the audit procedures regarding financial instruments appropriately designed, executed, and documented in the working papers?	A507	_____	_____	_____	_____

IV. FUNCTIONAL AREAS[†]

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Independence, Integrity, and Objectivity (QC Sec. 20.09 and .10)					
If anything has been noted that may indicate a lack of independence, integrity, and objectivity, was the matter identified and appropriately resolved by the firm and its effects appropriately considered? (ET Secs. 101 and 102, and applicable rules and regulations)	A601	___	___	___	___
Have engagement personnel (including leased and per diem employees) been appropriately advised of the need to observe independence, integrity, and objectivity requirements concerning the client and any related nonclient parent, investor, investee, subsidiary, or affiliate?	A602	___	___	___	___
Was appropriate assurance of independence obtained from other firms engaged to audit segments or component units of the entity?	A603	___	___	___	___
Were the fees (billed/unbilled) for prior years' services paid prior to issuance of the report for the current engagement? (ET Sec. 191.103 and .104)	A604	___	___	___	___
For SEC clients, if the fees (billed/unbilled) for prior years' services were not paid prior to the commencement of the current engagement, were the SEC's rules for unpaid professional fees adhered to?	A605	___	___	___	___
For SEC Registrants, does the firm maintain a database ("Restricted Entity List") that includes this entity and all restricted entities? (SECPS Sec. 1000.46)	A606	___	___	___	___
For SEC registrants, did the auditor:					
Disclose at least annually to the audit committee of the company (or the board of directors if there is no audit committee), in writing, all relationships between the auditor and its related entities and the company and its related entities that in the auditor's professional judgment may reasonably be thought to bear on Independence? (Auditor's and audit committees of first-time registrants shall have these communications before the company's initial offering of securities to the public.)	A607	___	___	___	___
Confirm in the letter that, in the auditor's professional judgment, that the auditor is independent of the company within the meaning of the Securities Acts?	A608	___	___	___	___
Discuss the auditor's independence with the audit committee?	A609	___	___	___	___
If the required communication was not made, did the firm take appropriate action to remedy promptly the violations of the independence standard upon discovery?	A610	___	___	___	___

[†] The AICPA's *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice* provides guidance on how to develop and implement a system of quality control for a firm's accounting and auditing practice in compliance with the requirements of Statements on Quality Control Standards Nos. 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice* (QC Sec. 20), as amended, 3, *Monitoring a CPA Firm's Accounting and Auditing Practice* (QC Sec. 30), and 5, *The Personnel Management Element of a Firm's System of Quality Control—Competencies Required by a Practitioner-in-charge of an Attest Engagement* (QC Sec. 40).

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
For SEC registrants, the Independence Standards Board ("ISB") issued Independence Standards No. 2, <i>Certain Independence Implications of Audits of Mutual Funds and Related Entities</i> , that is effective for audits of publicly-held companies with fiscal years beginning after June 15, 2000. For engagements performed on or after the effective date:					
Was the auditing firm independent of all of the entities within the mutual fund complex?	A611	___	___	___	___
Was the auditing firm itself and its retirement plans (other than self-directed defined contribution employee benefit plans, such as 401(k) plans) as well as the audit engagement team and those in a position to influence the audit, while performing the audit of:					
A fund, independent of all sister funds?	A612	___	___	___	___
A related non-fund entity; independent of all related non-client funds (all funds in the complex)?	A613	___	___	___	___
One or more funds; independent of all related non-fund entities in the mutual fund complex?	A614	___	___	___	___
Personnel Management (QC Sec. 20.11–.13)					
Were scheduling and staffing requirements identified on a timely basis and approved by appropriate personnel?	A615	___	___	___	___
Does it appear engagement personnel (including leased and per diem employees) possessed an appropriate mix of experience, expertise, and technical training in relation to the complexity or other requirements of the engagement and the involvement of supervisory personnel?	A616	___	___	___	___
Does it appear that the practitioner-in-charge of the engagement possessed the knowledge, skills and abilities (competencies) to fulfill his/her responsibilities on the engagement as noted in par. 8 of QC Sec. 40?	A617	___	___	___	___
Did the personnel assigned to this engagement appear to be familiar with the applicable professional pronouncements (FASB, GASB, AICPA, SEC, etc.)?	A618	___	___	___	___
Does it appear that the practitioner in charge of the engagement possessed the following knowledge, skills, and abilities (competencies) to fulfill their responsibilities on the engagement:					
An understanding of the role of the firm's system of quality control and the AICPA's <i>Code of Professional Conduct</i> ?	A619	___	___	___	___
An understanding of the performance, supervision, and reporting aspects of the engagement?	A620	___	___	___	___
An understanding of the applicable accounting, auditing, or attestation professional standards including those standards directly related to the industry in which a client operates?	A621	___	___	___	___
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?	A622	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Skills that indicate sound professional judgment?	A623	_____	_____	_____	_____
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?	A624	_____	_____	_____	_____
If required by firm policy, was the staff on this engagement appropriately evaluated?	A625	_____	_____	_____	_____
Acceptance and Continuance of Clients and Engagements (QC Sec. 20.14–.16)					
Does it appear that the firm’s guidelines for acceptance and continuance of client relationships, including performing specific engagements for the client, were complied with?	A626	_____	_____	_____	_____
Engagement Performance (QC Sec. 20.17–.19)					
Were appropriate and knowledgeable engagement and supervisory personnel involved in the planning process?	A627	_____	_____	_____	_____
Does it appear that audit planning was adequately documented in the working papers, including any changes in the original plan? (AU Secs. 311 and 339.05)	A628	_____	_____	_____	_____
Did the owner/partner (or manager) approve the overall audit plan (including the audit program) as the final planning step and convey approval or modifications to the engagement staff?	A629	_____	_____	_____	_____
Does it appear that hours charged by the owner/partner, manager, and where applicable, the concurring reviewer were adequate and appropriately timed to provide for planning and supervision as the job progressed?	A630	_____	_____	_____	_____
Does the firm’s system of quality control encompass policies and procedures relating to the concurring partner review process for SEC engagements? (SECPS Sec. 1000.39 and QC Sec. 20.18)	A631	_____	_____	_____	_____
Do the firm’s guidelines for concurring partner review, at a minimum, identify the types of engagements (i.e., initial audit of a SEC engagement and other high-risk engagements) for which a timely review can be made of the audit planning by the concurring partner reviewer so that any modifications will be implemented effectively during the performance of the audit? (SECPS Sec. 1000.39)	A632	_____	_____	_____	_____
Were all forms, checklists, or questionnaires, if any, required by firm policy for the following areas adequately completed and modified, where appropriate, for the engagement:					
Planning?	A633	_____	_____	_____	_____
Internal control?	A634	_____	_____	_____	_____
Audit work program?	A635	_____	_____	_____	_____
Financial statement disclosures?	A636	_____	_____	_____	_____
Working paper and financial statement reviews?	A637	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If standardized forms, etc., were not used for any of the above areas, is there adequate documentation of these areas?	A638	_____	_____	_____	_____
Were the firm's guidelines for the form and content of audit working papers complied with?	A639	_____	_____	_____	_____
If used, were such audit tools as computer auditing or statistical sampling properly evaluated by persons with training in these areas? (AU Sec. 311.10)	A640	_____	_____	_____	_____
If required by firm policy, was an appropriate pre-issuance review made of the working papers, report, and financial statements by a person whose position in the firm is commensurate with that responsibility, to determine that the work performed was complete and conformed to professional standards and firm policy and was that review documented?	A641	_____	_____	_____	_____
Were any circumstances noted where the firm consulted regarding an engagement matter (i.e., a complex, unusual, or a technical issue) with individuals within the firm, an external party or by researching in applicable professional literature, based on the firm's policies and procedures or where the complexity or nature of the issue warranted consultation? <input type="checkbox"/> No (skip to question A648) <input type="checkbox"/> Yes (respond to questions A642 to A647)					
If an individual was consulted (internally or externally), was the consultation done on a timely basis and, does it appear they were aware of all relevant facts and circumstances?	A642	_____	_____	_____	_____
If professional literature was researched, does it appear the research was thorough and the sources consulted were complete, correct and up-to-date?	A643	_____	_____	_____	_____
Does it appear the person(s) consulted (internally or externally) and/or the individual(s) performing the research had an appropriate level of knowledge, competence, judgment and (if applicable) authority?	A644	_____	_____	_____	_____
Based on the facts and circumstances, were the firm's conclusions reasonable and consistent with professional standards?	A645	_____	_____	_____	_____
Is the firm's report, the financial statements, or other information affected by the matter consistent with the results of the consultation?	A646	_____	_____	_____	_____
If the engagement records indicated a difference of opinion between engagement personnel (including leased and per diem employees) and/or a specialist or other consultant, was the difference resolved in accordance with firm policy and was the basis of the resolution appropriately documented?	A647	_____	_____	_____	_____
Were there any circumstances where the firm should have consulted but did not?	A648	_____	_____	_____	_____

V. AUDITS OF SEC ENGAGEMENTS

(As defined in §1000.38 of the *SECPS Reference Manual*)

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
If required by firm policy, was an SEC checklist or other specialized checklist used?	A701	_____	_____	_____	_____
Did the disclosures conform with SEC requirements?	A702	_____	_____	_____	_____
Did the auditor, prior to consenting to the inclusion of his or her report in a registration statement (including when a Form 10-K is incorporated by reference into a previously filed registration statement):					
Read the entire prospectus and other pertinent portions of the registration statement? (AU Sec. 711)	A703	_____	_____	_____	_____
Inquire of and obtain written representations from management about whether any events had occurred that had a material effect on the audited financial statements or that should have been disclosed to keep those financial statements from being misleading? (AU Sec. 711)	A704	_____	_____	_____	_____
Perform the procedures described in AU Sec. 560.12?	A705	_____	_____	_____	_____
Was an owner/partner assigned as the audit partner in charge of the engagement? (SECPS Sec. 1000.08e)	A706	_____	_____	_____	_____
Was a concurring review by an owner/partner other than the audit partner in charge of the engagement conducted prior to the issuance of the report, in conformity with the firm's requirements? (SECPS Sec. 1000.08e)	A707	_____	_____	_____	_____
The SEC Practice Section's Executive Committee revised the membership requirements for concurring partner reviews of SEC engagements. These requirements became effective for concurring partner reviews of SEC engagements whose balance sheet date is on or after October 1, 1999. For concurring partner reviews performed on or after the effective date: (SECPS Sec. 1000.39)					
Was the concurring partner review conducted by an owner/partner with sufficient technical expertise and experience relating to:					
Relevant specialized industry practices?	A708	_____	_____	_____	_____
SEC rules and regulations?	A709	_____	_____	_____	_____
Did the concurring partner reviewer conclude that no matters have come to his/her attention that would cause him or her to believe that the financial statements are not in conformity with GAAP in all material respects, or that the firm's audit was not performed in accordance with GAAS?	A710	_____	_____	_____	_____
Does firm policy state that a concurring partner reviewer is expected to carry out his or her responsibilities with objectivity and due professional care without regard to the relative positions of the audit engagement partner and the concurring partner reviewer?	A711	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

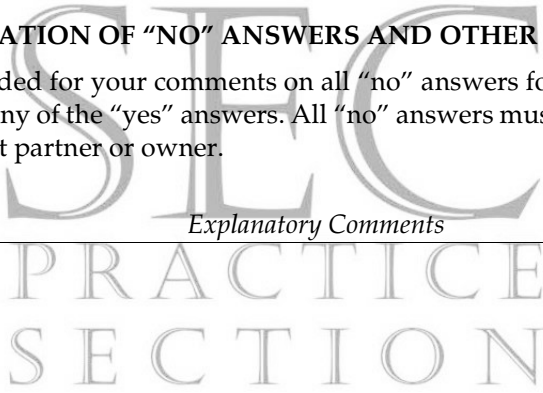
	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Did the concurring partner reviewer not serve as the prior audit engagement partner for at least the last two annual audits?	A712	___	___	___	___
Were the nature, extent, and timing of the concurring partner review procedures appropriate in the circumstances?	A713	___	___	___	___
Do the engagement files contain evidence that the firm's policies and procedures with respect to the concurring partner review requirement were complied with before the issuance of the firm's report?	A714	___	___	___	___
Does it appear that the concurring partner reviewer objectively performed the following procedures:					
Discussed significant accounting, auditing and financial reporting matters with the audit engagement partner?	A715	___	___	___	___
Discussed the audit engagement team's identification and audit of high-risk transactions and account balances?	A716	___	___	___	___
Reviewed documentation of resolution of significant accounting, auditing and financial reporting matters, including documentation of consultation with firm personnel or external sources?	A717	___	___	___	___
Reviewed the summary of unadjusted audit differences?	A718	___	___	___	___
Read the financial statements and auditors' report?	A719	___	___	___	___
Confirmed with the audit engagement partner that there are no significant unresolved matters?	A720	___	___	___	___
Were significant matters not previously identified by the engagement team that came to the concurring partner reviewer's attention referred to and resolved by the engagement team with the concurrence of the concurring partner reviewer?	A721	___	___	___	___
If consultation occurs between the concurring partner reviewer and the engagement team relating to whether significant matters were appropriately considered and resolved:					
Were discussions held with other firm personnel involved in any significant consultations?	A722	___	___	___	___
Did the audit engagement partner develop an initial resolution to the matter before consulting with the concurring partner reviewer?	A723	___	___	___	___
Was the concurring partner review completed before the reissuance of the audit report if subsequent events procedures were performed as required by professional standards?	A724	___	___	___	___
If the firm engaged a qualified partner-level person from outside of the firm to perform the concurring review of an SEC engagement, did the firm verify and document in the working papers that the qualified partner-level individual is independent in accordance with professional standards?	A725	___	___	___	___
If a comfort letter to an underwriter was issued, is it in accordance with professional standards? (AU Sec. 634)	A726	___	___	___	___
If the firm performed an attest engagement with respect to management's discussion and analysis prepared pursuant to the rules and regulations of the SEC, was the engagement conducted in accordance with professional standards? (AT Sec. 700)	A727	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Have letters of comments or oral comments received from the SEC or other regulatory agencies been appropriately considered?	A728	_____	_____	_____	_____
Has there been rotation of the audit partner in charge of the engagement, if applicable, in conformity with the requirements of the SEC practice section? (SECPS Sec. 1000.08e)	A729	_____	_____	_____	_____
If management consulting services were performed during the year under audit, was the firm in compliance with the Section's requirements:					
Proscribing the performance of certain management advisory services? (SECPS 1000.08h)	A730	_____	_____	_____	_____
Requiring an annual report to the audit committee or board of directors of the client describing the types of such services rendered and the amount of the related fees received? (Such matters may be reported orally; if so, is the communication documented in the working papers?) (SECPS Sec. 1000.08i)	A731	_____	_____	_____	_____
Does the firm maintain a database ("Restricted Entity List") that includes this entity and all restricted entities? If not, how does the firm monitor independence with this entity and all restricted entities?	A732	_____	_____	_____	_____
If the client-auditor relationship with an SEC registrant subsequently ceased, was the Office of the Chief Accountant of the SEC notified within 5 business days, in conformity with the requirements of the SEC Practice Section? (SECPS Sec. 1000.08m)	A733	_____	_____	_____	_____
If the client-auditor relationship with an SEC registrant subsequently ceased, has the auditor sent a letter within the required timeframe to the registrant stating whether he or she agrees with the statements made by the registrant on the Form 8-K regarding the change in auditors? (See Regulation S-K, Item 304—Changes in and disagreements with accountants on accounting and financial disclosure.)	A734	_____	_____	_____	_____
Is there adequate disclosure regarding year-end adjustments made in the fourth quarter? (AC Sec. I73.147)	A735	_____	_____	_____	_____
For SEC registrants with fiscal quarters ending on or after March 15, 2000, did the auditor adhere to the Commission's rules that require registrants to obtain a SAS No. 71 review of interim financial statements prior to the filing of its Form 10-Q or 10-QSB? (Reg. S-X Article 10-01(d) or Reg. SB Item 310(b))	A736	_____	_____	_____	_____
For SEC registrants,					
Did the auditor discuss with the audit committee the auditor's judgment about the quality, not just the acceptability, of the entity's accounting principles as applied in its financial statements? (AU Sec. 380)	A737	_____	_____	_____	_____
For reviews of interim financial information for interim periods ending on or after March 15, 2000, did the auditor communicate matters described in SAS No. 61 to the audit committee, or at least its chairman and a representative of the entity's financial management prior to the Form 10-Q filing? (AU Sec. 722)	A738	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
<p>For SEC registrants, Section 10A to the Securities Exchange Act of 1934 requires that the SEC be informed either by the registrant or by the auditor when an auditor detects a possible illegal act(s) that has a material effect on the registrant's financial statements.</p>					
<p>If the auditor became aware that an illegal act has or may have occurred, did the auditor adequately inform the audit committee, management and the board of directors as soon as possible in accordance to the statute?</p>	A739	_____	_____	_____	_____
<p>If the auditor reported to the audit committee or the board of directors the conclusion that a) the illegal act has a material effect on the financial statements, b) senior management and the board of directors has not taken timely and appropriate remedial actions and c) the failure to take remedial action is reasonably expected to warrant departure from a standard report or the auditor's resignation:</p>					
<p>Did the audit committee or the board of directors report to the SEC within one business day of receiving the auditor's report and send the auditor a copy of the notice provided to the SEC?</p>	A740	_____	_____	_____	_____
<p>If the auditor did not receive a copy of the notice within the required one business day, did the auditor furnish a copy of the report to the SEC no later than one business day following the failure to receive a copy of the notice?</p>	A741	_____	_____	_____	_____

VI. EXPLANATION OF "NO" ANSWERS AND OTHER COMMENTS

The following pages are provided for your comments on all "no" answers for which an MFC form was not generated or to expand upon any of the "yes" answers. All "no" answers must be thoroughly explained and reviewed with the engagement partner or owner.

<i>Page Number</i>	<i>Question Number</i>	<i>Explanatory Comments</i>	<i>Disposition of Comments*</i>
			

* The nature of the disposition of comments may vary, such as:

- Note "resolved" and the manner of resolution.
- Note "not significant" to indicate a "no" answer is appropriate, but that the matter is not significant enough to warrant the preparation of an MFC form.

*Page
Number*

*Question
Number*

Explanatory Comments

*Disposition
of Comments*

SEC
PRACTICE
SECTION

*Page
Number*

*Question
Number*

Explanatory Comments

*Disposition
of Comments*

SEC
PRACTICE
SECTION

*Page
Number*

*Question
Number*

Explanatory Comments

*Disposition
of Comments*

SEC
PRACTICE
SECTION

VII. CONCLUSIONS

EXPLAIN BELOW THE REASONS FOR ANY "YES" ANSWERS. BE SPECIFIC.

Based on the work performed, did anything come to your attention that caused you to believe that:

- The firm did not perform the engagement in all material respects in accordance with generally accepted auditing standards? (AU Sec. 390 and ET Sec. 202) YES NO
- The financial statements did not conform with generally accepted accounting principles (or where applicable, a comprehensive basis of accounting other than GAAP) in all material respects, and the auditor's report was not appropriately modified? (AU Sec. 561 and ET Sec. 203) YES NO
- The auditor's report was not appropriate in the circumstances? YES NO
- The documentation on this engagement does not support the firm's opinion on the financial statements? YES NO
- The firm did not comply with its policies and procedures on this engagement in all material respects? YES NO

[The next page is 20,501.]

* If this question is answered "yes," see additional guidance contained in Section 3100.51-.53 of the *Standards for Performing and Reporting on Peer Reviews* in the AICPA *Peer Review Program Manual* or Section 2000.83-.89 in the *SEC Practice Section Reference Manual*.

SEC
PRACTICE
SECTION

PRM
20500

Governmental Audit
Engagement

Section 20,500

Governmental Audit Engagement Checklist

Instructions for Use of Checklist for Review of Audit Engagements of State or Local Governments and Certain Other Audit Engagements Requiring the Use of *Government Auditing Standards*

This checklist was developed for use by reviewers of audits of state and local governments. Appendix A to this checklist should be used for review of state and local government and other audit engagements requiring the use of *Government Auditing Standards* except for those entities receiving federal government awards or grants.

The questions in this checklist emphasize reporting matters and general procedures ordinarily performed by an independent auditor in the audit of financial statements of state and local governmental units. This checklist can be used in reviewing the audit of the general purpose financial statements, the comprehensive annual financial report, basic financial statements issued under GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, or component unit financial statements. The reviewer, however, should recognize that this checklist does not address certain items contained in the comprehensive annual financial report, such as the introductory section and non-financial statistical information. Guidance regarding auditors’ reports on such items may be found in the AICPA Audit and Accounting Guide *Audits of State and Local Governmental Units*, chapters 18 and 19, and appendix A. Presentation guidance may be found in the GASB’s Codification of Governmental Accounting and Financial Reporting Standards, sections 2200–2800.

The questions have been derived principally from relevant pronouncements of the Auditing Standards Board, the Governmental Accounting Standards Board, the U.S. General Accounting Office’s *Government Auditing Standards* (1994 Revision, as amended, through Amendment No. 2) (the “Yellow Book”), and the AICPA Audit and Accounting Guide *Audits of State and Local Governmental Units*, as issued in 1994 and subsequently updated for changes to conform to revised professional standards.

Reviewers of entities receiving federal government awards or grants should also complete the *Supplemental Checklist for Review of A-133 Single Audit Act Engagements*. That supplemental checklist gives effect to the 1997 revisions of OMB Circular A-133 and SOP 98-3, *Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards*, as issued in 1998 and subsequently updated for changes to conform to revised AICPA *Professional Standards*.

Reviewers of audits of governmental entities’ HUD projects should not complete the *Supplemental Checklist for Review of Audits of HUD Engagements*, but instead should complete the *Supplemental Checklist for Review of A-133 Single Audit Act Engagements*.

Reviewers should adapt this checklist to fit specific engagements.

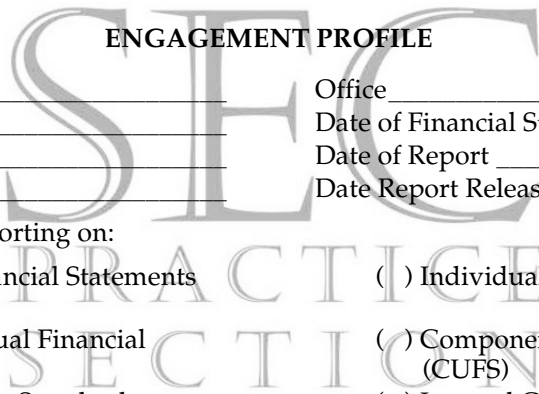
These materials should be used in conjunction with other guidance materials issued to implement the peer review program of the AICPA and the SEC Practice Section.

Questions regarding these instructions or any other materials should be directed to AICPA Practice Monitoring at (201) 938-3030.

Note: This checklist has been updated through SAS No. 94, FAS No. 142, FASB Interpretation 44, SOP 01-3, GASB No. 38, FASB Technical Bulletin No. 97-1, GASB Technical Bulletin No. 2000-1 and the 1994 revision of the Yellow Book as amended through Amendment No. 2.

Explanation of References:

A-133	Office of Management and Budget (OMB) Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations (SOP 98-3, Appendix B)
AC	Reference to section number in FASB <i>Accounting Standards Current Text</i>
ASLGU	AICPA Audit and Accounting Guide <i>Audits of State and Local Governmental Units</i> (reflects guidance contained in authoritative pronouncements through May 1, 2000)
AU	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
EITF	Emerging Issues Task Force Abstracts
ET	<i>Code of Professional Conduct</i> in AICPA <i>Professional Standards</i> (vol. 2)
GAS	<i>Government Auditing Standards</i> , United States General Accounting Office (1994 Revisions, as amended through Amendment No. 2) ("Yellow Book")
GASB	<i>Codification of Governmental Accounting and Financial Reporting Standards</i>
QC	Quality Control Standards in AICPA <i>Professional Standards</i> (vol. 2)
SECPS	SEC Practice Section Reference Manual
SOP	AICPA Statement of Position (SOPs may be found in AICPA <i>Technical Practice Aids</i> (TPA))



ENGAGEMENT PROFILE

Engagement Code No. _____ Office _____
Owner/Partner _____ Date of Financial Statements* _____
Manager _____ Date of Report _____
Concurring Reviewer** _____ Date Report Released _____

This engagement involves reporting on:

- () General Purpose Financial Statements (GPFS)
() Comprehensive Annual Financial Report (CAFR)
() Government Auditing Standards (see Appendix A)
() Primary Government Only Financial Statements
() Basic Financial Statements under GASB No. 34
() Individual Fund Financial Statements
() Component Unit Financial Statements (CUFS)
() Internal Control and Compliance
() Special Reports
() Other (e.g., Program Specific Audit Requirement) Explain:

Was the work performed at the request of another office? Yes ___ No ___

Date that the fee for the prior year's engagement was paid _____

Key data reported on by this office for this engagement:

Total combined assets (Memorandum total) \$ _____
Total combined governmental fund type revenues (Memorandum total) . . . \$ _____
Total combined proprietary fund type revenues (Memorandum total) . . . \$ _____
Total amount of federal assistance expended*** \$ _____

General description of audited entity: _____

Complex or troublesome audit areas: _____

List any non-audit (excluding tax) services performed for the client during the period being reported upon and through the date of the auditor's report.

Personnel

Personnel Continuity:
Number of years assigned to this job
Number of years in current position on the job
Owner or Partner
Manager or equivalent

Audit hours on this engagement:

Table with 4 columns: Total, Prior to Commencement of Field Work, During Field Work, After Completion of Field Work. Rows include Owner/Partner, Manager (or equivalent), Concurring Reviewer**, Senior/Other Professionals, Total this office, Total budgeted.

* To determine the applicability of all cross-referenced pronouncements, consider their effective dates.
** Not applicable unless required by firm policy.
*** This amount should include "pass through" federal assistance received indirectly from another state or local government.

LIST OF KEY AUDIT AREAS SELECTED BY REVIEWER

A reviewer is not required to look at all the working papers for a particular engagement. The depth of the review is based on the reviewer’s judgment; however, the review is directed primarily to the key areas of an engagement, including complex or troublesome areas. Ordinarily, all key audit areas should be reviewed. List below the key areas on this engagement, and if any key areas are not reviewed, indicate the reasons for this omission. In completing this checklist, all questions in Sections I, II, IV and (if applicable) V should be answered in addition to the questions in Section III for the key areas identified and for Commitments and Contingencies, Revenues and Expenditures/Expenses, and Other.

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

Date Engagement Review Performed _____

Reviewer _____

Date Checklist Reviewed by
Team Captain _____

Signature _____

**Checklist for Review of Audit Engagements
of State or Local Governmental Entities**

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I. REPORT AND FINANCIAL STATEMENTS

Note: This checklist is derived from the pronouncements of the Governmental Accounting Standards Board (GASB), the U.S. General Accounting Office (GAO) and the AICPA. For detailed information concerning these requirements, the reviewer may wish to consult the authoritative literature of the above noted organizations as well as the AICPA financial reporting aid, *Disclosure Checklists and Illustrative Financial Statements for State and Local Governmental Units*. All "no" answers must be thoroughly explained. If the firm has used its own report and financial statement disclosure checklist on this engagement, it may be reviewed in lieu of completing this checklist provided the reviewer has determined that the firm's checklist is current, comprehensive, and appropriate for the engagement.

SECTION	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Auditor's Reports					
Does (do) the auditor's report(s) on the general purpose or primary government only financial statements include all required matters concerning the financial position and results of financial operations of the governmental unit and cash flows of proprietary and nonexpendable trust funds? (AU Sec. 508 and ASLGU, Ch. 18)	G101	_____	_____	_____	_____
Is the report dated in conformity with the requirements of professional standards? (AU Secs. 508.08j, .28, and 530)	A101	_____	_____	_____	_____
Does the report appropriately include the basic elements required under professional standards and is appropriate language used for modifying the report for circumstances described in such standards? (AU Secs. 508.08-.11 and 623)	A102	_____	_____	_____	_____
Does the report cover all periods for which financial statements are presented? (AU Sec. 508.08 and .65)	A103	_____	_____	_____	_____
Effective for reports issued or reissued after June 30, 2001, the Auditing Standards Board issued Statement on Auditing Standards No. 93, <i>Omnibus Statement on Auditing Standards—2000</i> . Among other amendments, SAS No. 93 amends SAS No. 58 (AU Sec. 508) to require a reference to the country of origin of (1) the accounting principles used to prepare financial statements and (2) the auditing standards the auditor followed in performing the audit. For reports issued or reissued after the effective date:					
Does the report include a reference to the country of origin of the accounting principles used to prepare the financial statements?	A104	_____	_____	_____	_____
Does the report include a reference to the country of origin of the auditing standards the auditor followed in performing the audit?	A105	_____	_____	_____	_____
If the financial statements of a prior period have been audited by a predecessor auditor whose report is not presented, has the successor auditor included the appropriate reference to the predecessor auditor in the introductory paragraph? (AU Sec. 508.74)	A106	_____	_____	_____	_____
If the financial statements were prepared in conformity with the requirements of a governmental regulatory agency and are intended solely for filing with that regulatory agency, has a paragraph been included which restricts the use of the report solely to those within the entity and for filing with the regulatory agency? (AU Sec. 623.05)	G102	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the financial statements were prepared in conformity with the requirements of a governmental regulatory agency and the report is intended for distribution other than solely for filing with that regulatory agency, does the report consist of the standard form of report appropriately modified for departures from generally accepted accounting principles and include an additional paragraph expressing an opinion on conformity with the prescribed basis of accounting? (AU Secs. 544 and 623.05)	G103	_____	_____	_____	_____
If supplemental information accompanies the basic financial statements, does the auditor describe in the report the degree of responsibility, if any, the auditor is taking? (AU Secs. 551 for accompanying information and 558 for "required supplementary information")	A107	_____	_____	_____	_____
If the use of the report has been restricted, is there compliance with the applicable provisions of SAS No. 87? (AU Sec. 532)	A112	_____	_____	_____	_____
If the entity reported changes resulting from a transaction or event, did the auditor not add a consistency explanatory paragraph to the auditor's report? (AU Sec. 420)	A113	_____	_____	_____	_____

Financial Statements and Notes

(In June 1999, the Governmental Accounting Standards Board issued GASB Statement No. 34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments", which has a series of phased-in effective dates starting "for fiscal years beginning after June 15, 2001", depending on the governmental entity's annual revenues and method of adoption. If the governmental entity has adopted GASB No. 34, see the associated questions starting with G179)

General

Are the financial statements suitably titled? (AU Sec. 623.07 and .24 and GASB Sec. 2200.109)	A114	_____	_____	_____	_____
Unless the governmental entity has adopted GASB No. 34, do the financial statements conform with the provisions of GASB Statement No. 29, applying the not-for-profit accounting and financial reporting principles to state and local government entities and that proprietary activities that adopt paragraph 7 of GASB Statement No. 20 should only adopt FASB statements that apply to business enterprises and do not conflict with the GASB pronouncements? (GASB Sec. No. 80.102)	G104	_____	_____	_____	_____
Are the following general purpose or component unit financial statements presented:					
Combined balance sheet—all fund types, account groups, and discretely presented component units? (GASB Sec. 2200.108b.(2)(a))	G105	_____	_____	_____	_____
Combined statement of revenues, expenditures, and changes in fund balances—all governmental fund types and discretely presented component units? (GASB Sec. 2200.108b.(2)(b))	G106	_____	_____	_____	_____
Combined statement of revenues, expenditures, and changes in fund balances—budget and actual—general and special revenue fund types (and similar governmental fund types of the primary government for which annual budgets have been legally adopted)? (GASB Sec. 2200.108b.(2)(c))	G107	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Combined statement of revenues, expenses, and changes in retained earnings (or equity)—all proprietary fund types and discretely presented component units? (GASB Sec. 2200.108b.(2)(d))	G108	_____	_____	_____	_____
Combined statement of cash flows—all proprietary fund types and similar trust funds and discretely presented component units? (GASB Sec. 2200.108b.(2)(e))	G109	_____	_____	_____	_____
Do the combined financial statements contain all funds and account groups that comprise the reporting entity, as defined in the notes? (GASB Sec. 2100)	G110	_____	_____	_____	_____
If totals by account are presented in the general purpose financial statements, are the totals noted as memorandum only? (GASB Sec. 2200.117)	G111	_____	_____	_____	_____
If the auditor is expressing an opinion on summarized comparative information of the prior period, does the prior period's information contain sufficient detail to constitute a fair presentation in conformity with generally accepted accounting principles? (AU Sec. 508.65 fn 23 and ASLGU, Ch. 18, pars. 18.19–.33)	G112	_____	_____	_____	_____
Do interfund receivables reconcile with interfund payables? (GASB Secs. 1800.102–.108, 2600.120, and .121)	G113	_____	_____	_____	_____
Are interfund operating transfers reported in the "Other Financing Sources" section in the Statement of Revenues and Expenditures and residual equity transfers reported as additions or deductions from beginning fund balances? (GASB Sec. 1800.107)	G114	_____	_____	_____	_____
Are special assessment receivables offset by deferred revenue when appropriate? (GASB Sec. S40.115)	G115	_____	_____	_____	_____
Are taxes and other similar receivables appropriately recorded and disclosed net of uncollectible receivables? (GASB Sec. P70 and ASLGU, Ch. 8, pars. 8.08–.16)	G116	_____	_____	_____	_____
For current and advance debt refundings of proprietary activities, has the difference between the reacquisition price and the net carrying amount of the old debt been deferred and amortized as a component of interest expense in a systematic and rational manner over the appropriate time period? (GASB Sec. D20.109)	G117	_____	_____	_____	_____
If separate financial statements of a component unit are issued, is the relationship of the component unit to the reporting or oversight entity disclosed? (GASB Sec. 2600.128)	G118	_____	_____	_____	_____
If a general fund is presented:					
Are the statements prepared on the modified accrual basis? (GASB Sec. 1600.105)	G119	_____	_____	_____	_____
Are significant sources of general fund revenues disclosed? (GASB Secs. 1800.115 and 2200.114)	G120	_____	_____	_____	_____
Are expenditures classified by function? (GASB Sec. 1800.116–.117)	G121	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If special revenue funds are presented:					
Are the statements prepared on the modified accrual basis? (GASB Sec. 1600.105)	G122	___	___	___	___
Do the statements disclose the significant revenues and expenditures? (GASB Sec. 1800.114–.121)	G123	___	___	___	___
If debt service funds are presented:					
Are the statements prepared on the modified accrual basis? (GASB Sec. 1600.105)	G124	___	___	___	___
Do the statements disclose the significant revenues and expenditures? (GASB Sec. 1800.114–.126)	G125	___	___	___	___
If capital project funds are presented:					
Are the statements prepared on the modified accrual basis? (GASB Sec. 1600.105)	G126	___	___	___	___
Do the statements disclose the significant revenues and expenditures? (GASB Sec. 1800.114–.121)	G127	___	___	___	___
If enterprise funds are presented:					
Are the statements prepared on the accrual basis? (GASB 1600.126)	G128	___	___	___	___
Is the enterprise fund's liability for general obligation and special assessment debt, if any, included in the enterprise fund's financial statements? (GASB Sec. 1500.102 and S40.123)	G129	___	___	___	___
Are operating and nonoperating revenues and expenses separately classified? (GASB Sec. 1800.122 and ASLGU Ch. 9, pars. 9.17 and .18)	G130	___	___	___	___
Are property, plant and equipment properly reported on the balance sheet? (GASB Sec. 1400.102 and .103)	G131	___	___	___	___
Is a statement of cash flows presented? (GASB Sec. 2450.102–.103)	G132	___	___	___	___
If internal service funds are presented:					
Are the statements prepared on the accrual basis? (GASB Sec. 1600.126)	G133	___	___	___	___
Do the financial statements present the net billings to other funds as revenues and the related costs as expenses? (GASB Sec. 1800.103 and .104)	G134	___	___	___	___
Are property, plant and equipment properly reported on the balance sheet? (GASB Sec. 1400.102 and .103)	G135	___	___	___	___
Is a statement of cash flows presented? (GASB Sec. 2450.102–.103)	G136	___	___	___	___
If nonexpendable and/or pension funds are presented:					
Are the statements prepared on the accrual basis? (GASB Sec. 1600 and ASLGU, Ch. 14, pars. 14.09 and .10)	G137	___	___	___	___
Is a statement of cash flows presented for non-expendable trust funds? (GASB Sec. 2450.102–.103)	G138	___	___	___	___
If agency funds are presented:					
Are the balance sheets prepared on the modified accrual basis? (GASB Sec. 1100.108(c))	G139	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If expendable trust funds, including any Internal Revenue Code Section 457 plans for which the entity is a trustee:					
Are the statements prepared on the modified accrual basis? (GASB Sec. 1100.108(c))	G140	___	___	___	___
Do the financial statements disclose the significant revenues and expenditures of each fund? (GASB Sec. 1800.114-.121)	G141	___	___	___	___
If a general fixed assets account group is presented:					
Are land, buildings, equipment, and construction-in-progress separately classified? (ASLGU, Ch. 10, par. 10.20)	G142	___	___	___	___
Where general fixed assets are depreciated, does the statement show the accumulated depreciation? (GASB Sec. 1400.118)	G143	___	___	___	___
If a general long-term debt account group is presented:					
Are general long-term term obligations classified separately as term bonds, serial bonds, and other general long-term obligations? (GASB Sec. 1500.105)	G144	___	___	___	___
Are other long-term liabilities (accrued vacation, leases, workers' compensation, landfill closure and postclosure care costs, etc.) separately disclosed? (GASB Sec. 1500.111-.126)	G145	___	___	___	___
Does the ending fund balance of the debt service fund agree with Amount Available for Debt Service in the General Long-Term Debt Account Group? (GASB Sec. 1500.105)	G146	___	___	___	___
If component units are reported:					
Are component units properly reported as blended or discrete? (GASB Sec. 2600.107-.113 and .115-.117)	G147	___	___	___	___
Have all discretely presented component units been reported in a separate column or columns to the right of all funds and account groups of the primary government? (GASB Sec. 2600.107, .108, and .111)	G148	___	___	___	___
Is the use of the term "reserve" limited to indicating that a portion of the fund balance is not appropriable for expenditure or is legally segregated for a specific future use? (GASB Sec. 1800.123 and .124)	G149	___	___	___	___
Are the governmental funds long-term loans receivable offset by a reserve of fund balance? (GASB Sec. 1800.123 and ASLGU, Ch. 12, par. 12.12)	G150	___	___	___	___
Questions G151 through G176 should be answered only if the combining or individual fund financial statements are presented as primary financial statements. The reviewer should evaluate if the fund statements were complete in presentation for each fund or account group. (GASB Sec. 2200)					
Are the following financial statements presented, if necessary:					
General fund:					
Balance sheet?	G151	___	___	___	___
Statement of revenues, expenditures and changes in fund balance?	G152	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Statement of revenues, expenditures and changes in fund balances— budget vs. actual? ¹	G153	___	___	___	___
Special revenue funds:					
Balance sheet?	G154	___	___	___	___
Statement of revenues, expenditures and changes in fund balance?	G155	___	___	___	___
Statement of revenues, expenditures and changes in fund balances— budget vs. actual? ¹	G156	___	___	___	___
Debt service funds:					
Balance sheet?	G157	___	___	___	___
Statement of revenues, expenditures and changes in fund balances?	G158	___	___	___	___
Statement of revenues, expenditures and changes in fund balances— budget vs. actual? ¹	G159	___	___	___	___
Capital project funds:					
Balance sheet?	G160	___	___	___	___
Statement of revenues, expenditures and changes in fund balances?	G161	___	___	___	___
Statement of revenues, expenditures and changes in fund balances— budget vs. actual? ¹	G162	___	___	___	___
Enterprise funds:					
Balance sheet?	G163	___	___	___	___
Statement of revenues, expenses and changes in retained earnings?	G164	___	___	___	___
Statement of cash flows?	G165	___	___	___	___
Internal service funds:					
Balance sheet?	G166	___	___	___	___
Statement of revenues, expenses and changes in retained earnings?	G167	___	___	___	___
Statement of cash flows?	G168	___	___	___	___
Nonexpendable and pension trust funds:					
Balance sheet?	G169	___	___	___	___
Statement of revenues, expenses and changes in fund balances?	G170	___	___	___	___
Statement of cash flows? ²	G171	___	___	___	___
Agency funds:					
Balance sheet?	G172	___	___	___	___
Combining statement of changes in assets and liabilities, if appropriate?	G173	___	___	___	___
Expendable trust funds:					
Balance sheet?	G174	___	___	___	___
Statement of revenues, expenditures and changes in fund balances?	G175	___	___	___	___
Statement of revenues, expenditures and changes in fund balances— budget vs. actual? ³	G176	___	___	___	___

¹ This question is applicable for those funds required to adopt an annual budget.

² GASB Statement No. 9 does not require a statement of cash flows by pension trust funds.

³ This question is applicable for those funds required to adopt an annual budget.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If required, is a statement of changes in general fixed assets presented? (GASB Sec. 2200.109b.(4)(a))	G177	___	___	___	___
If required, is a statement of changes in general long-term debt presented? (GASB Sec. 2200.109b.(4)(b))	G178	___	___	___	___
In June 1999, the Governmental Accounting Standards Board issued Statement 34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments." Statement No. 34 has phased-in effective dates for periods beginning after June 15, 2001, if Statement 34 was implemented, did the auditor consider the following:					
Implementation of Statement 33, "Accounting and Financial Reporting for Nonexchange Transactions"? (GASB 34, par. 143)	G179	___	___	___	___
If the governmental entity was classified as a "primary government", did its component units also implement Statement 34? (GASB 34, par. 143)	G180	___	___	___	___
Does the MD&A introduce the basic financial statements and provide an analytical overview of the governmental entity's financial activities? (GASB 34, par. 6a)	G181	___	___	___	___
Does the MD&A provide an objective and easily readable analysis of the governmental entity's financial activities based on current known facts, decisions or conditions? (GASB 34, par. 8)	G182	___	___	___	___
Do the basic financial statements include: (GASB 34, par. 6b)					
Government-wide financial statements?	G183	___	___	___	___
Fund financial statements?	G184	___	___	___	___
Appropriate presentations related to major funds?	G185	___	___	___	___
Reconciliations between government-wide and fund financial statements?	G186	___	___	___	___
Notes to the financial statements?	G187	___	___	___	___
Presentation of budget and actual results for required funds either as a basic financial statement or required supplemental information?	G188	___	___	___	___
Are the disclosures adequate regarding the following significant accounting policies: (GASB 34, pars. 114–123)					
Description of the government-wide financial statements, noting that neither fiduciary funds nor component units that are fiduciary in nature are included?	G189	___	___	___	___
Measurement focus and basis of accounting used?	G190	___	___	___	___
Elimination of internal activity in the statement of activities?	G191	___	___	___	___
The application of FASB pronouncements issued after November 30, 1989, to business-type activities and to enterprise funds of the primary government?	G192	___	___	___	___
Capitalization of assets and for estimating the useful lives of those assets?	G193	___	___	___	___
Description of the modified approach for the reporting of eligible infrastructure assets?	G194	___	___	___	___
Types of transactions included in program revenues?	G195	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Allocation of indirect expenses to functions in the statement of activities?	G196	___	___	___	___
Definition of operating and nonoperating revenues of proprietary funds?	G197	___	___	___	___
Are the following Required Supplementary Information presented along with the financial statements of the governmental entity: (GASB 34, pars. 129–133)					
Budgetary comparison schedules for the general fund and for each major special revenue fund?	G198	___	___	___	___
Assessed condition, performed at least every three years, for at least the three most recent complete condition assessments?	G199	___	___	___	___
Estimated annual amount calculated at the beginning of the fiscal year to maintain and preserve at (or above) the condition level established and disclosed by the government compared with the amounts actually expensed for each of the past five reporting periods?	G200	___	___	___	___
GASB Statement No. 37, <i>Basic Financial Statements—and Management’s Discussion and Analysis—For State and Local Governments: Omnibus</i> , amends certain provision of Statement No. 34 and Statement No. 21 with respect to escheated property. Therefore, concurrent with the implementation of Statement No. 34 (if that Statement has already been implemented, for fiscal years beginning after June 15, 2000), has the governmental entity, considered the implications of Statement No. 37 on the:					
Accounting and reporting for escheated property? (par. 3)	G201	___	___	___	___
Topics reported in Management’s Discussion and Analysis? (pars. 4 and 5)	G202	___	___	___	___
Capitalization of certain construction period interest? (par. 6)	G203	___	___	___	___
Level of detail required for certain activities in the statement of activities? (par. 10)	G204	___	___	___	___
Criteria for reporting enterprise and other governmental funds in separate columns as major funds? (par. 15)	G205	___	___	___	___
For activities reported by enterprise funds, disclosure of segment information in the notes to the financial statements? (par. 17)	G206	___	___	___	___

Other Note Disclosures

Unless the governmental entity has adopted GASB No. 34, are the presentations appropriate and are the disclosures adequate regarding the following significant accounting policies:

Definition of the governmental reporting entity and the criteria used to determine the scope of the reporting entity? (GASB Sec. 2600.124)	G207	___	___	___	___
Policy regarding use of FASB pronouncements for proprietary activities? (GASB Sec. P80.105 and GASB Statement No. 29)	G208	___	___	___	___
Are individual component unit disclosures included within the General Purpose Financial Statements, as well as a brief description of the component units, their relationship to the primary government and how the separate financial statements for the individual component units may be obtained? (GASB Sec. 2600.114 and .124)	G209	___	___	___	___

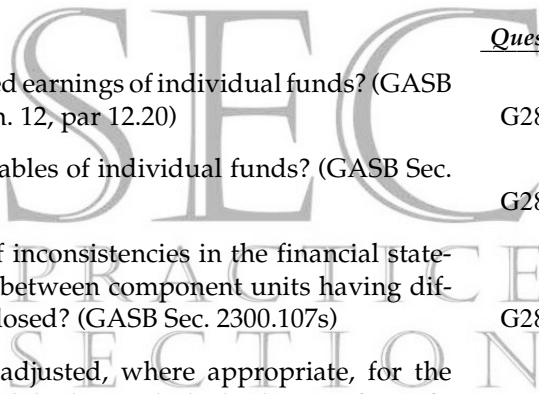
	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Basis of accounting applied to each fund type? (GASB Sec. 1600)	G210	_____	_____	_____	_____
Revenue recognition policies, including:					
Definitions of modified accrual basis as to governmental fund types and of accrual basis as to proprietary fund types? (GASB Secs. 1600.102–.105 and 2300.901)	G211	_____	_____	_____	_____
Description of revenue sources that are treated as “susceptible to accrual” (e.g., property tax revenues and taxpayer assessed tax revenues) under the modified accrual basis and those that are not? (GASB Sec. 1600.106–.126)	G212	_____	_____	_____	_____
Accounting for fixed assets concerning:					
Classification in proprietary funds or general fixed assets account group? (GASB Sec. 1400.102–.106)	G213	_____	_____	_____	_____
Valuation basis of fixed assets, including capitalization policies for public domain (infrastructure) general fixed assets? (GASB Sec. 1400.109 and .111–.113)	G214	_____	_____	_____	_____
Depreciation methods and lives, including whether depreciation is reported on general fixed assets? (GASB Sec. 1400.114–.123)	G215	_____	_____	_____	_____
Capitalization of interest costs during construction? (GASB Sec. 2300.106a and ASLGU, Ch. 10, par. 10.21)	G216	_____	_____	_____	_____
Method of accounting and reporting for encumbrances? (GASB Sec. 2300.106a)	G217	_____	_____	_____	_____
Claims and judgments? (GASB Sec. C50)	G218	_____	_____	_____	_____
Interfund eliminations not apparent? (GASB Sec. 2300.107(p))	G219	_____	_____	_____	_____
Long-term liabilities related to proprietary funds, nonexpendable trust and pension funds, and special assessment debt? (Long-term liabilities expected to be repaid from governmental funds are accounted for in the General Long-Term Debt Account Group.) (GASB Sec. 1500.102)	G220	_____	_____	_____	_____
Significant accounting policies? (GASB Secs. 2200.110 and 2300.106–.110)	G221	_____	_____	_____	_____
Basis on which each budget is prepared, including:					
Treatment of encumbrances? (GASB Sec. 2300.106a.(3))	G222	_____	_____	_____	_____
Whether appropriations lapse at year end? (GASB Sec. 1700.129d–e)	G223	_____	_____	_____	_____
Explanation of the differences, if any, between the budgetary basis and the basis used for financial reporting of governmental funds? (GASB Secs. 2400.104, .110–.123, and 2300.107(e))	G224	_____	_____	_____	_____
Separate summary of significant accounting policies for discretely presented component units? (GASB, Secs. 2300.106a(1) and (7), and 2600.124–.126)	G225	_____	_____	_____	_____
Nature of the primary government’s accountability for related organizations? (GASB Sec. 2600.131)	G226	_____	_____	_____	_____
The method of accounting and reporting for nonexchange transactions under GASB No. 33?	G227	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Are the presentations appropriate and are disclosures adequate regarding the following:					
Classified balance sheets, where appropriate? (AC Sec. B05)	G228	___	___	___	___
Condensed financial statements for major component units included in the component units column(s)? (GASB Sec. 2600.114)	G229	___	___	___	___
Accounting changes? (AC Sec. A06)	A115	___	___	___	___
Pension activities, employer reporting? (GASB Sec. 2300.106g and .107q, P20)	G230	___	___	___	___
Postemployment benefits other than pensions—employer reporting? (GASB Sec. P50.105–.107)	G231	___	___	___	___
Pension funds, reporting by plans? (GASB Secs. 2300, 107q, Pe5, and Pe6)	G232	___	___	___	___
Securities lending transactions? (GASB Sec. I60.103–.114)	G233	___	___	___	___
Public entity risk pools? (GASB Sec. Po20)	G234	___	___	___	___
Derivative instruments and hedging activities? Effective June 30, 2000, for entities that have not adopted FAS 133 for derivative financial instruments and hedging activities, the entity must adopt FAS 138 concurrently with FAS 133. Therefore, as applicable to governmental entities, in conjunction with the adoption of FAS 133, have derivative financial instruments and hedging activities been properly accounted for and disclosed in accordance with FAS 138, <i>Accounting for Certain Derivative Instruments and Certain Hedging Activities (an amendment of FASB Statement No. 133)</i> ?	A123	___	___	___	___
Related party transactions? (GASB Sec. 2300.107(g))	A125	___	___	___	___
Nonmonetary transactions? (GASB Sec. 1400.113 and AC Sec. N35)	A129	___	___	___	___
Segment information for enterprise funds? (GASB Sec. 2500.105 and .107–.108)	G235	___	___	___	___
Capital leases of lessees? (GASB Sec. 2300.107(i) and L20.113–.115, .117, .118, .128, and .129)	G236	___	___	___	___
Operating leases and rent expense of lessees? (GASB Secs. 2300.106j and L20.114 and .115)	G237	___	___	___	___
Detail of the government's property tax calendar, including the lien, levy, due and collection dates? (GASB Sec. P70.109)	G238	___	___	___	___
Material noncompliance with finance-related legal and contractual provisions, including instances concerning budget amendments, expenditures exceeding appropriations in individual funds and debt exceeding legal limitations? (GASB Secs. 2300.106h and n and L20.119)	G239	___	___	___	___
Valuation allowances? (AC Sec. V18)	A143	___	___	___	___
Restricted cash (e.g., compensating balances)? (ASLGU Ch. 7, par. 7.14 and AC Secs. B05.107 and C59.120)	A144	___	___	___	___
Definition of cash and cash equivalents consistent with GASB Statement No. 9? (GASB Sec. 2450.106b)	G240	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
The reported amount of total deposits and the amount of uninsured or uncollateralized bank balance classified into the three categories of credit risk? (GASB Sec. C20.106)	G241	_____	_____	_____	_____
The carrying amount and fair value of investments as of balance-sheet date by investment type and in total with types of investments classified into the three categories of credit risk? (GASB Sec. I50.125)	G242	_____	_____	_____	_____
For derivatives and similar debt and investment transactions, (i) discussion of the accounting policies and other relevant information, (ii) explanation of the nature of the transactions, and (iii) the reasons for entering into them? (GASB, Sec. 2300.601)	G243	_____	_____	_____	_____
Terms or circumstances concerning repurchase or reverse repurchase agreements? (GASB Secs. 2300.106c, .107v, I50, I55)	G244	_____	_____	_____	_____
Receivables:					
Loans or advances to other funds of the governmental units? (GASB Sec. 1300.110)	G245	_____	_____	_____	_____
Taxes receivable? (GASB Sec. P70.103)	G246	_____	_____	_____	_____
Grant entitlements and other receivables? (GASB Sec. G60.112)	G247	_____	_____	_____	_____
Effect of interest rates that do not reflect market rates? (AC Sec. I69.109)	A147	_____	_____	_____	_____
Effects of troubled debt restructurings? (AC Sec. D22.121, .136, .137, and .145)	A148	_____	_____	_____	_____
Other receivables? (GASB Sec. 1600.115)	A149	_____	_____	_____	_____
Inventories? (GASB Sec. 1600.123 and AC Secs. B05.105 and I78)	A151	_____	_____	_____	_____
Joint ventures and other investments? (GASB Secs. 2300.107j and J50 pars. .106–.111)	G248	_____	_____	_____	_____
Pooled cash and investment accounts? (GASB Sec. 1800.601)	G249	_____	_____	_____	_____
Have the following disclosures been made for investments subject to the fair value requirements (GASB Sec. I50.119):					
The methods and significant assumptions used to estimate fair value of investments, if the fair value is based on other than quoted market prices?	G250	_____	_____	_____	_____
The policy for determining which investments, if any, are reported at amortized cost?	G251	_____	_____	_____	_____
For investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool, and whether the fair value of the position in the pool is the same as the value of the pool shares?	G252	_____	_____	_____	_____
Any involuntary participation in an external investment pool?	G253	_____	_____	_____	_____
If any entity cannot obtain information from a pool sponsor to allow it to determine the fair value of its investment in the pool, the methods used and significant assumptions made in determining that fair value and the reasons for having had to make such an estimate?	G254	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Any income from investments associated with one fund that is assigned to another fund?	G255	___	___	___	___
For governmental entities that disclose gains/losses on investments, do the notes disclose (GASB Sec. I50.119):					
The calculation of realized gains or losses is independent of a calculation of the net change in the fair value of investments?	G256	___	___	___	___
Realized gains or losses on investments that had been held in more than one fiscal year and sold in the current year were included as a net change in the fair value of investments reported in the prior year(s) and the current year?	G257	___	___	___	___
If this entity has public entity risk pools (cooperative group of governmental entities) did the entity:					
Recognize pool premiums as revenue over the contract period? (GASB Sec. Po 20.115-.117)	G258	___	___	___	___
Recognize claims costs in the period in which the event triggers coverage under the policy? (GASB Sec. Po 20.118-.122)	G259	___	___	___	___
Report the estimated loss of a claim if it is both probable and reasonably estimable? (GASB Sec. Po 20.123)	G260	___	___	___	___
Sales-type, direct financing, leveraged, and operating leases of lessors? (GASB Sec. L20.107 and AC Sec. L10.119 and .143-.149)	A154	___	___	___	___
Are the operating lease revenues for governmental and similar trust funds accounted for under the modified accrual basis and for proprietary and similar trust funds under the accrual basis? (GASB Sec. L20.108-.112)	G261	___	___	___	___
For leases entered into beginning June 30, 1990, are operating leases with scheduled rent increases accounted for in a systematic and rational manner? If terms are artificially low, has the entity used either the straight-line or estimated fair value method? (GASB Sec. L20)	G262	___	___	___	___
Other assets including intangible assets, unamortized computer software costs, and deferred charges and their impairment, if applicable? (AC Secs. I08, I60, and Co2.106-.110)	A155	___	___	___	___
Pledged assets? (AC Sec. C59.120)	A156	___	___	___	___
Related assets and liabilities? [These may be offset in the balance sheet only when all of the following conditions are met: (1) each party owes the other determinable amounts, (2) the reporting party has the right to set off the amount owed by the other party, (3) the reporting party intends to set off, and (4) the right to set off is enforceable at law.] (AC Sec. B10.101A)	A157	___	___	___	___
Short-term liabilities expected to be refinanced? (AC Sec. B05.110-.118, .138, and .139)	A159	___	___	___	___
Notes payable, bond, tax, and revenue anticipation notes, and other debt:					
Maturities, rates? (AC Sec. C32.104 and .105)	A160	___	___	___	___
Other terms and covenants? (ASLGU, Ch. 11, par. 11.31 and AC Sec. C59.120)	A161	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Special assessment debt and related activities? (GASB Sec. 2300.107x)	G263	___	___	___	___
Effect of interest rates that do not reflect market rates? (AC Sec. I69)	A162	___	___	___	___
Effect of troubled debt restructurings? (AC Sec. D22.121)	A163	___	___	___	___
Effect of debt refundings? (GASB Sec. D20)	G264	___	___	___	___
Loans or advances from other funds of the governmental unit? (GASB Sec. 1300.110)	G265	___	___	___	___
Debt service requirements to maturity? (GASB Sec. 2300.106i)	G266	___	___	___	___
Changes during the period, including advance refundings resulting in defeasance of debt? (GASB Secs. 2300.106m, D20.106, and .111-.115)	G267	___	___	___	___
Unpaid debt that has been fully defeased? (GASB Sec. D20.111-.114)	G268	___	___	___	___
Nature of any restrictions on assets related to debt? (ASLGU, Ch. 11, par. 11.31)	G269	___	___	___	___
Demand bonds? (GASB Secs. 2300.107y and D30.108-.111)	G270	___	___	___	___
Conduit debt obligations? (GASB Secs. 1500.115 and C65.102)	G271	___	___	___	___
Compensation for future absences and special termination benefits for employees? (GASB Secs. 2300.107k and C60)	G272	___	___	___	___
Designations, reservations or other restrictions of fund balances or retained earnings? (GASB Sec. 1800.123-.127 and ASLGU, Ch. 12, par. 12.20)	G273	___	___	___	___
Revenues, expenses, and expenditures:					
Grants and other financial assistance including entitlements, shared revenue, pass-through grants and food stamps? (GASB Sec. 2300.107m)	G274	___	___	___	___
On-behalf payments (e.g., fringe benefits and salaries)? (GASB Sec. G60.125)	G275	___	___	___	___
Investment income? (GASB Secs. 1600.113 and I50.111)	G276	___	___	___	___
Interest cost? (ASLGU Ch. 11, pars. 11.23-11.32)	G277	___	___	___	___
Depreciation? (ASLGU Ch. 10, par. 10.20)	G278	___	___	___	___
Discontinued operations? (AC Sec. I13)	A198	___	___	___	___
With respect to contingencies and commitments:					
Are loss contingencies accrued and/or disclosed as appropriate? (GASB Secs. C50.110-.115, 1500.110, 1600.118, and AC Sec. C59.104-.116 and .120)	A130	___	___	___	___
Are other contingencies and commitments adequately disclosed including environmental remediation-related matters? (GASB Secs. C50.141 and AC Sec. C59.118-.120; SOP 96-1, pars. .142-.173 [TPA Sec. 10,680.142-.173])	A131	___	___	___	___
Risk management and related financing activities? (GASB Secs. 2300.107a, C50.101, and .109-.141)	G279	___	___	___	___



	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Deficit fund balances or retained earnings of individual funds? (GASB Sec. 2300.106o and ASLGU, Ch. 12, par 12.20)	G280	___	___	___	___
Interfund receivables and payables of individual funds? (GASB Sec. 2300.106p)	G281	___	___	___	___
Are the nature and amount of inconsistencies in the financial statements caused by transactions between component units having different year ends properly disclosed? (GASB Sec. 2300.107s)	G282	___	___	___	___
Are the financial statements adjusted, where appropriate, for the effects of subsequent events and do they include disclosure of significant subsequent events, whether or not adjustments were made? (GASB Secs. 2300.106f and C50.140 and AU Sec. 560.03-.07)	G283	___	___	___	___
<p>GASB Statement No. 38, "Certain Financial Statement Note Disclosures", eliminates or revises certain disclosures of the National Council on Governmental Accounting and provides certain additional disclosures. Generally, Statement No. 38 is effective when Statement No. 34 is implemented, except for disclosures related to short-term debt, receivable and payable balances, interfund transfers which may be implemented one year later by phase 1 governmental entities. Therefore, concurrent with the implementation of Statement No. 34 or as permitted, has the governmental entity considered the following disclosures:</p>					
<p><u>Summary of Significant Accounting Policies</u></p>					
If the government presents their primary government in more than a single column, does it disclose the activities accounted for in major funds, internal service funds, and fiduciary fund types? (par. 6)	G284	___	___	___	___
Does the government disclose the length of time used to define "available" for purposes of revenue recognition in the governmental fund financial statements? (par. 7)	G285	___	___	___	___
Discontinued disclosing the accounting policy with respect to encumbrances? (par. 8)	G286	___	___	___	___
<p><u>Violations of Finance-related Legal or Contractual Provisions</u></p>					
In the disclosure of significant violations of finance-related legal or contractual provisions, has the government identified the actions taken to address the violations? (par. 9)	G287	___	___	___	___
<p><u>Debt and Lease Obligations</u></p>					
With respect to debt service requirements, has the government disclosed: (par. 10)					
Principal and interest requirements to maturity for each of the five subsequent fiscal years and in five-year increments thereafter?	G288	___	___	___	___
The terms by which interest rates change for variable-rate debt?	G289	___	___	___	___
For obligations under capital and noncancelable operating leases, has the government disclosed the future minimum payments for each of the five subsequent fiscal years and in five-year increments thereafter? (par. 11)	G290	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Short-term Debt					
Has the government provided details about short-term debt activity during the year, even if no short-term debt is outstanding at year-end, including a schedule of changes in short-term debt and the purpose for which the short-term debt was issued? (par. 12)	G291	___	___	___	___
Disaggregation of Receivable and Payable Balances					
When balances of receivables and payables reported on the statements of net assets and balance sheet are aggregations of different components, has the government: (par. 13)					
Provided details when significant components have been obscured by aggregation?	G292	___	___	___	___
Disclosed significant receivable balances not expected to be collected within one year of the financial statement date?	G293	___	___	___	___
Interfund Balances and Transfers					
With respect to interfund balances reported in the fund financial statements, has the government disclosed: (par. 14)					
Amounts due from other funds by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type?	G294	___	___	___	___
The purpose for interfund balances?	G295	___	___	___	___
Interfund balances that are not expected to be repaid within one year from the date of the financial statements?	G296	___	___	___	___
With respect to interfund transfers reported in the fund financial statements, has the government disclosed:					
Amounts transferred from other funds by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type?	G297	___	___	___	___
A general description of the principal purposes of the government's interfund transfers?	G298	___	___	___	___
The intended purpose and the amount of significant transfers that meet either or both of the following: (1) do not occur on a routine basis, (2) are inconsistent with the activities of the fund making the transfer?	G299	___	___	___	___
Statement of Cash Flows					
For proprietary and similar fund types, is a statement of cash flows presented for each period as appropriate? (GASB Sec. 2450.103)	G300	___	___	___	___
Does it report cash flows classified as operating, noncapital financing, capital and related financing, and investing activities? (GASB Sec. 2450.104 and .112)	G301	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Does it report the net effect of cash flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents, and did the amounts of cash and cash equivalents reconcile to the amounts on the balance sheet? (GASB Sec. 2450.127)	G302	_____	_____	_____	_____
Does it provide a reconciliation between operating income and net cash flow from operating activities? (GASB Sec. 2450.130)	G303	_____	_____	_____	_____
Are noncash investing, capital and financing activities disclosed? (GASB Sec. 2450.134)	G304	_____	_____	_____	_____
Are cash equivalents limited to short-term, highly liquid investments that are both readily convertible to known amounts of cash and have an original maturity of three months or less, and is the enterprise's policy for determining which items are treated as cash equivalents disclosed? (GASB Sec. 2450.106)	G305	_____	_____	_____	_____
Are the components of the cash flow statement shown at "gross" and not "net" amounts? (GASB Sec. 2450.109-.111)	G306	_____	_____	_____	_____
If entity has early adopted GASB No. 34, is the statement of cash flows prepared using the direct method? (GASB No. 34 par. 105)	G307	_____	_____	_____	_____

All Financial Statements

Are statement presentations and disclosures generally consistent with GASB pronouncements and the AICPA's <i>Audits of State and Local Governmental Units</i> ?	G308	_____	_____	_____	_____
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II. GENERAL AUDIT PROCEDURES

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Has the auditor established and documented the understanding with the client regarding the engagement? (AU Sec. 310.05-.07)	A300	_____	_____	_____	_____
Does the understanding with the entity's management indicate that management is responsible for adjusting the financial statements to correct material misstatements? (AU Sec. 333.06 and Appendix A)	A301	_____	_____	_____	_____
In planning the audit engagement, did the auditor properly consider:					
What type of engagement is being performed and whether the engagement is intended to meet the governmental oversight agency's audit requirements? (AU Sec. 801.08, fn 9, .10, .22, and .23)	G309	_____	_____	_____	_____
The need for compliance auditing and if so, the applicability of SAS No. 74 or Statement on Standards for Attestation Engagements No. 3, <i>Compliance Attestation</i> (AU Sec. 801.01, fn 4 [SAS No. 74, as amended by SAS No. 75]).	G310	_____	_____	_____	_____
The firm's responsibility to conform with professional standards with respect to the detection of errors and fraud? (AU Secs. 110.02 and 312)	G311	_____	_____	_____	_____
Matters affecting the industry in which the entity operates, such as accounting practices, economic conditions, laws and governmental regulations, contractual obligations and technological changes? (AU Secs. 311.03 and 801.11)	A302	_____	_____	_____	_____
Definition of the reporting entity indicating the related organizations, functions, and activities that are either included or excluded from the financial statements in accordance with professional standards? (GASB Sec. 2100 and ASLGU, Chs. 2 and 3)	G312	_____	_____	_____	_____
Preliminary judgment (by fund type if opinion on general purpose financial statements) about materiality levels? (AU Secs. 311.03 and 312.08 and ASLGU, Ch. 3, pars. 3.12 and .13)	A303	_____	_____	_____	_____
Factors affecting the continued functioning of the government, such as legal limitations on revenue, expenditures, or debt service? (AU Sec. 341 and ASLGU, Ch. 17, pars. 17.08-.12)	G313	_____	_____	_____	_____
Did the auditor: (a) assess the risk of material misstatement due to fraud, (b) consider the presence of fraud risk factors, (c) inquire of management about its understanding of the risk of fraud in the entity, and (d) document evidence of the performance of the fraud assessment, including the fraud risk factors identified as present? (AU Sec. 316 and ASLGU, Ch. 3, pars. 3.12-.18)	A304	_____	_____	_____	_____
For identified fraud risk factors, did the auditor develop an appropriate audit response and document the response? (AU Sec. 316.37)	A305	_____	_____	_____	_____
Did the auditor use analytical procedures in planning the nature, timing and extent of other audit procedures? (AU Sec. 329.01 and .06-.08 and ASLGU, Ch. 3, par. 3.27)	A306	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the auditor succeeded another auditor, did the successor auditor initiate communications with the predecessor auditor to ascertain whether there were matters that might assist the auditor in determining whether to accept the engagement? (AU Sec. 315.09)	A307	___	___	___	___
Did the successor auditor obtain satisfaction as to the account balances at the beginning of the year and consistency of the application of accounting principles in the year being audited as compared with the preceding year? (AU Sec. 315.12-13)	A308	___	___	___	___
If consideration was given to the work of internal auditors in determining the scope of the audit, was it done in accordance with professional standards? (AU Sec. 322 and ASLGU, Ch. 4, pars. 4.46-48)	A309	___	___	___	___
For audits of financial statements for periods beginning before June 1, 2001 or before the application of Statement on Auditing Standards No. 94, did the auditor:					
Obtain a sufficient understanding of the entity's internal control, including electronic evidential matter which may only exist for a specified period of time, to plan the audit? (AU Secs. 319.19, 324.07-.10, and 326.18)	A310	___	___	___	___
Document the understanding of internal control? (AU Sec. 319.44)	A311	___	___	___	___
Document the conclusion that control risks are at the maximum level for those financial statement assertions where control risk is assessed at the maximum level? (AU Sec. 319.57)	A312	___	___	___	___
Document the basis for the conclusion (i.e., tests of controls) that the effectiveness of the design and operation of controls supports the assessed level of control risk when that assessed level is below the maximum level? (AU Sec. 319.57)	A313	___	___	___	___
For audits of financial statements for periods beginning on or after June 1, 2001, Statement on Auditing Standards No. 94, <i>The Effect of Information Technology on the Auditor's Consideration of Internal Control in a Financial Statement Audit</i> , substantially amends AU Sec. 319 to address the implications of information technology on the auditor's internal control consideration. For financial statement audits after the effective date,					
Did the auditor consider information technology ("IT") risks that could result in misstatements in making a judgment about the understanding of internal control necessary to plan the audit and the nature, timing, and extent of procedures the auditor chooses to perform to obtain an understanding? (par. 25)	A314	___	___	___	___
Did the auditor consider whether specialized skills were needed for the auditor to determine the effect of IT on the audit, to understand the IT controls, or to design and perform tests of IT controls or substantive tests? (par. 31)	A315	___	___	___	___
Did the auditor obtain an understanding of the automated and manual procedures the entity uses to prepare financial statements and related disclosures, and how misstatements may occur and did the understanding include the procedures used to: (par. 51)					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Enter transaction totals into the general ledger?	A316	_____	_____	_____	_____
Initiate, record, and process journal entries in the general ledger, including standard journal entries and nonstandard journal entries?	A317	_____	_____	_____	_____
Record recurring and nonrecurring adjustments to the financial statements that are not reflected in formal journal entries?	A318	_____	_____	_____	_____
Did the auditor document his or her understanding of the entity's internal control components obtained to plan the audit? (par. 61)	A319	_____	_____	_____	_____
In determining whether to assess control risk at the maximum level or at a lower level that would be effective for specific assertions, did the auditor consider: (1) the nature of the assertion, (2) the volume of transactions or data related to the assertion, (3) the nature and complexity of the systems, including the use of information technology, by which the entity processes and controls information supporting the assertion, and (4) the nature of the available evidential matter, including evidential matter that is available only in electronic form? (par. 67)	A320	_____	_____	_____	_____
If the auditor determined that it was not possible to design effective substantive tests that by themselves provided sufficient evidence that the one or more financial statement assertions are not materially misstated because a significant amount of the associated information is electronically initiated, recorded, processed, and reported, did the auditor:					
Perform tests of controls to gather evidence to use in assessing control risk? (pars. 68 and 69)	A321	_____	_____	_____	_____
Did the auditor document his or her conclusions about the: (par. 83)					
Assessed level of control risk?	A322	_____	_____	_____	_____
Control risk is at the maximum level for financial statement assertions where control risk is assessed at the maximum level?	A323	_____	_____	_____	_____
The basis for his or her conclusion that the effectiveness of the design and operation of controls supports the assessed level of control risk for those assertions where the assessed level of control risk is below the maximum level?	A324	_____	_____	_____	_____
If the entity transmits, processes, maintains, or assesses significant information by electronic means and it is not practical or possible to reduce detection risk to an acceptable level by performing only substantive tests for one or more financial statement assertions, did the auditor perform tests of controls? (AU Sec. 326.14)	A325	_____	_____	_____	_____
If the methods used by the client to process significant accounting information include the use of a service organization, was consideration given to the controls at the service organization that may affect the client's transactions and internal control? (AU Sec. 324.07-10)	A326	_____	_____	_____	_____
If the entity obtained services from another organization that is part of the entity's information system, did the auditor, during planning, obtain an understanding of the controls in place by the entity and by the service organization whose services are part of the entity's information system? (AU Sec. 324.07-10)	A327	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the auditor decided to assess control risk below the maximum for financial statement assertions affected by the processing performed by the service organization, was a service auditor's report that describes the results of the service auditor's tests of operating effectiveness obtained, were tests performed by the auditor at the service organization, or were tests of client's controls over the activities of the service organization performed by the auditor? (AU Sec. 324.12-.16)	A328	___	___	___	___
If the engagement included work performed by other auditors or by another office, correspondent, or affiliate:					
Do the instructions to the other office or firm appear adequate? (AU Sec. 311)	A329	___	___	___	___
Does it appear that the control exercised over the work of others through supervision and review was adequate? (AU Sec. 311)	A330	___	___	___	___
Was there appropriate follow-up of open matters? (AU Sec. 311)	A331	___	___	___	___
In those cases where another firm was used, were appropriate inquiries made regarding its independence and professional reputation? (AU Sec. 543.10)	A332	___	___	___	___
For a jointly signed audit report, are there indications that the auditor has conducted sufficient audit procedures to warrant signing the report in an individual capacity? (ASLGU, Ch. 18, pars. 18.54-.56)	G314	___	___	___	___
If the principal auditor did not refer to the other auditor in his or her report, did the principal auditor perform one or more of the additional procedures contained in AU 543.12 to assess the adequacy of the work performed by the other auditor? (AU Sec. 543.12 and .13 and ASLGU, Ch. 18, par. 18.54)	G315	___	___	___	___
If a specialist was used (e.g., actuary, appraiser, engineer, environmental consultant, or geologist):					
Were the appropriate considerations and evaluations made in accordance with professional standards? (AU Sec. 336.06-.11)	A333	___	___	___	___
Were appropriate procedures applied to the specialist's findings? (AU Sec. 336.12)	A334	___	___	___	___
Was an appropriately tailored, written audit program prepared? (AU Sec. 311.05 and ASLGU, Ch. 3, pars. 3.28-.32)	A335	___	___	___	___
Was the audit program responsive to the needs of the engagement, and the understanding of internal controls obtained, during the planning process? (AU Secs. 311.05 and 319.05)	A336	___	___	___	___
Was consideration given to the applicable assertions in developing audit objectives and in designing substantive tests? (AU Sec. 326.09-.14)	A337	___	___	___	___
If conditions changed during the course of the audit, was the audit program modified as appropriate in the circumstances? (AU Secs. 311.05 and 316.33-.37)	A338	___	___	___	___
Have all the procedures called for in the audit program been signed when completed? (AU Sec. 339 and ASLGU, Ch. 3, par. 3.36)	A339	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If statistical or nonstatistical sampling was used in tests of controls (AU Secs. 319 and 350):					
Does it appear the firm gave appropriate consideration to the specific objective of the test of controls, tolerable rate, allowable risk of overreliance, and characteristics of the population when planning the sample? (AU Sec. 350.31)	A340	___	___	___	___
Was the sample selected in such a way that it could be expected to be representative of the population? (AU Sec. 350.39)	A341	___	___	___	___
If the auditor concluded that the sample results did not support the planned assessed level of control risk for an assertion, were the nature, timing and extent of planned substantive procedures reevaluated based on a revised consideration of the assessed level of control risk for the relevant financial statement assertions? (AU Sec. 350.40-.43)	A342	___	___	___	___
In evaluating the sample, was appropriate consideration given to items for which the planned test of controls or appropriate alternative procedure could not be performed, for example, because the documentation was missing? (AU Sec. 350.40)	A343	___	___	___	___
Was the documentation of the foregoing considerations in accordance with firm policy?	A344	___	___	___	___
If statistical or nonstatistical sampling was used for substantive tests of details and tests of applicable laws and regulations, if appropriate:					
Does it appear the firm gave appropriate consideration to the specific audit objective, preliminary judgments about materiality levels, acceptable level of risk of incorrect acceptance, and characteristics of the population when planning the sample? (AU Sec. 350.16)	A345	___	___	___	___
Was the sample selected in such a way that it could be expected to be representative of the population? (AU Sec. 350.24)	A346	___	___	___	___
Were the misstatements in the sample projected to the items for which the sample was selected? (AU Sec. 350.26)	A347	___	___	___	___
In evaluating the sample, was appropriate consideration given to items for which the planned substantive tests or appropriate alternative procedures could not be performed? (AU Sec. 350.25)	A348	___	___	___	___
In evaluating whether the financial statements may be materially misstated, was appropriate consideration given, in the aggregate, to projected misstatement resulting from all audit sampling applications and to known misstatements from non-sampling applications? (AU Sec. 350.30)	A349	___	___	___	___
Was the documentation of the foregoing considerations in accordance with firm policy?	A350	___	___	___	___
During the performance of the engagement, did the auditor:					
Consider the guidelines of professional standards in developing, performing, and evaluating the results of analytical procedures used as substantive tests? (AU Sec. 329)	A351	___	___	___	___
Use analytical procedures in the overall review stage of the audit? (AU Sec. 329.01 and .22)	A352	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Has the auditor evaluated the reasonableness of significant accounting estimates made by management? (AU Secs. 326 and 342)	A353	_____	_____	_____	_____
Were specific procedures for determining the existence of related parties and examining identified related party transactions applied? (AU Sec. 334 and ASLGU, Ch. 17, pars. 17.05-.07)	A354	_____	_____	_____	_____
Did the auditor obtain written timely and appropriate representations from management (including, if applicable, industry specific) and was the representation letter properly dated? (AU Secs. 333, 801.07c and .10, fn 9 and ASLGU, Ch. 17, pars. 17.02-.04)	A355	_____	_____	_____	_____
Does the representation letter obtained from the entity's management include an acknowledgement that it has considered the financial statement misstatements aggregated by the auditor during the current engagement and pertaining to the latest period presented, and has concluded that any uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole? (AU Sec. 333.06g)	A356	_____	_____	_____	_____
Did the auditor obtain timely and appropriate responses from the entity's attorney concerning litigation, claims and assessments? (AU Sec. 337.08-.14)	A357	_____	_____	_____	_____
Have all questions, exceptions, or notes, been followed up and resolved, (including consideration of views obtained from responsible officials of the entity concerning the auditor's findings)?	A358	_____	_____	_____	_____
Was appropriate consideration given to passed adjustments and to the risk that the current period's financial statements are materially misstated when prior-period likely misstatements are considered together with likely misstatements arising in the current period? (AU Sec. 312.27 and .37)	A359	_____	_____	_____	_____
If applicable, were adequate tests of compliance with applicable laws and regulations that have a direct material effect on the financial statements performed and documented? (ASLGU, ch. 5)	G316	_____	_____	_____	_____
If the audit tests identify misstatements in the financial statements, did the audit consider whether such misstatements may be indicative of fraud and evaluate the implications involved as described in pars. 34-36 of SAS No. 82? (AU Sec. 316)	A360	_____	_____	_____	_____
Did the auditor consider whether the accumulated results of audit procedures and other observations affect the assessment of the risk of material misstatements due to fraud made when planning the audit; and if so, and if the auditor believed an additional response was required, were any additional risk factors or other conditions that were identified and any further response that the auditor concluded was appropriate documented? (AU Sec. 316)	A361	_____	_____	_____	_____
If the auditor has determined that there is evidence that fraud may exist (even if the matter might be considered inconsequential), was the matter brought to the attention of an appropriate level of management; and was the matter reported directly to the audit committee (or others with equivalent authority and responsibility), if the fraud involves senior management or the fraud causes a material misstatement of the financial statements? (AU Sec. 316)	A362	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
When the auditor, as a result of the assessment of the risk of material misstatements due to fraud, has identified risk factors that have continuing control implications (whether or not transactions or adjustments that could be the results of fraud have been detected), did the auditor consider whether these risk factors represent reportable conditions relating to the entity's internal control that should be communicated to senior management and the audit committee (or others with equivalent authority and responsibility)? (AU Sec. 316)	A363	___	___	___	___
If the auditor's procedures disclosed instances or indications of illegal acts, did the auditor:					
Follow up in accordance with professional standards? (AU Sec. 317.10 and .11)	A364	___	___	___	___
Consider the implications of the detected illegal act in relation to other aspects of the audit, including the reliability of the client's representations? (AU Sec. 317.16)	A365	___	___	___	___
Communicate directly with the audit committee if the illegal act(s) involved senior management, and document that communication, and obtain assurance that all other illegal acts that came to the auditor's attention except, those that are clearly inconsequential, were adequately communicated? (AU Sec. 317.17)	A366	___	___	___	___
Did the auditor consider if there was substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time? (AU Sec. 341.10 and .11 and ASLGU, Ch. 17, par. 17.12)	A367	___	___	___	___
If the auditor believed that there was substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, did the auditor obtain information about management's plans that are intended to mitigate the effect of such conditions or events, and evaluate the likelihood that such plans could be effectively implemented? (AU Sec. 341.03(b))	A368	___	___	___	___
If the auditor's substantial doubt was not alleviated, did the auditor's report include an explanatory paragraph that adequately communicates the auditor's substantial doubt (i.e., include the terms "substantial doubt" and "going concern")? (AU Sec. 341.12 and .13 and ASLGU, Ch. 17, par. 17.12)	A369	___	___	___	___
During the performance of the audit:					
If the auditor identified reportable conditions, were they communicated to the audit committee, management and others within the organization in a time frame influenced by the relative significance of the matters noted and urgency of corrective action(s), and if the communication was oral, was it documented in the working papers? (AU Sec. 325.09 and .18)	A370	___	___	___	___
Do the auditor's conclusions regarding whether internal control matters noted during the audit were (or were not) reportable conditions appear appropriate? (AU Sec. 325)	A371	___	___	___	___
If a report was issued on reportable conditions, did it indicate that the purpose of the audit was to report on the financial statements					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
and not to provide assurance on internal control, and did it include the definition of reportable conditions and the restriction on distribution? (AU Sec. 325.11 and SAS No. 87)	A372	___	___	___	___
Has the auditor complied with the requirement not to issue a written representation stating that no reportable conditions were noted during an audit? (AU Sec. 325.17)	A373	___	___	___	___
Did the auditor perform appropriate procedures regarding events subsequent to the balance-sheet date, but prior to the date of the report? (AU Sec. 560)	A374	___	___	___	___
If the auditor, subsequent to the date of the report, became aware of facts that may have existed at that date that might have affected the report had the auditor then been aware of such facts, did the auditor consider the guidance in professional standards in determining an appropriate course of action, and does the matter appear to be properly resolved? ⁴ (AU Sec. 561)	A375	___	___	___	___
If there is an indication that the auditor, subsequent to the date of the report, concluded that one or more auditing procedures considered necessary at the time of the audit of the financial statements in the then existing circumstances were omitted from the audit, did the auditor consider the guidance in professional standards in determining an appropriate course of action, and does the matter appear to be properly resolved? (AU Sec. 390)	A376	___	___	___	___
Where there is an audit committee or some other formal oversight group, did the auditor:					
Ensure that the appropriate matters were communicated to those with responsibility for oversight of the financial reporting process? (AU Sec. 380.01 and .02)	A377	___	___	___	___
If the communication was in writing, include a statement that it was intended solely for the use of the audit committee or the board of directors, and if appropriate, management? (AU Sec. 380.03 and SAS No. 87)	A378	___	___	___	___
If the communication was oral, document the information communicated by appropriate memoranda or notations in the working papers? (AU Sec. 380.03)	A379	___	___	___	___
Has the auditor informed the audit committee about uncorrected misstatements aggregated during the current engagement and pertaining to the latest period presented that was determined by the entity's management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole? (AU Sec. 380.10)	A380	___	___	___	___
Has the firm established reasonable procedures for retention of and access to working papers including consideration of the guidance in Interpretation No. 1 of SAS No. 41, "Providing Access to or Photocopies of Working Papers to a Regulator"? (AU Sec. 339.08, AU Sec. 9339, also at Appendix K in ASLGU)	G318	___	___	___	___

⁴ This question also applies to circumstances when, subsequent to the date of the audit report on the general purpose financial statements, the auditor, while performing procedures to support the other reports required by the Single Audit Act, identifies additional information that existed at the report date.

III. WORKING PAPER AREAS

Note: Complete the sections determined to be key areas. Commitments and Contingencies and Revenues and Expenditures/Expenses are not optional and must always be completed. In the audit areas reviewed, the reviewer should evaluate whether the reviewed firm has obtained sufficient competent evidential matter to form conclusions concerning the validity of the assertions of material significance embodied in the financial statements as described in AU Sec. 326. The questions contained in each section represent some of the audit procedures or tests that the reviewed firm might have undertaken to form conclusions in support of such financial statement assertions. If an audit area is not reviewed because it does not represent a *key* area for that engagement, the reviewer should place an "X" in the box below the name of the working paper area. (As previously indicated, the reviewer should indicate the reason(s) for not reviewing a key audit area; in such circumstances, the reviewer should not place an "X" below the area.)

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Cash					
<input type="checkbox"/> Not a key area					
Were reconciling items cleared by reference to subsequent statements obtained either directly from the bank or from the client and appropriately tested?	A401	_____	_____	_____	_____
Was due consideration given to cash transactions shortly before and shortly after the balance-sheet date to determine whether they were recorded in the proper period?	A402	_____	_____	_____	_____
Do the working papers indicate that the following were considered:					
Confirmation of cash balances?	A403	_____	_____	_____	_____
Restrictions on cash balances?	A404	_____	_____	_____	_____
Confirmation of bank credit arrangements such as compensating balances?	A405	_____	_____	_____	_____
Confirmation of liabilities and contingent liabilities to banks?	A406	_____	_____	_____	_____
Approval of interfund cash transactions?	G401	_____	_____	_____	_____
Pledging of collateral required of depository institutions for public funds? (ASLGU, Ch. 7, par. 7.12 and GASB Sec. I50.107-.111)	G402	_____	_____	_____	_____
Compliance with the laws and regulations governing the deposit of public funds? (GASB Sec. C20)	G403	_____	_____	_____	_____
Determination that all cash accounts have been identified and appropriately recorded? (ASLGU, Ch. 7, pars. 7.05-7.26)	G404	_____	_____	_____	_____
Review of repurchase security transactions for consistency with the disclosures of their terms and conditions? (GASB Sec. I50.159-.160)	G405	_____	_____	_____	_____
Are cash overdrafts from pooled cash and investments accounted for as an interfund receivable or payable? (ASLGU, Ch. 7, pars. 7.06-7.09)	G406	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of cash appear adequate? (AU Secs. 312 and 319)	A407	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Receivables					
<input type="checkbox"/> Not a key area					
Were accounts receivable confirmed and appropriate follow-up steps taken, including second requests and alternative procedures? (AU Sec. 330.24-.30 and .34)	A408	___	___	___	___
If accounts receivable confirmations were not requested, has the auditor documented how the presumption for such requests was overcome and were the reasons appropriate? (AU Sec. 330.34 and .35)	A409	___	___	___	___
If confirmation work was performed prior to year end, is there evidence that adequate substantive procedures were applied to the period from the confirmation date to the balance-sheet date?	A410	___	___	___	___
If a significant number and amount of the accounts receivable selected for positive confirmation did not respond, is there evidence that alternative auditing procedures were performed? (AU Sec. 330.31 and .32)	A411	___	___	___	___
Were significant notes receivable confirmed as of a date consistent with the auditor's assessment of inherent, control and detection risks? (AU Sec. 313)	A412	___	___	___	___
Were the results of confirmation and alternative procedures summarized, and were appropriate conclusions included in the working papers? (AU Sec. 330.33)	A413	___	___	___	___
Was collateral (if any) for receivables tested with respect to existence, ownership and value?	A414	___	___	___	___
Were procedures performed, such as cut-off testing, to provide evidence that receivables and the related revenues were recorded in the correct period? (ASLGU, Ch. 8, par. 8.04-.07)	G407	___	___	___	___
Were adequate tests of discounts and allowances made?	A415	___	___	___	___
Was the reasonableness of allowances for doubtful accounts covered in the working papers and collectibility of receivables (including interfund receivables) adequately considered? (AU Sec. 312.29)	A416	___	___	___	___
Is there evidence in the working papers that inquiry was made and consideration given to whether receivables are sold, pledged, assigned or otherwise encumbered?	A417	___	___	___	___
For proprietary activities, were appropriate procedures applied to notes receivable regarding imputation of interest (if necessary), carrying amount, fair value, (AC Sec. F25) and recognition of related interest income? (AC Secs. I69 and F25.115A-.115K)	A418	___	___	___	___
Has sufficient audit evidence been obtained to determine that impaired loans (e.g., impaired accounts receivable with terms exceeding one year, notes receivable and other loans) carried at the present value of the loans' expected future cash flows are discounted at the loans' effective interest rates or at observable market prices or at the fair value of the collateral if the loans are collateral dependent? (AC Sec. I08.111)	A419	___	___	___	___
Based on the assessment of inherent and control risks, do the substantive tests of receivables appear adequate? (AU Secs. 312 and 319)	A420	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Inventories					
<input type="checkbox"/> Not a key area					
Do the working papers indicate that there were adequate tests of:					
Physical observation, if material? (AU Sec. 331.09-.13)	G408	_____	_____	_____	_____
The clerical accuracy of the inventory?	A427	_____	_____	_____	_____
Costing methods and substantiation of costs used in pricing all elements (raw material, work-in-process and finished goods) of the inventory?	A428	_____	_____	_____	_____
Were the results of inventory observations and other tests summarized, and were appropriate conclusions drawn?	A429	_____	_____	_____	_____
Do the working papers indicate that consideration was given to whether the inventory was carried at lower of cost or market (including consideration of obsolete or slow-moving inventory)?	A431	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of inventory appear adequate? (AU Secs. 312 and 319)	A435	_____	_____	_____	_____
Investments					
<input type="checkbox"/> Not a key area					
Were details examined with respect to the description, purchase price, income, fair value, etc., of investments on hand at year end? (AU Sec. 332.23)	A436	_____	_____	_____	_____
Were securities either inspected or confirmed? (AU Sec. 332.04)	A437	_____	_____	_____	_____
Were market quotations or other evidence of current value of investments obtained? (AU Sec. 332.36)	A438	_____	_____	_____	_____
Was the computation of changes in fair value of investments tested by the auditor? (AU Sec. 332.40)	A443	_____	_____	_____	_____
Was consideration given to determining how to account for investments? (GASB Sec. I50)	G410	_____	_____	_____	_____
Do the working papers indicate that consideration was given to investments that were pledged, restricted, or had limitations on their marketability?	A444	_____	_____	_____	_____
For joint venture investments (accounted for under the equity or other method), were financial statements and other information reviewed to support the amounts presented and the related disclosures? (GASB Sec. J50 and AU Sec. 332.13-.22)	G411	_____	_____	_____	_____
Was a review made to determine whether the investments are of the types authorized by law or in compliance with the applicable statutes and investment policies? (ASLGU, Ch. 7, pars. 7.06-.13 and .26)	G412	_____	_____	_____	_____
Were income, gains, and losses from investments tested for proper allocation to the individual funds? (GASB Sec. I50.104 and .105 and ASLGU, Ch. 7, par. 7.08 and .09)	G413	_____	_____	_____	_____
For repurchase and reverse repurchase agreements, were appropriate audit procedures performed (e.g., confirmation, inspection of agreement and collateral, etc.)? (ASLGU, Ch. 7, pars. 7.23-.26)	G414	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Was consideration given to the custody of investments, including powers granted to an agency or counterparty, to determine whether or not the classification within risk categories is appropriate?	G415	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of investments appear adequate? (AU Secs. 312 and 319)	A446	_____	_____	_____	_____
Effective for audits of financial statements for fiscal years ending on or after June 30, 2001, the Auditing Standards Board issued SAS No. 92, <i>Auditing Derivative Instruments, Hedging Activities, and Investments in Securities</i> . The SAS supercedes SAS No. 81 (AU Sec. 332), <i>Auditing Investments</i> . For engagements performed on or after the effective date, if derivative financial instruments, hedging activities and/or investment securities, as defined by SAS No. 92, were present, did the auditor: Assess inherent and control risk for the required audit assertions (existence, completeness, rights and obligations, valuation, and presentation and disclosure) about derivatives and investment securities?	A447	_____	_____	_____	_____
Develop substantive procedures for derivative instruments and investment securities consistent with the results of the risk assessment to address the auditing assertions?	A448	_____	_____	_____	_____
Prepaid Expenses, Intangible Assets, Deferred Charges, etc.					
<input type="checkbox"/> Not a key area					
Were adequate tests made for all material:					
Prepayments?	A449	_____	_____	_____	_____
Intangible assets?	A450	_____	_____	_____	_____
Deferred charges?	A451	_____	_____	_____	_____
Other?	A452	_____	_____	_____	_____
Is there adequate support for the deferral and amortization (or lack thereof) of these types of assets?	A453	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of prepaid expenses, intangible assets, deferred charges, etc., appear adequate? (AU Secs. 312 and 319)	A454	_____	_____	_____	_____
Property, Plant and Equipment					
<input type="checkbox"/> Not a key area					
Was a summary schedule prepared to show beginning balances, changes during the period and ending balances for:					
Property, plant and equipment?	A455	_____	_____	_____	_____
Accumulated depreciation (where applicable)?	A456	_____	_____	_____	_____
Do tests appear adequate, and were proper conclusions drawn with respect to:					
Additions (e.g., by examining supporting documents and/or physical inspection)?	A457	_____	_____	_____	_____
Retirements, etc. (including examining miscellaneous income, scrap sales)?	A458	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
The adequacy of the current and accumulated provisions for depreciation?	A459	_____	_____	_____	_____
For proprietary activities, consideration of asset impairment including the status of idle facilities? (AC Sec. I08.122–.130)	A460	_____	_____	_____	_____
Do working papers indicate that the auditor considered the possibility that property was subject to liens?	A461	_____	_____	_____	_____
Was a review made to determine that capital expenditures were classified in the proper fund accounts and made in accordance with budgetary requirements? (GASB Secs. 1700.118 and .119, and 1800.116–.122)	G416	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of property, plant and equipment appear adequate? (AU Secs. 312 and 319)	A462	_____	_____	_____	_____
Liabilities					
<input type="checkbox"/> Not a key area					
Were accounts payable tested adequately for existence?	A463	_____	_____	_____	_____
Was an adequate search performed for unrecorded liabilities at the balance sheet date?	A464	_____	_____	_____	_____
Was the payables work coordinated with the testing of the purchases cutoff?	A465	_____	_____	_____	_____
Was consideration given to expenditures that might require accrual (e.g., pensions, compensated absences, or postemployment benefits provided to former or inactive employees prior to retirement), and to whether accrued expenses were reasonably stated? (GASB Secs. C60, P20, P50)	A466	_____	_____	_____	_____
Were procedures performed to determine that municipal solid waste landfill closure and postclosure care costs were properly accounted for? (GASB Sec. L10)	G417	_____	_____	_____	_____
Were procedures performed to determine whether deferred compensation plans had been appropriately accounted for? (GASB Sec. D25)	G418	_____	_____	_____	_____
Were significant notes and bonds payable, together with interest rates and repayment periods, etc., confirmed, or alternative procedures applied?	A467	_____	_____	_____	_____
For proprietary activities were appropriate procedures applied to notes payable regarding imputation of interest (if necessary), carrying amount, fair value (FAS No. 107) and recognition of related interest expense? (AC Secs. I69 and F25.115A–.115K)	A468	_____	_____	_____	_____
Do the working papers indicate that the auditor reviewed compliance with the covenants of the entity's debt obligations?	A469	_____	_____	_____	_____
Were procedures performed to determine that:					
New debt issues were properly authorized as required by the state constitution or state/local statutes and recorded in the correct fund and/or account group? (ASLGU, Ch. 11, pars. 11.28 and .34)	G419	_____	_____	_____	_____
Debt restrictions, guarantees and other debt commitments were properly disclosed? (ASLGU, Ch. 11, pars. 11.30–.32, .34 and .35)	G420	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Do the tests of interfund borrowings appear adequate with respect to:					
Authorization? (ASLGU Ch. 12, par. 12.24)	G421	_____	_____	_____	_____
Classification? (ASLGU, Ch. 12, par. 12.24)	G422	_____	_____	_____	_____
Appropriateness of interest accruals and payments?	G423	_____	_____	_____	_____
Do the working papers contain sufficient documentation of tests of liabilities recognized for claims incurred but not reported (IBNR) as of the balance-sheet date? (GASB Sec. C50.113 and .114 and ASLGU, Ch. 9, pars. 9.14 and .15)	G424	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of liabilities appear adequate? (AU Secs. 312 and 319)	A470	_____	_____	_____	_____
Deferred Revenue					
<input type="checkbox"/> Not a key area					
Do the working papers reflect consideration of whether the basis of deferring revenue is reasonable and consistent with restrictions imposed by the grantor or by the special assessment? (GASB Secs. 1600.116 and S40)	G425	_____	_____	_____	_____
Where applicable, was consideration given to matching requirements, if any? (GASB Sec. G60.109)	G426	_____	_____	_____	_____
If there were grants, entitlements or shared revenues received but not expended, where expenditure is the prime factor for determining eligibility, were the funds properly reported as deferred revenue? (GASB Sec. G60.114)	G427	_____	_____	_____	_____
In governmental funds, were revenues that were measurable but did not meet the available criteria properly recorded as deferred revenue? (GASB Sec. P70.108)	G428	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of deferred revenue appear adequate? (AU Secs. 312 and 319)	G429	_____	_____	_____	_____
Commitments and Contingencies					
Do the working papers contain evidence of the following:					
Inspection of minutes of meetings of the oversight unit, provisions of the governmental unit's charter, and applicable statutes and changes therein?	A478	_____	_____	_____	_____
Inspection of contracts, loan agreements, leases and correspondence from taxing and other governmental agencies, and similar documents?	A479	_____	_____	_____	_____
Accumulation and analysis of confirmation responses from banks and lawyers?	A480	_____	_____	_____	_____
Inquiries of and discussions with management including management's written representations concerning liabilities, litigation, claims, assessments, and regulatory requirements as applicable? (AU Secs. 333 and 337.05)	A481	_____	_____	_____	_____
Consideration of prior audits of federal financial assistance programs that disclosed questioned or disallowed costs, or instances of noncompliance? (ASLGU, Ch. 5, par. 5.13 and SOP 98-3 [TPA Sec. 11,320])	G430	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Inspection of long-term contracts with nongovernmental entities, such as construction contractors? (ASLGU, Ch. 17, par. 17.17)	G431	_____	_____	_____	_____
Have all material contingencies been properly considered, documented, and reported? (AC Sec. C59)	A483	_____	_____	_____	_____
Was appropriate consideration given to known environmental matters? (GASB Sec. C50 and ASLGU, Ch. 17, pars. 17.14–17 and SOP 96-1, Chs. 5 and 7 [TPA Sec. 10,680])	A484	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of commitments and contingencies appear adequate? (AU Secs. 312 and 319)	G432	_____	_____	_____	_____
Fund Equity					
<input type="checkbox"/> Not a key area					
Where applicable, were authorizations of changes in reserves and designated balances examined? (ASLGU, Ch. 12, pars. 12.06–14)	G433	_____	_____	_____	_____
Do the working papers indicate that there were appropriate inquiries as to proper classification, description and disclosures of components of fund equity? (ASLGU, Ch. 12, pars. 12.06, .10, and .27)	G434	_____	_____	_____	_____
Do the working papers indicate that fund transfers were properly approved and recorded? (ASLGU, Ch. 12, par. 12.24)	G435	_____	_____	_____	_____
Have all entries to contributed capital been properly accounted for? (ASLGU, Ch. 13, pars. 13.18, .19, .24, and .25)	G436	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of fund equity appear adequate? (AU Secs. 312 and 319)	G437	_____	_____	_____	_____
Revenues and Expenditures/Expenses					
Were appropriate analytical procedures used in reviewing revenues and expenditures and/or expenses for the period? (e.g., comparison to the budget and the preceding period and review for reasonableness, with significant variances and fluctuations being investigated and resolved) (AU Sec. 329)	A491	_____	_____	_____	_____
Was adequate consideration given to:					
The entity's revenue recognition policy? (ASLGU, Ch. 8 and GASB Sec. 1600.106–.116 and AC Sec. A10.105)	A492	_____	_____	_____	_____
Recognition of property tax revenues? (ASLGU, Ch. 8, par. 8.10 GASB Secs. 1600.109 and P70 and GASB Interpretation No. 5)	G438	_____	_____	_____	_____
Recognition of taxpayer-assessed tax revenues? (ASLGU, Ch. 8; and GASB Sec. 1600.110)	G439	_____	_____	_____	_____
Income recognition on transactions where the earnings process was not complete?	A493	_____	_____	_____	_____
Recognition of revenues and interfund transactions in the accounting period in which they became available and measurable for fund types using the modified accrual basis of accounting? (GASB Sec. 1600.106–.116 and ASLGU, Ch. 8, par. 8.04)	G440	_____	_____	_____	_____
Do the working papers indicate that the auditor considered the effect of direct program income on federal grants? (ASLGU, Appendix M)	G441	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Have encumbrances been properly identified, supported and recorded? (GASB Secs. 1700.129 and .130 and ASLGU, Ch. 6, pars. 6.22 and 6.23)	G442	___	___	___	___
Were tests of payrolls, including account distribution, made, where appropriate?	A489	___	___	___	___
Do the tests of pension expenses and liabilities appear adequate? (GASB Sec. P20 and ASLGU, Ch. 14)	A490	___	___	___	___
If the entity is reimbursed by a third party for costs incurred in connection with providing services to others:					
Were pertinent sections of significant third-party contracts reviewed to determine the basis for reimbursement? (ASLGU, Ch. 8, par. 8.30)	G443	___	___	___	___
Were cost reimbursement reports and the underlying support reviewed? (ASLGU, Ch. 8, par. 8.30)	G444	___	___	___	___
Were appropriate allocations made of indirect costs among the entity's programs? (ASLGU, Ch. 8, par. 8.30)	G445	___	___	___	___
Was the effect of audits, either required or performed by third-party grantors, considered? (ASLGU, Ch. 5, par. 5.40 and Appendix M)	G446	___	___	___	___
Based on the assessment of inherent and control risks, did the substantive tests, including analytical procedures, of revenues and expenditures/expenses appear adequate? (AU Secs. 312 and 319)	A496	___	___	___	___
Effective for periods beginning after June 15, 2000, the Governmental Accounting Standards Board issued GASB Statement No. 36, <i>Recipient Reporting for Certain Shared Nonexchange Revenues—(an amendment of GASB Statement No. 33)</i> . In conjunction with the effective date, if the entity was a recipient of shared tax revenues or shared imposed nonexchange revenues, did the entity:					
Account for the receipt of the revenues consistent with the approach used by the provider government?	G447	___	___	___	___
If notification by the provider government was not made in a timely manner, did the recipient government account for the receipt of revenues using a reasonable estimate of the amount to be accrued?	G448	___	___	___	___
Effective for financial statements beginning after June 30, 2000, if the enterprise engaged in certain nonexchange transactions involving financial or capital resources, has the auditor properly considered the implications of the provisions of GASB Statement No. 33, <i>Accounting and Reporting for Nonexchange Transactions</i> , as amended by GASB Statment No. 36, in planning and performing the auditing procedures?	A497	___	___	___	___
Other					
Have leases been reviewed to determine that capital, operating, sales, and direct financing leases have been properly accounted for? (GASB Sec. L20)	A498	___	___	___	___
Were appropriate procedures applied regarding accompanying information (AU Sec. 551.06 and .08) and "required supplementary information"? (AU Sec. 558)	A499	___	___	___	___
Were the audit procedures regarding financial instruments appropriately designed, executed, and documented in the working papers, and were the disclosures in the financial statements adequate?	A500	___	___	___	___

IV. FUNCTIONAL AREAS[†]

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Independence, Integrity, and Objectivity (QC Sec. 20.09 and .10)					
If anything has been noted that may indicate a lack of independence, integrity, and objectivity, was the matter identified and appropriately resolved by the firm and its effects appropriately considered? (ET Secs. 101 and 102)	A601	_____	_____	_____	_____
Have personnel been appropriately advised of the need to observe independence, integrity, and objectivity requirements concerning the client and any related nonclient parent, investor, investee, subsidiary, affiliate or other entity?	A602	_____	_____	_____	_____
Was appropriate assurance of independence obtained from other firms engaged to audit segments or component units of the entity?	A603	_____	_____	_____	_____
Were the fees (billed/unbilled) for prior years' services paid prior to issuance of the report for the current engagement? (ET Sec. 191.103 and .104)	A604	_____	_____	_____	_____
Personnel Management (QC Sec. 20.11–.13)					
Were scheduling and staffing requirements identified on a timely basis and approved by appropriate personnel?	A606	_____	_____	_____	_____
Does it appear engagement personnel possessed an appropriate mix of experience or expertise and technical training in relation to the complexity or other requirements of the engagement and the involvement of supervisory personnel?	A607	_____	_____	_____	_____
Does it appear that the practitioner in charge of the engagement possessed the following knowledge, skills, and abilities (competencies) to fulfill their responsibilities on the engagement:					
An understanding of the role of the firm's system of quality control and the AICPA's <i>Code of Professional Conduct</i> ?	A608	_____	_____	_____	_____
An understanding of the performance, supervision, and reporting aspects of the engagement?	A609	_____	_____	_____	_____
An understanding of the applicable accounting, auditing, or attestation professional standards including those standards directly related to the industry in which a client operates?	A610	_____	_____	_____	_____
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?	A611	_____	_____	_____	_____
Skills that indicate sound professional judgment?	A612	_____	_____	_____	_____

[†] The AICPA's *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice* provides guidance on how to develop and implement a system of quality control for a firm's accounting and auditing practice in compliance with the requirements of Statements on Quality Control Standards Nos. 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice* (QC Sec. 20), as amended, 3, *Monitoring a CPA Firm's Accounting and Auditing Practice* (QC Sec. 30), and 5, *The Personnel Management Element of a Firm's System of Quality Control—Competencies Required by a Practitioner-in-charge of an Attest Engagement* (QC Sec. 40).

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
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?	A613	___	___	___	___
Does it appear that the practitioner-in-charge of the engagement possessed the knowledge, skills and abilities (competencies) to fulfill his/her responsibilities on the engagement as noted in par. .08 of QC Sec. 40?	A614	___	___	___	___
Did the personnel assigned to this engagement appear to be appropriately familiar with the applicable professional pronouncements (FASB, GASB, AICPA, OMB, etc.)?	A615	___	___	___	___
If required by firm policy, was the staff on this engagement appropriately evaluated?	A616	___	___	___	___
Acceptance and Continuance of Clients and Engagements (QC Sec. 20.14-.16)					
Does it appear that the firm’s guidelines for acceptance and continuance of client relationships, including performing specific engagements for the client, were complied with?	A617	___	___	___	___
Engagement Performance (QC Sec. 20.17-.19)					
Were appropriate and knowledgeable engagement and supervisory personnel involved in the planning process?	A618	___	___	___	___
Does it appear that audit planning was adequately documented in the working papers, including any changes in the original plan? (AU Secs. 311 and 339.05)	A619	___	___	___	___
Did the owner/partner (or manager) approve the overall engagement audit plan (including the audit program) as the final planning step and convey approval or modifications to the engagement staff?	A620	___	___	___	___
Does it appear that the hours charged by the owner/partner, manager, and where applicable, the concurring reviewer were both adequate and appropriately timed to provide for planning and supervision as the job progressed?	A621	___	___	___	___
Were all forms, checklists, or questionnaires, if any, required by firm policy for the following areas adequately completed and modified, where appropriate, for the engagement:					
Planning checklist?	A622	___	___	___	___
Review of internal control:					
Manual system?	A623	___	___	___	___
IT system?	A624	___	___	___	___
Audit work programs?	A625	___	___	___	___
Financial statement disclosures?	A626	___	___	___	___
Working paper and financial statement reviews?	A627	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If standardized forms, etc., were not used for any of the above areas, is there adequate documentation of these areas?	A628	_____	_____	_____	_____
Were the firm's guidelines for the form and content of audit working papers complied with?	A629	_____	_____	_____	_____
If used, were such audit tools as computer auditing or statistical sampling properly evaluated by persons with training in these areas? (AU Sec. 311.10)	A630	_____	_____	_____	_____
If required by firm policy, was an appropriate pre-issuance review made of the working papers, report, and financial statements by a person whose position in the firm is commensurate with that responsibility, to determine that the work performed was complete and conformed to professional standards and firm policy and was that review documented?	A631	_____	_____	_____	_____
Were any circumstances noted where the firm consulted or should have consulted regarding an engagement matter (i.e., a complex, unusual, or a technical issue) with individuals within the firm, an external party or by researching in applicable professional literature, based on the firm's policies and procedures or where the complexity or nature of the issue warranted consultation? <input type="checkbox"/> No (skip to question A637) <input type="checkbox"/> Yes (respond to questions A632 to A636)					
If an individual was consulted (internally or externally), was the consultation done on a timely basis and, does it appear they were aware of all relevant facts and circumstances?	A632	_____	_____	_____	_____
If professional literature was researched, does it appear the research was thorough and the sources consulted were complete, correct and up-to-date?	A633	_____	_____	_____	_____
Does it appear the person(s) consulted (internally or externally) and/or the individual(s) performing the research had an appropriate level of knowledge, competence, judgment and (if applicable) authority?	A634	_____	_____	_____	_____
Based on the facts and circumstances, were the firm's conclusions reasonable and consistent with professional standards?	A635	_____	_____	_____	_____
Is the firm's report, the financial statements, or other information affected by the matter consistent with the results of the consultation?	A636	_____	_____	_____	_____
If the engagement records indicated a difference of opinion between the engagement personnel and/or specialist or other consultant was the difference resolved in accordance with firm policy and was the basis of the resolution appropriately documented?	A637	_____	_____	_____	_____

V. Appendix A—Questions for Use When the Engagement Is Subject to *Government Auditing Standards*

Note: This Appendix should not be completed when the *Supplemental Checklist for Review of A-133 Single Audit Act Engagements* (Sec. 22,020) is applicable.

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Does the auditor’s (firm’s) understanding with the client include:					
Providing the firm’s most recent (within the last three years) external quality control review report to the client? (GAS pars. 3.33 and .36)	GA101	_____	_____	_____	_____
Arrangements for access to the working papers by other auditors and oversight officials as applicable? (GAS pars. 4.36 and .38 and A-133.515(b))	GA102	_____	_____	_____	_____
Does the auditor (firm) have policies for the safe custody and retention of working papers? (GAS par. 6.65 and A-133.515(b))	GA103	_____	_____	_____	_____
Does the auditor’s report on financial statements include reference to generally accepted auditing standards and to the standards for financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States? (GAS par. 5.11)	GA104	_____	_____	_____	_____
When reporting separately on compliance with laws and regulations and internal control over financial reporting, did the auditor disclose in the auditor’s report on the financial statements 1) the issuance of that additional report, 2) that the additional report is an integral part of a GAS audit, and 3) in considering the results of the audit, the separate report should be read along with the auditor’s report on the financial statements? (GAS, Ch. 5, pars. 5.16–16.1)	GA105	_____	_____	_____	_____
If certain information is prohibited from general disclosure, did the auditor’s report state the nature of the information omitted and the requirement that makes the omission necessary? (GAS par. 5.29)	GA106	_____	_____	_____	_____
Did the auditor report on compliance and on internal control over financial reporting based upon an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> including all required elements (GAS 5.17, SOP 98-3, par. 10.39 [TPA Sec. 11,320.39]):					
A reference to the auditor’s report on the entity’s financial statements and, if applicable, a description of any departures from the standard report? (SOP 98-3, par. 10.39a [TPA Sec. 11,320.39a])	GA107	_____	_____	_____	_____
A statement that the auditor has performed tests of the entity’s compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts? (SOP 98-3, par. 10.39c [TPA Sec. 11,320.39c])	GA108	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All “no” answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. Column, or (2) discussed on the pages at the end of the checklist to which this supplement relates.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
A statement that the objective of an audit is not to provide an opinion on compliance with laws and regulations, etc.? (SOP 98-3, par. 10.39d [TPA Sec. 11,320.39d])	GA109	_____	_____	_____	_____
A statement indicating whether the auditor's tests disclosed instances of noncompliance required to be reported under <i>Government Auditing Standards</i> , and a description of the noncompliance, or reference to a schedule of findings? (SOP 98-3, par. 10.39e [TPA Sec. 11,320.39e])	GA110	_____	_____	_____	_____
If applicable, a statement that certain immaterial instances of non-compliance were communicated to management in a separate letter? (SOP 98-3, par. 10.39f [TPA Sec. 11,320.39f])	GA111	_____	_____	_____	_____
If applicable, a statement that reportable conditions were noted and the definition of a reportable condition? (SOP 98-3, par. 10.39h [TPA Sec. 11,320.39h])	GA112	_____	_____	_____	_____
Appropriate language when no reportable conditions were noted? (AU Sec. 325.17 prohibits issuing a written report stating that no reportable conditions were noted). (SOP 98-3, par. 10.39i [TPA Sec. 11,320.39i])	GA113	_____	_____	_____	_____
The definition of a material weakness? (SOP 98-3, par. 10.39k [TPA Sec. 11,320.39k])	GA114	_____	_____	_____	_____
If applicable, a statement that other matters involving the internal control over financial reporting were communicated to management in a separate letter? (SOP 98-3, par. 10.39m [TPA Sec. 11,320.39m])	GA115	_____	_____	_____	_____
A statement indicating the report is intended solely for the information and use of the specified bodies and, if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified bodies? (SOP 98-3, par. 10.39n [TPA Sec. 11,320.39n] and AU Sec. No. 532)	GA116	_____	_____	_____	_____
When illegal acts involve funds received from other governmental entities, did the auditors assure themselves that the audited entity notified the proper official of those entities within a reasonable time? (GAS pars. 5.21-.24 and SOP 98-3, pars. 10.23 and .24 [TPA Sec. 11,320.23 and .24])	GA117	_____	_____	_____	_____
If the entity did not, or was unable to do so because the top official was involved, has the auditor reported these acts to the officials of those other governmental entities, and to the appropriate oversight body? (GAS pars. 5.21-.24 and SOP 98-3, pars. 10.23 and .25 [TPA Sec. 11,320.23 and .25])	GA118	_____	_____	_____	_____
If appropriate, was the scope section of the reports properly modified to disclose that an applicable government auditing standard was not followed, the reasons therefore and the known effect of not following the standard on the audit results? (GAS par. 5.12)	GA119	_____	_____	_____	_____
When appropriate, did the auditor issue a separate report on fraud, abuse, or illegal acts, or indications of such acts? (GAS pars. 5.21-.25 and SOP 98-3, pars. 10.23 and .24 [TPA Sec. 11,320.23 and .24])	GA120	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Did the report(s) disclose the status of all known, but uncorrected significant or material findings and recommendations from prior audits that affect current audit objectives? (GAS par. 4.10 and SOP 98-3, par. 10.62 [TPA Sec. 11,320.62])	GA121	___	___	___	___
Did the auditor document communication of those nonreportable conditions in internal control not included in the required reports? (GAS par. 5.20 and SOP 98-3, par. 10.29 [TPA Sec. 11,320.29])	GA122	___	___	___	___
Were findings presented in accordance with the guidance in the <i>Government Auditing Standards</i> ? (GAS pars. 5.21-.28 and SOP 98-3, par. 10.38-40 [TPA Sec. 11,320.40])	GA123	___	___	___	___
Do the working papers contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor's significant conclusions and judgements? (GAS par. 4.35)	GA124	___	___	___	___
Are appropriate personnel in compliance with the Yellow Book continuing professional education (CPE) requirements? (GAS pars. 3.6-.9)	GA125	___	___	___	___
Is the audit firm in compliance with the external quality control review requirements of the Yellow Book? (GAS par. 3.33)	GA126	___	___	___	___
Was appropriate assurance of independence considered on three levels: personal, external and organizational, and did the auditor maintain an independent attitude and appearance? (GAS pars. 3.11-.25)	GA127	___	___	___	___
Did the auditor (firm) meet the licensing requirements of the jurisdiction where the entity is located? (GAS par. 3.10(e)(2))	GA128	___	___	___	___
Did the auditor obtain written representations from management regarding the completeness of management's identification of laws and regulations that have a material affect on the financial statements and compliance with the requirements of Federal awards programs? (AU Sec. 801.07(c) and SOP 98-3, pars. 4.40 and 6.68-.70 [TPA Sec. 11,320-4.40 and 6.68-.70])	GA129	___	___	___	___
Did the auditor communicate the following information related to the conduct and reporting of the audit to the audit committee or to individuals with whom they have contracted for the audit:					
Auditor's responsibilities and certain other matters (GAS par. 5.7a and SOP 98-3, par. 10.16a [TPA Sec. 11,320-10.16a])?	GA130	___	___	___	___
Nature of any additional testing of internal controls and compliance required by laws and regulations? (GAS par. 5.7b)	GA131	___	___	___	___
During the planning phase of the audit, did the auditor document in the work papers the basis for assessing control risk at the maximum level for assertions related to material account balances, transaction classes and disclosure components in the financial statements when such assertions are significantly dependent on computerized information systems? (GAS par. 4.21.3-4)	GA132	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Did the auditor document the consideration that the planned audit procedures were designed to achieve audit objectives and reduce audit risk to an acceptable level? (GAS, par. 4.21.4)	GA133	_____	_____	_____	_____
Did the auditor document in the work papers specific communication with the auditee and the audit committee regarding the scope of compliance and internal control work to be performed under <i>Government Auditing Standards</i> ? (GAS, pars. 4.6.3–4.6.9)	GA134	_____	_____	_____	_____

VI. EXPLANATION OF "NO" ANSWERS AND OTHER COMMENTS

The following pages are provided for your comments on all "no" answers for which an MFC form was not generated or to expand upon any of the "yes" answers. All "no" answers must be thoroughly explained and reviewed with the engagement owner.

<i>Page Number</i>	<i>Question Number</i>	<i>Explanatory Comments</i>	<i>Disposition of Comments*</i>
SEC PRACTICE SECTION			

* The nature of the disposition of comments may vary, such as:

- Note "resolved" and the manner of resolution.
- Note "not significant" to indicate a "no" answer is appropriate, but that the matter is not significant enough to warrant the preparation of an MFC form.

*Page
Number*

*Question
Number*

Explanatory Comments

*Disposition
of Comments*

SEC
PRACTICE
SECTION

*Page
Number*

*Question
Number*

Explanatory Comments

*Disposition
of Comments*

S E C
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S E C T I O N

VII. CONCLUSIONS

EXPLAIN BELOW THE REASONS FOR ANY "YES" ANSWERS. BE SPECIFIC.

Based on the work performed, did anything come to your attention that caused you to believe that:

- The firm did not perform the engagement in all material respects in accordance with generally accepted auditing standards (see AU Sec. 390 and ET Sec. 202) and other applicable standards including, where applicable, the requirements of *Government Auditing Standards* and the Single Audit Act? YES* ___ NO ___
- The financial statements did not conform with generally accepted accounting principles (or where applicable, a comprehensive basis of accounting other than GAAP) in all material respects and the review report was not appropriately modified (see AU Sec. 561 and ET Sec. 203)? YES* ___ NO ___
- The auditor's reports, including all reports required under *Government Auditing Standards* were not appropriate in the circumstances? YES* ___ NO ___
- The documentation on this engagement does not support the firm's opinion on the financial statements? YES* ___ NO ___
- The firm did not comply with its policies and procedures on this engagement in all material respects? YES* ___ NO ___

[The next page is 20,601.]

* If this question is answered "yes," see additional guidance contained in Section 3100.51–.53 of the *Standards for Performing and Reporting on Peer Reviews* in the AICPA *Peer Review Program Manual* or Section 2000.83–.89 in the *SEC Practice Section Reference Manual*.

PRM
20600

Not-For-Profit Audit
Engagement

Section 20,600

Not-for-Profit Audit Engagement Checklist

Instructions for Use of Checklist for Review of Audit Engagements of Not-for-Profit Organizations

This checklist was developed for use by reviewers of audits of not-for-profit organizations. It should be used in conjunction with other guidance materials issued to implement the peer review program and the SEC Practice Section of the AICPA.

The questions in the checklist are intended to emphasize the general procedures that an independent auditor would ordinarily perform in auditing and reporting on financial statements of not-for-profit organizations (NFPOs). Accordingly, in addition to GAAP and GAAS applicable to all organizations, the matters covered in this checklist also include the accounting and auditing requirements that are unique to audits of NFPOs and therefore extend the auditor's responsibilities.

Reviewers of audits of state or local governments should complete the Governmental Audit Engagement Checklist in lieu of this checklist.

Reviewers of NFPOs receiving federal government awards or grants should also complete the *Supplemental Checklist for Review of A-133 Single Audit Act Engagements*. That supplemental checklist gives effect to the 1997 revisions of OMB Circular A-133 and SOP 98-3, *Audits Of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards*.

Reviewers should adapt this checklist to fit specific engagements. For example, individuals reviewing review or compilation engagements of NFPOs should also complete the general procedures, functional areas and conclusions sections of the review or compilation checklists.

Reviewers of not-for-profit audits of HUD projects should not complete the *Supplemental Checklist for Review of Audits of HUD Engagements*, but instead should complete the *Supplemental Checklist for Review of A-133 Single Audit Act Engagements*.

The questions in this checklist have been derived principally from the pronouncements of the Auditing Standards Board, the Financial Accounting Standards Board and its predecessors, and the AICPA Audit and Accounting Guide *Not-for-Profit Organizations* issued in 1996.

GASB Statement No. 29, *The Use of Not-for-Profit Accounting and Financial Reporting Principles by Government Entities*, poses the issue of whether an NFPO is deemed a governmental entity. If so, the entity is subject to the pronouncements of the GASB rather than the GAAP for nongovernmental entities. If the entity is a governmental entity as contemplated by GASB Statement No. 29, the reviewer should consider using the *Governmental Audit Engagement Checklist*.

Questions regarding these instructions or any other materials should be directed to AICPA Practice Monitoring at (201) 938-3030.

Explanation of References:

AC	Reference to section number in <i>FASB Accounting Standards Current Text</i>
ACNO	AICPA Audit and Accounting Guide <i>Not-for-Profit Organizations</i> (reflects guidance contained in authoritative pronouncements through May 1, 2000)

AU	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
ET	<i>Code of Professional Conduct</i> in AICPA <i>Professional Standards</i> (vol. 2)
FAS	Financial Accounting Standards Board pronouncement
GASB	Codification of Governmental Accounting and Financial Reporting Standards
SOP	AICPA Statement of Position [SOPs may be found in AICPA <i>Technical Practice Aids</i> (TPA), vol. 2]
QC	Quality Control Standards in AICPA <i>Professional Standards</i> (vol. 2)

SECTION
PRACTICE
SECTION

Not-for-Profit Audit Engagement Checklist
ENGAGEMENT PROFILE

Engagement Code No. Office
Owner/Partner Date of Financial Statements*
Manager Date of Report
Concurring Reviewer** Date Report Released

This engagement involves reporting on:

- () Financial statements (single entity)
() Combined financial statements of financially interrelated not-for-profit organizations or voluntary health and welfare organizations
() Financial statements of a component of the organization
() Special Reports (SAS No. 62)
() Other (explain)

Was the work performed at the request of another office? Yes ___ No ___

Date that the fee for the prior year's engagement was paid

Key data reported on by this office for this engagement:

Total revenues (memorandum total) \$
Total assets \$
Total net assets \$
Total amount of federal assistance expended*** \$

General description of audited entity (type of entity, services provided, etc.)

Complex or troublesome audit areas:

List any non-audit services performed for the client during the period of the financial statements being reported on and through the date of the auditor's report.

Personnel Continuity:

Owner or Partner Manager or equivalent

Number of years assigned to this job

Number of years in current position on the job

Audit hours on this engagement:

Table with 4 columns: Total, Prior to Commencement of Field Work, During Field Work, After Completion of Field Work. Rows include Owner/Partner, Manager (or equivalent), Concurring Reviewer, Senior/other professionals, Total this office, and Total budgeted.

* To determine the applicability of all cross-referenced pronouncements, consider their effective dates.

** Not applicable unless required by firm policy.

*** This amount should include "pass through" federal financial assistance received indirectly from a state or local government.

LIST OF KEY AUDIT AREAS SELECTED BY REVIEWER

A reviewer is not required to look at all the working papers for a particular engagement. The depth of the review is based upon a reviewer's judgment; however, the review is directed primarily to the key areas of an engagement, including complex or troublesome areas. Ordinarily, all key audit areas should be reviewed. List below the key areas on this engagement, and, if any key areas are not reviewed, indicate the reasons for this omission. In completing this checklist, all questions in Sections I, II, IV, V, and VI should be answered in addition to the questions in Section III for the key areas identified, and for Commitments and Contingencies; Revenue, Expenses, and Support; and Other.

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

Date Engagement Review Performed _____

Reviewer _____

Date Checklist Reviewed
by Team Captain _____

Signature _____

Checklist for Review of Audit Engagements of Not-for-Profit Organizations

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Note: This checklist has been updated through SAS No. 94, FAS No. 142, FASB Interpretation No. 44 and SOP 01-3.

I. REPORT AND FINANCIAL STATEMENTS

Note: This condensed checklist has been extracted from the AICPA financial reporting aid, *Disclosure Checklists for Nonprofit Organizations*. Reviewers may wish to consult that checklist for detailed information about the applicable professional standards and related citations. All “no” answers must be thoroughly explained. If the firm has used its own report and financial statement disclosure checklist on this engagement, it may be reviewed in lieu of completing this checklist provided the reviewer has determined that the firm’s checklist is current, comprehensive, and appropriate for the engagement.

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Auditor’s Report					
Is the report dated in conformity with the requirements of professional standards? (AU Secs. 508.08j, .38 and 530)	A101	_____	_____	_____	_____
Does the report appropriately include the basic elements required under professional standards and is appropriate language used for modifying the report in the circumstances described in such standards? (AU Secs. 508.08-.11 and 623)	A102	_____	_____	_____	_____
Does the auditor’s standard report contain a title that includes the word “independent”? (AU Sec. 508(a))	A103	_____	_____	_____	_____
Does the report cover all periods for which financial statements are presented? (AU Sec. 508.08 and .65)	A104	_____	_____	_____	_____
If the financial statements of a prior period have been audited by a predecessor auditor whose report is not presented, has the successor auditor included the appropriate reference to the predecessor auditor in the introductory paragraph? (AU Sec. 508.74)	A105	_____	_____	_____	_____
If supplementary information accompanies the basic financial statements, does the auditor describe in the report the degree of responsibility, if any, the auditor is taking? (AU Secs. 551 for accompanying information and 558 for “required supplementary information”)	A106	_____	_____	_____	_____
For special reports, have professional standards been complied with regarding:					
Statements prepared in accordance with a comprehensive basis of accounting other than generally accepted accounting principles? (AU Sec. 623.01-.10)	A107	_____	_____	_____	_____
Specified elements, accounts or items of a financial statement? (AU Sec. 623.11-.18)	A108	_____	_____	_____	_____
Compliance with aspects of agreements or regulatory requirements related to audited financial statements? (AU Sec. 623.19-.21)	A109	_____	_____	_____	_____
Financial presentations to comply with agreements or regulatory provisions? (AU Sec. 623.22-.30)	A110	_____	_____	_____	_____
Financial information in prescribed forms or schedules? (AU Sec. 623.32 and .33)	A111	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All “no” answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
For reports on financial statements of a U.S. entity that have been prepared in conformity with accounting principles generally accepted in another country for use outside the United States, has there been compliance with professional standards? (AU Sec. 534)	A112	___	___	___	___
If the use of the report has been restricted, is there compliance with the applicable provisions of SAS No. 87? (AU Sec. 532)	A113	___	___	___	___
If the entity reported changes resulting from a transaction or event, did the auditor not add a consistency explanatory paragraph to the auditor's report? (AU Sec. 420)	A114	___	___	___	___
Has the auditor refrained from the inclusion of a consistency explanatory paragraph to their report when a change in the reporting entity results from a transaction or event such as a "pooling of interests", or certain other specified events? (AU Sec. 420.08)	A115	___	___	___	___
Effective for reports issued or reissued on or after June 30, 2001, the Auditing Standards Board issued Statement on Auditing Standards No. 93, <i>Omnibus Statement on Auditing Standards—2000</i> . SAS No. 93 amends SAS No. 58 (AU Sec. 508) to require a reference to the country of origin of: (1) the accounting principles used to prepare financial statements and (2) the auditing standards the auditor followed in performing the audit. For reports issued or reissued after the effective date:					
Does the report include a reference to the country of origin of the accounting principles used to prepare the financial statements?	A116	___	___	___	___
Does the report include a reference to the country of origin of the auditing standards the auditor followed in performing the audit?	A117	___	___	___	___
Financial Statements and Notes					
General					
If the entity is deemed to be a governmental entity, do the financial statements conform with the provisions of GASB Statement No. 29?	N101	___	___	___	___
Are the financial statements suitably titled? (AU Sec. 623.07 and .24)	A118	___	___	___	___
Is the accounting appropriate and are the disclosures adequate regarding:					
Significant accounting policies, including a description of the nature of each fund, if applicable (i.e., general, plant, endowment, unrestricted, temporarily restricted, permanently restricted)? (AC Sec. A10.105-.108; for OCBOA, AU Sec. 623.09, .10 and AU Sec. 9623.88-.93)	A119	___	___	___	___
Accounting changes? (AC Sec. A06)	A120	___	___	___	___
Do the basic financial statements focus on the entity as a whole and consist of a statement of financial position, statement of activities in which the amount of the change in net assets articulates to the statement of financial position, and a statement of cash flows, and accompanying notes? (AC Sec. No5.104, .108 and .116)	N102	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Are the net assets and changes in net assets classified as (i) permanently restricted, (ii) temporarily restricted, and/or (iii) unrestricted, based on donor imposed restrictions and/or relevant law? (AC Sec. No5.109 and .117)	N103	_____	_____	_____	_____
Is information provided about the nature and amounts of different types of permanent restrictions and temporary restrictions by reporting their amounts on the face of the statements of financial position or by including relevant details in notes to the financial statements? (AC Sec. No5.112)	N104	_____	_____	_____	_____
If prior year information is summarized and does not include the minimum information required by FAS No. 117 and the ACNO, is the nature of the prior year information described by appropriate titles and in the notes? (ACNO, Ch. 3, pars. 3.20 and 3.21)	N105	_____	_____	_____	_____
Are contributions received, including unconditional promises to give, recognized at their fair value as revenues in the period received? (AC Secs. C67.108 and No5.143–.145)	N106	_____	_____	_____	_____
Are contributions received classified as permanently restricted, temporarily restricted, and unrestricted based upon donor-imposed restrictions and/or relevant law? (AC Sec. No5.143–.145)	N107	_____	_____	_____	_____
Are contributions made, including unconditional promises to give, recognized as expenses in the period made, at their fair values? (AC Sec. C67.114)	N108	_____	_____	_____	_____
Are conditional promises to give, whether received or made, accounted for as refundable advances and recognized as contributions when they become unconditional (i.e., when the conditions are substantially met)? (AC Sec. C67.118–.120)	N109	_____	_____	_____	_____
Are receipts of unconditional promises to give with payments due in future years recognized as restricted unless circumstances make it clear the donor intended it to be used to support current activities? (AC Sec. No5.144)	N110	_____	_____	_____	_____
Are accounting policy disclosures made:					
If donor-restricted contributions whose restrictions are met in the same reporting period are consistently treated as unrestricted support? (AC Sec. No5.143)	N111	_____	_____	_____	_____
For contributions of long-lived assets whether the accounting policy is to imply or not imply a time restriction that expires over the estimated useful life of the respective assets? (AC Sec. No5.145)	N112	_____	_____	_____	_____
For contributions involving the transfer of assets to the organization or a charitable trust (the "recipient organization") for which the not-for-profit agrees to use those assets on behalf of or to transfer those assets, the return on investment of those assets, or both to an unaffiliated entity (the "beneficiary") as specified by the donor, are such contributions properly accounted for and reported by the recipient and/or the beneficiary organizations, as applicable? (C67.161–.171)	N113	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Where the recipient organization has not explicitly been granted variance power, has the beneficiary recognized its rights to the assets (financial and non-financial) held by that recipient organization as an asset? (AC Sec. C67.168)	N114	_____	_____	_____	_____
[The types of contributions considered under this guidance may include: (1) receipt of resources as an agent rather than as a donee, (2) where the not-for-profit acts as an intermediary between the donor and the donee, (3) where the not-for-profit acts as an intermediary between a governmental provider of benefits and an eligible beneficiary, and (4) other similar transactions. For examples, see AC Sec. C67.126-.160]					
For financial instruments, is information about concentrations of credit risk and if required, about fair value (including the methods and significant assumptions used to estimate fair value) disclosed? (AC Sec. F25.105, .115, .115A-.115K, and .116A-.116D)	A121	_____	_____	_____	_____
For derivative instruments and hedging activities, is there compliance with accounting and disclosure provisions of FAS No. 133, as amended by FAS No. 138? (AC Sec. F25)	A122	_____	_____	_____	_____
For fiscal years beginning after June 15, 2000, for companies that have not adopted FAS No. 133 for derivative financial instruments and hedging activities, the company must adopt FAS No. 138 concurrently with FAS No. 133. Therefore, in conjunction with the adoption of FAS No. 133, have derivative financial instruments and hedging activities been properly accounted for and disclosed in accordance with FAS No. 138, <i>Accounting for Certain Derivative Instruments and Certain Hedging Activities (an amendment of FASB Statement No. 133)</i> ? (AC Sec. D50)	A123	_____	_____	_____	_____
Are transfers of financial assets, the servicing of financial assets, and extinguishment of liabilities properly accounted for and disclosed? (AC Secs. F35 and F39)	A124	_____	_____	_____	_____
If the entity disclosed the ratio of fundraising expenses to the amount raised, was there disclosure of the method of computing that ratio? (AC Sec. No5.125A)	N115	_____	_____	_____	_____
Are required disclosures about risks and uncertainties made regarding the nature of operations, the use of estimates, certain significant estimates, and current vulnerabilities due to certain concentrations? (SOP 94-6)	A131	_____	_____	_____	_____
Are insurance and reinsurance contracts that do not transfer insurance risk properly accounted for and disclosed (AC Sec. I50 and SOP 98-7 [TPA Sec. 10,760])?	A132	_____	_____	_____	_____
Are nonmonetary transactions properly accounted for and disclosed? (AC Secs. C11.102 and N35)	A133	_____	_____	_____	_____
With respect to contingencies and commitments:					
Are loss contingencies accrued and/or disclosed as appropriate? (AC Sec. C59.104-.116, and .120)	A134	_____	_____	_____	_____
Are other contingencies and commitments adequately disclosed, including environmental remediation-related matters? (AC Secs. C32.102-.105 and C59.116-.120; SOP 96-1, pars. .142-.173 [TPA Sec. 10,680.142-.173])	A135	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the organization has failed to maintain an appropriate composition of assets in amounts needed to comply with all donor restrictions, are the amounts and circumstances disclosed? (Note: Such noncompliance could result in a material contingent liability at the financial statement date, lead to a material loss of revenue, or cause an inability to continue as a going concern.) (ACNO, Ch. 3, par. 3.27)	N119	_____	_____	_____	_____
Are the financial statements adjusted, where appropriate, for the effect of subsequent events and do they include disclosure of significant subsequent events, whether or not adjustments were made? (AC Secs. C59.105, and .115, and AU Secs. 560.03-.09 and 561)	A136	_____	_____	_____	_____
Have defined benefit pension profit sharing, or other employee benefit plans been properly accounted for and disclosed? (AC Sec. P16.150, .150A, .153A, .166, .167, and .187)	A137	_____	_____	_____	_____
Have other pension profit sharing, or other employee benefit plans been properly accounted for and disclosed? (AC Sec. P16)	A138	_____	_____	_____	_____
Have postretirement plans other than pensions been properly accounted for and disclosed? (AC Sec. P40.169, .169A, .172, .173, .178, and .179)	A139	_____	_____	_____	_____
Have postemployment benefits (after employment but before retirement) been properly accounted for and disclosed? (AC Secs. P32 and P40)	A140	_____	_____	_____	_____
Are adjustments of financial statements for prior periods appropriate? (AC Sec. A35)	A142	_____	_____	_____	_____
Are related entities reported in conformity with SOP 94-3 (TPA Sec. 10,610) for (a) investments in for-profit majority-owned subsidiaries (consolidated in conformity with ARB 51, as amended by FAS No. 94); (b) investment in common stock of for-profit entities of 50 percent or less voting interest (equity method in conformity with APB Opinion No. 18); and (c) financially interrelated NFPOs? (SOP 94-3, pars. 8-14 [TPA Sec. 10,610.08-.14])	N120	_____	_____	_____	_____
Are related party transactions with non-combined affiliated entities, contributors of restricted funds, board members, officers, and employees adequately disclosed? (SOP 94-3, par. 12 [TPA Sec. 10,610.12] or SOP 78-10, pars. 47-49 [TPA Sec. 10,250.47-.49], if applicable)	N121	_____	_____	_____	_____
Statement of Financial Position/Balance Sheet					
Does the statement of financial position:					
Report the amounts of the entity's total assets, liabilities, and net assets? (AC Sec. No5.108)	N122	_____	_____	_____	_____
Classify cash and other assets received with a long-term donor imposed restriction separately from those assets that are unrestricted and available for current use? (AC Sec. No5.109)	N123	_____	_____	_____	_____
Provide information about liquidity by one or more of the following: (i) sequencing assets according to their nearness to cash and liabilities according to their nearness to maturity, (ii) classifying assets and liabilities as current and noncurrent (AC Sec. B05.110), and/or (iii) footnote disclosure about the liquidity or maturity of assets and liabilities, including restrictions on the use of particular assets? (AC Sec. No5.110)	N124	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Are the following disclosed for unconditional promises receivable (AC Sec. C67.121):					
Amounts receivable in less than one year, in one to five years, and in more than five years?	N125	_____	_____	_____	_____
Amount of allowance for uncollectible accounts?	N126	_____	_____	_____	_____
Are the following disclosed for conditional promises (AC Sec. C67.122):					
The total amounts of the conditional promises?	N127	_____	_____	_____	_____
A description and the amount for each group of conditional promises having similar characteristics?	N128	_____	_____	_____	_____
If the entity transfers assets to a recipient and specifies itself or its affiliate as the beneficiary, did the entity disclose: (AC Sec. No5.177)					
The identity of the recipient organization to which the transfer was made?	N129	_____	_____	_____	_____
Whether variance power was granted to the recipient organization and, if so, the terms of the variance power?	N130	_____	_____	_____	_____
The terms under which the amounts will be distributed to the resource provider or its affiliate?	N131	_____	_____	_____	_____
The aggregate amount recognized in the statement of financial position for these transfers and whether that amount is recorded as an interest in the net assets of the recipient organization?	N132	_____	_____	_____	_____
Is the accounting appropriate and are the disclosures adequate regarding:					
Valuation allowances? (AC Sec. V18)	A143	_____	_____	_____	_____
Restricted cash including compensating balances? (AC Secs. B05.107 and C59.120)	N133	_____	_____	_____	_____
Cash or other assets with a donor-imposed restriction for a long-term purpose? (AC Sec. No5.109)	N134	_____	_____	_____	_____
Investments? (ACNO, Ch. 8, pars. 8.17–8.25 and AC Secs. I82.109 and .110, I80, F25.115C–.115I and No5.148)	A150	_____	_____	_____	_____
Terms or circumstances concerning repurchase or reverse repurchase agreements? (AC Sec. B10.106A and .106B)	N135	_____	_____	_____	_____
Accounts and Notes Receivable:					
Effect of interest rates that do not reflect market rates? (AC Sec. I69.109)	A147	_____	_____	_____	_____
Legally enforceable pledges?	N136	_____	_____	_____	_____
Other receivables?	A149	_____	_____	_____	_____
Inventories? (AC Secs. B05.105 and I78)	A151	_____	_____	_____	_____
Collections of works of art, historical properties or treasures, or similar items? (AC Secs. C67.111, .112, .123, .124, and D40.101–.101A and ACNO, Ch. 7, pars. 7.05–7.14)	N137	_____	_____	_____	_____
Fixed Assets (AC Sec. D40.101 fn [a] and .105):					
Purchased fixed assets? (ACNO, Ch. 9, pars. 9.13–.15)	N138	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Donated fixed assets? (AC Sec. C67 and ACNO, Ch. 9, pars. 9.05, .06, and .13-.15)	N139	___	___	___	___
Capitalization policy? (ACNO, Ch. 9, par. 9.13)	N140	___	___	___	___
Accounting for depreciation, including disclosure of depreciation policy for inexhaustible assets? (AC Sec. D40 and ACNO, Ch. 9, pars. 9.07, .08 and .13-.15)	N141	___	___	___	___
Major classes of depreciable assets?	N142	___	___	___	___
Accumulated depreciation, as well as a general description of the method used in computing depreciation?	N143	___	___	___	___
Capitalized interest? (AC Sec. I67)	N144	___	___	___	___
Restrictions on use or disposal imposed by donor? (AC Secs. C67 and No5.111-.114, and ACNO, Ch. 9, pars. 9.05, .06, and .13-.15)	N145	___	___	___	___
Sales-type, direct financing, leveraged, and operating leases of lessors? (AC Sec. L10.112-.119 and .143-.149)	A154	___	___	___	___
Other assets, including intangible assets, unamortized computer software costs, and deferred charges and their impairment, if applicable? (AC Secs. I08, I27.140, .143, I60, Co2.102-.110, and I27.140; SOP 98-1 [TPA Sec. 10,720])	A155	___	___	___	___
Pledged assets? (AC Sec. C59.120)	A156	___	___	___	___
Related assets and liabilities are offset in the balance sheet only when all of the following conditions are met: (1) each party owes the other determinable amounts, (2) the reporting party has the right to setoff the amount owed with the amount owed by the other party, (3) the reporting party intends to setoff, and (4) the right to setoff is enforceable at law? (AC Sec. B10.101A)	A157	___	___	___	___
Current liabilities? (AC Sec. B05.108, .109, .109A and .118)	A158	___	___	___	___
Short-term liabilities expected to be refinanced? (AC Sec. B05.110-.118, .138, and .139)	A159	___	___	___	___
Notes payable and other debt:					
Maturities and rates? (AC Sec. C32.104, and .105)	A160	___	___	___	___
Effect of interest rates that do not reflect market rates? (AC Sec. I69)	A162	___	___	___	___
Maturities and sinking fund requirements for the next five years? (AC Sec. C32.105)	A165	___	___	___	___
Capital leases of lessees? (AC Sec. L10.106-.112)	A166	___	___	___	___
Other liabilities and deferred credits, including environmental remediation liabilities, employees' compensation for future absences, special termination benefits to employees, and deferred revenue and support? (AC Sec. C44.104 and .108 and SOP 96-1, Chs. 5-7 [TPA Sec. 10,680])	A167	___	___	___	___

Statement of Activities

Does the statement of activities report:

The amount of change in net assets for the period using a descriptive term such as "change in net assets" or "change in equity"? (AC Sec. No5.116)

N146 ___ ___ ___ ___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
The amount of change in permanently restricted, temporarily restricted, and unrestricted net assets? (AC Sec. No5.117)	N147	___	___	___	___
Revenues as increases in unrestricted net assets unless the use of the assets received is limited by donor-imposed restrictions? (AC Sec. No5.118)	N148	___	___	___	___
Expenses as decreases in unrestricted net assets? (AC Sec. No5.118)	N149	___	___	___	___
Events (e.g., expiration of donor imposed restrictions) that simultaneously increase one class of net assets and decrease another (reclassifications) presented as separate items? (AC Sec. No5.117)	N150	___	___	___	___
Gross amounts of revenues and expenses (including those for special events that are ongoing and major activities), and investment revenues, either in the footnotes or on the face of the financial statements? (AC Sec. No5.121 and .122, fn 9)	N151	___	___	___	___
For voluntary health and welfare organizations, expenses by both functional and natural classifications in a matrix format in a separate statement? (AC Sec. No5.123)	N152	___	___	___	___
Gains and losses on investments as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law? (AC Sec. No5.119)	N153	___	___	___	___
Gains and losses on endowments in permanently restricted net assets if the governing board has determined relevant law requires they be retained permanently? (AC Sec. No5.119)	N154	___	___	___	___
At a minimum, the change in unrestricted net assets for the period when an intermediate measure of operations is presented? (AC Sec. No5.120)	N155	___	___	___	___
Is the accounting appropriate and are the disclosures adequate regarding:					
Subscription and membership income? (ACNO, Ch. 5, par. 5.15)	N156	___	___	___	___
Third-party reimbursements of costs for services provided? (ACNO, Ch. 12)	N157	___	___	___	___
Investment income and gains and losses? (AC Sec. No5.121, .122, .154-.156, .161, and ACNO, Ch. 8, par. 8.23)	N158	___	___	___	___
Contributions? (AC Sec. C67)	N159	___	___	___	___
Donated services, materials, and facilities? (AC Sec. C67.109 and .110)	N160	___	___	___	___
Split-interest agreements? (ACNO, Ch. 6)	N161	___	___	___	___
Allocation of functional expenses to programs and supporting services? (ACNO, Ch. 13, par. 13.29-.53)	N162	___	___	___	___
Allocation of fund raising expenses, including joint costs of informational materials and activities, between fund raising and other functional expense categories? (ACNO, Ch. 13, pars. 13.30-.40; SOP 98-2 [TPA Sec. 10,730])	N163	___	___	___	___
Advertising costs? (SOP 93-7 [TPA 10,590])	A179	___	___	___	___
Costs of start-up activities (SOP 98-5 [TPA Sec. 10,750])	A181	___	___	___	___
Depreciation? (AC Sec. D40)	A186	___	___	___	___

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Deferred compensation agreements? (AC Sec. C38)	A188	___	___	___	___
Grants to other organizations? (AC Sec. C67.114 and ACNO, Ch. 10, par. 10.08)	N164	___	___	___	___
Operating leases and rent expense of lessees? (AC Sec. L10.111 and .112)	A204	___	___	___	___
Extraordinary items? (AC Sec. I17)	A212	___	___	___	___
Unusual or infrequent items, but not both? (AC Sec. I22)	A213	___	___	___	___

Statement of Cash Flows

Does the statement of cash flows present:

Cash provided or used by investing, financing and operating activities? (AC Sec. C25.112–.124)	A216	___	___	___	___
Amounts received with long-term donor stipulations in cash flows from financing activities? (AC Sec. F25)	N165	___	___	___	___
The net effect of cash flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents; also, do the amounts of cash and cash equivalents agree with the amounts on the statement of financial position/balance sheet? (AC Sec. C25.124)	A217	___	___	___	___
A reconciliation between changes in net assets/net equity and net cash flow from operating activities? (AC Sec. C25.127)	A218	___	___	___	___
Related disclosure of noncash investing and financing activities? (AC Sec. C25.134)	A219	___	___	___	___

If the indirect method of reporting net cash flows from operating activities was used, were the amounts of interest and income taxes paid disclosed? (AC Sec. C25.127)	A220	___	___	___	___
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Are cash equivalents limited to short-term, highly liquid investments that are both readily convertible to known amounts of cash and of an original maturity of three months or less, and is the organization's policy for determining which items are treated as cash equivalents disclosed? (AC Sec. C25.106–.108)	A221	___	___	___	___
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Are the components of the cash flow statement shown at "gross" and not "net" amounts? (AC Sec. C25.109–.111A)	A223	___	___	___	___
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Other

Are the statement formats and disclosures generally consistent with the appropriate AICPA industry audit guides and statements of position?	A225	___	___	___	___
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If the organization's tax-exempt status is in question by the IRS, is the organization considering the potential loss or expense for financial reporting and disclosure? (ACNO, Ch. 10, par. 10.11)	N166	___	___	___	___
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If the organization incurs income tax expense, do the notes to the financial statements disclose the amount of the unrelated business income tax and describe the nature of the activities that generated the unrelated business income tax? (ACNO, Ch. 13, par. 13.60)	N167	___	___	___	___
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II. GENERAL AUDIT PROCEDURES

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
If applicable, has the auditor established and documented the understanding with the client regarding the engagement? (AU Sec. 310.05-.07)	A300	_____	_____	_____	_____
Did the auditor obtain an understanding with the entity's management that management is responsible for adjusting the financial statements to correct material misstatements? (AU Sec. 310.06)	A301	_____	_____	_____	_____
In planning the audit engagement, did the auditor properly consider:					
Matters affecting the environment in which the entity operates, such as accounting practices, economic conditions, laws and governmental regulations, and technological changes? (AU Secs. 311.03 and 801.11)	A302	_____	_____	_____	_____
Matters affecting the entity's operations, such as legal organization and types of services and contractual obligations? (AU Sec. 311.03 and .04)	A303	_____	_____	_____	_____
The entity's status as a nongovernmental NFPO or a governmental entity and the applicability of FASB GAAP for NFPOs and GASB Statement No. 29?	N201	_____	_____	_____	_____
If applicable, did the auditor properly consider the need for compliance auditing and, if so, the applicability of SAS No. 74 or Statement on Standards for Attestation Engagements (SSAE) No. 3, <i>Compliance Attestation</i> ? [AU Sec. 801.01, fn 4 (SAS No. 74, as amended by SAS No. 75) or AT Sec. 500]	N202	_____	_____	_____	_____
Did the auditor properly consider and form a preliminary judgment about materiality levels? (AU Secs. 311.03 and 312.08)	A304	_____	_____	_____	_____
Did the auditor consider the applicability of OMB Circular A-133?	N203	_____	_____	_____	_____
Did the auditor communicate to management (and the audit committee or others with equivalent authority) about an audit requirement that may not be encompassed in the terms of the engagement, and that an audit in accordance with generally accepted auditing standards may not satisfy the relevant legal, regulatory or contractual requirements? (Communication may be oral or in writing. If the communication is oral, the auditor should document the communication in the working papers.) (AU Sec. 801.21-.23 and SOP 92-9, Ch. 1, par. 1.7, fn 6 [SOP 92-9 has been superseded by SOP 98-3, see TPA Sec. 11,320])	N204	_____	_____	_____	_____
Did the auditor: (a) assess the risk of material misstatement due to fraud, (b) consider the presence of fraud risk factors, (c) inquire of management about its understanding of the risk of fraud in the entity, and (d) document evidence of the performance of the fraud assessment, including the fraud risk factors identified as present? (AU Sec. 316)	A305	_____	_____	_____	_____
For identified fraud risk factors, did the auditor develop an appropriate audit response and document the response? (AU Sec. 316.37)	A306	_____	_____	_____	_____
Did the auditor use analytical procedures in planning the nature, timing, and extent of audit procedures? (AU Sec. 329.01 and .06-.08)	A307	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the auditor succeeded another auditor, did the successor auditor initiate communications with the predecessor auditor to ascertain whether there were matters that might assist the auditor in determining whether to accept the engagement? (AU Sec. 315.09)	A308	_____	_____	_____	_____
Did the successor auditor obtain satisfaction as to the account balances at the beginning of the year and consistency of the application of accounting principles in the year being audited as compared with the preceding year? (AU Sec. 315.12 and .13)	A309	_____	_____	_____	_____
If consideration was given to the work of internal auditors in determining the scope of the audit, was it done in accordance with professional standards? (AU Sec. 322)	A310	_____	_____	_____	_____
(For audits of financial statements for periods beginning on or after June 1, 2001, see reference to SAS No. 94, <i>The Effect of Information Technology on the Auditor's Consideration of Internal Control in a Financial Statement Audit</i> , on page 20,621. SAS No. 94 substantially amends AU Section 319 to address the implications of information technology on the auditor's internal control consideration)					
For audits of financial statements for periods beginning before June 1, 2001 or before the application of SAS No. 94, did the auditor:					
Obtain a sufficient understanding of the entity's internal controls, including electronic evidential matter which may only exist for a specified period of time, to plan the audit? (AU Secs. 319.16, 324.07-.10, and 326.18)	A311	_____	_____	_____	_____
Document the understanding of internal controls? (AU Sec. 319.44)	A312	_____	_____	_____	_____
Document the conclusion that control risks are at the maximum level for those financial statement assertions where control risk is assessed at the maximum level? (AU Sec. 319.57)	A313	_____	_____	_____	_____
Document the basis of the conclusion (i.e., tests of controls) that the effectiveness of the design and operation of controls supports the assessed level of control risk when that assessed level is below the maximum level? (AU Sec. 319.57)	A314	_____	_____	_____	_____
For audits of financial statements beginning before June 1, 2001 or before applying SAS No. 94, if the entity transmits, processes, maintains, or accesses significant information by electronic means and it is not practical or possible to reduce detection risk to an acceptable level by performing only substantive tests for one or more financial statement assertions, did the auditor perform tests of controls? (AU Sec. 326.14)	A315	_____	_____	_____	_____
If the methods used by the client to process significant accounting information include the use of a service organization, was consideration given to the controls at the service organization that may affect the processing of the client's transactions and internal controls? (AU Sec. 324.07-.10)	A316	_____	_____	_____	_____
If the entity obtained services from another organization that are part of the entity's information system, did the auditor:					
During planning, obtain an understanding of the controls in place by the entity and by the service organization whose services are part of the entity's information system? (AU Sec. 324.09)	A317	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the auditor decided to assess control risk below the maximum for financial statement assertions affected by the processing performed by the service organization, was a service auditor's report that describes the results of the service auditor's tests of operating effectiveness obtained, were tests performed by the auditor at the service organization, or were tests of the client's controls over the activities of the service organization performed by the auditor? (AU Sec. 324.14-.16)	A318	___	___	___	___
If a specialist was used (e.g., actuary, appraiser, engineer, environmental consultant, or geologist):					
Were the appropriate considerations and evaluations made in accordance with professional standards? (AU Sec. 336)	A321	___	___	___	___
Were appropriate procedures applied to the specialist's findings? (AU Sec. 336.12)	A322	___	___	___	___
Was an appropriately tailored, written audit program prepared? (AU Sec. 311.05 and applicable AICPA Industry Audit Guides)	A323	___	___	___	___
Was the audit program responsive to the needs of the engagement, and the understanding of the internal control, including whether electronic evidential matter may only exist for a specified period of time, obtained during the planning process? (AU Secs. 311.05 and 319.02 and .05)	A324	___	___	___	___
Was consideration given to the applicable assertions in developing audit objectives and in designing substantive tests? (AU Sec. 326.09-.14)	A325	___	___	___	___
If conditions changed during the course of the audit, was the audit program modified as appropriate in the circumstances? (AU Secs. 311.05 and 316.33-.37)	A326	___	___	___	___
Have all the procedures called for in the audit program been signed when completed? (AU Sec. 339)	A327	___	___	___	___
If statistical or nonstatistical sampling was used in tests of controls (AU Secs. 319 and 350):					
Does it appear the firm gave appropriate consideration to the specific objective of the test of controls, tolerable rate, allowable risk of overreliance, and characteristics of the population when planning the sample? (AU Sec. 350.31)	A328	___	___	___	___
Was the sample selected in such a way that it could be expected to be representative of the population? (AU Sec. 350.39)	A329	___	___	___	___
If the auditor concluded that the sample results did not support the planned assessed level of control risk for an assertion, were the nature, timing and extent of planned substantive procedures reevaluated based on a revised consideration of the assessed level of control risk for the relevant financial statement assertions? (AU Sec. 350.40-.43)	A330	___	___	___	___
In evaluating the sample, was appropriate consideration given to items for which the planned test of controls or appropriate alternative procedure could not be performed, for example, because the documentation was missing? (AU Sec. 350.40)	A331	___	___	___	___
Was the documentation of the foregoing considerations in accordance with firm policy?	A332	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If statistical or nonstatistical sampling was used for substantive tests of details (AU Sec. 350):					
Does it appear the firm gave appropriate consideration to the specific audit objective, preliminary judgments about materiality levels, acceptable level of risk of incorrect acceptance, and characteristics of the population when planning the sample? (AU Sec. 350.16)	A333	_____	_____	_____	_____
Was the sample selected in such a way that it could be expected to be representative of the population? (AU Sec. 350.24)	A334	_____	_____	_____	_____
Were the misstatements in the sample projected to the items from which the sample was selected? (AU Sec. 350.26)	A335	_____	_____	_____	_____
In evaluating the sample, was appropriate consideration given to items for which the planned substantive tests or appropriate alternative procedures could not be performed? (AU Sec. 350.25)	A336	_____	_____	_____	_____
In evaluating whether the financial statements may be materially misstated, was appropriate consideration given, in the aggregate, to projected misstatements resulting from all audit sampling applications and to all known misstatements from non-sampling applications? (AU Sec. 350.30)	A337	_____	_____	_____	_____
Was the documentation of the foregoing considerations in accordance with firm policy?	A338	_____	_____	_____	_____
During the performance of the engagement, did the auditor:					
Consider the guidelines in professional standards in developing, performing, and evaluating the results of analytical procedures used as substantive tests? (AU Sec. 329)	A339	_____	_____	_____	_____
Use analytical procedures in the overall review stage of the audit? (AU Sec. 329.01)	A340	_____	_____	_____	_____
Has the auditor evaluated the reasonableness of significant accounting estimates made by management? (AU Secs. 326 and 342)	A341	_____	_____	_____	_____
Were specific procedures for determining the existence of related parties and examining identified related party transactions applied? (AU Sec. 334)	A342	_____	_____	_____	_____
Did the auditor obtain a representation letter from the entity's management that includes an acknowledgement that it has considered the financial statement misstatements aggregated by the auditor during the current engagement and pertaining to the latest period presented, and has concluded that any uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole? (AU Sec. 336.06)	A343	_____	_____	_____	_____
Did the auditor inform the audit committee about uncorrected misstatements aggregated during the current engagement and pertaining to the latest period presented that was determined by the entity's management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole? (AU Sec. 380.09-.17)	A344	_____	_____	_____	_____
Did the auditor obtain written, timely and appropriate representations from management and was the representation letter properly dated? (AU Secs. 333, 801.07c, and ACNO, Ch. 2, pars. 2.44-2.46)	A345	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Did the auditor obtain timely and appropriate responses from the entity's attorneys concerning litigation, claims, and assessments? (AU Sec. 337.08-.14)	A346	___	___	___	___
Have all questions, exceptions, or notes been followed up and resolved, including consideration of the views obtained from responsible officials of the organization?	A347	___	___	___	___
Was appropriate consideration given to all passed adjustments and to the risk that the current period's financial statements are materially misstated when prior-period likely misstatements are considered together with likely misstatements arising in the current period? (AU Sec. 312.27 and .30)	A348	___	___	___	___
If audit tests identify misstatements in the financial statements, did the auditor consider whether such misstatements may be indicative of fraud and evaluate the implications involved? (AU Sec. 316)	A349	___	___	___	___
Did the auditor consider whether the accumulated results of audit procedures and other observations affect the assessment of the risk of material misstatement due to fraud made when planning the audit; and if so, and if the auditor believed an additional response was required, were any additional risk factors or other conditions that were identified and any further response that the auditor concluded was appropriate documented? (AU Sec. 316)	A350	___	___	___	___
If the auditor has determined that there is evidence that fraud may exist (even if the matter might be considered inconsequential), was the matter brought to the attention of an appropriate level of management; and was the matter reported directly to the audit committee (or others with equivalent authority and responsibility), if the fraud involves senior management or the fraud causes a material misstatement of the financial statements? (AU Sec. 316)	A351	___	___	___	___
When the auditor, as a result of the assessment of the risk of material misstatement due to fraud, has identified risk factors that have continuing control implications (whether or not transactions or adjustments that could be the result of fraud have been detected), did the auditor consider whether these risk factors represent reportable conditions relating to the entity's internal control that should be communicated to senior management and the audit committee (or others with equivalent authority and responsibility)? (AU Sec. 316)	A352	___	___	___	___
When the auditor's procedures disclosed instances or indications of illegal acts did the auditor (ACNO, Ch. 2, pars. 2.27-.30):					
Follow up on the illegal acts in accordance with professional standards? (AU Sec. 317.10 and .11)	A353	___	___	___	___
Consider the implications of the detected illegal act in relation to other aspects of the audit, including the reliability of the client's representations? (AU Sec. 317.16)	A354	___	___	___	___
Communicate directly with the audit committee if the illegal act involved senior management, and document that communication, and obtain assurance that all other illegal acts that came to the auditor's attention except those that are clearly inconsequential were adequately communicated? (AU Sec. 317.17)	A355	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Did the auditor consider if there was substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time? (AU Sec. 341.02)	A356	_____	_____	_____	_____
If the auditor believed that there was substantial doubt about the entity's ability to continue for a reasonable period of time, did the auditor obtain information about management's plans that are intended to mitigate the effect of such conditions or events, and evaluate the likelihood that such plans could be implemented effectively? (AU Sec. 341.03(b))	A357	_____	_____	_____	_____
If the auditor's substantial doubt was alleviated, did the auditor consider the need for disclosure of the principal conditions and events that initially caused the auditor to believe there was substantial doubt together with the mitigating factors and is not intended to be and should not be used by anyone other than those specified parties? (AU Sec. 341.11)	A358	_____	_____	_____	_____
If the auditor's substantial doubt was not alleviated, did the auditor's report include an explanatory paragraph which adequately communicates the auditor's substantial doubt (e.g., include the terms "substantial doubt" and "going concern")? (AU Sec. 341.12 and .13)	A359	_____	_____	_____	_____
During the performance of the audit:					
If the auditor identified reportable conditions, were they communicated to the audit committee, management and others within the organization in a time frame influenced by the relative significance of the matters noted and urgency of corrective action(s), and if the communication was oral, was it documented in the working papers? (AU Sec. 325.09 and .18)	A360	_____	_____	_____	_____
Do the auditor's conclusions regarding whether internal control matters noted during the audit were (or were not) reportable conditions appear appropriate? (AU Sec. 325)	A361	_____	_____	_____	_____
If a report was issued on reportable conditions, did it indicate that the purpose of the audit was to report on the financial statements and not to provide assurance on internal controls, and did it include the definition of reportable conditions and the restriction on distribution? (AU Sec. 325.11 and SAS No. 87)	A362	_____	_____	_____	_____
Has the auditor complied with the requirement not to issue a written representation stating that no reportable conditions were noted during an audit? (AU Sec. 325.17)	A363	_____	_____	_____	_____
Did the auditor perform appropriate procedures regarding events subsequent to the balance-sheet date, but prior to the date of the report? (AU Sec. 560)	A364	_____	_____	_____	_____
If the auditor, subsequent to the date of the report, became aware of facts that may have existed at that date that might have affected the report, had the auditor then been aware of such facts, did the auditor consider the guidance in professional standards in determining an appropriate course of action, and does the matter appear to be properly resolved? (AU Sec. 561)	A365	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If there is an indication that the auditor, subsequent to the date of the report, concluded that one or more auditing procedures considered necessary at the time of the audit of the financial statements in the then existing circumstances were omitted from the audit, did the auditor consider the guidance in professional standards in determining an appropriate course of action, and does the matter appear to be properly resolved? (AU Sec. 390)	A366	___	___	___	___
Where there is an audit committee or some other formal oversight group, did the auditor (ACNO, Ch. 2, par. 2.43):					
Ensure that the appropriate matters were communicated to those who have responsibility for oversight of the financial reporting process? (AU Sec. 380.01 and .02)	A367	___	___	___	___
If the communication was in writing, include a statement that it is intended solely for the use of the audit committee or the board of directors and, if appropriate, management? (AU Sec. 380.03 and AU Sec. 532)	A368	___	___	___	___
If the communication was oral, document the information communicated by appropriate memoranda or notations in the working papers? (AU Sec. 380.03 and AU Sec. 532)	A369	___	___	___	___
For audits of financial statements for periods beginning on or after June 1, 2001, Statement on Auditing Standards No. 94, <i>The Effect of Information Technology on the Auditor's Consideration of Internal Control in a Financial Statement Audit</i> , substantially amends AU Sec. 319 to address the implications of information technology on the auditor's internal control consideration. For financial statement audits after the effective date,					
Did the auditor consider information technology ("IT") risks that could result in misstatements in making a judgment about the understanding of internal control necessary to plan the audit and the nature, timing, and extent of procedures the auditor chooses to perform to obtain an understanding? (par. 25)	A370	___	___	___	___
Did the auditor consider whether specialized skills were needed for the auditor to determine the effect of IT on the audit, to understand the IT controls, or to design and perform tests of IT controls or substantive tests? (par. 31)	A371	___	___	___	___
Did the auditor obtain an understanding of the automated and manual procedures the entity uses to prepare financial statements and related disclosures, and how misstatements may occur and did the understanding include the procedures used to: (par. 51)					
Enter transaction totals into the general ledger?	A372	___	___	___	___
Initiate, record, and process journal entries in the general ledger, including standard journal entries and nonstandard journal entries?	A373	___	___	___	___
Record recurring and nonrecurring adjustments to the financial statements that are not reflected in formal journal entries?	A374	___	___	___	___
Did the auditor document his or her understanding of the entity's internal control components obtained to plan the audit? (par. 61)	A375	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
In determining whether to assess control risk at the maximum level or at a lower level would be effective for specific assertions, did the auditor consider: (1) the nature of the assertion, (2) the volume of transactions or data related to the assertion, (3) the nature and complexity of the systems, including the use of information technology, by which the entity processes and controls information supporting the assertion, and (4) the nature of the available evidential matter, including evidential matter that is available only in electronic form? (par. 67)	A376	___	___	___	___
If the auditor determined that it was not possible to design effective substantive tests that by themselves provided sufficient evidence that the one or more financial statement assertions are not materially misstated because a significant amount of the associated information is electronically initiated, recorded, processed, and reported, did the auditor perform tests of controls to gather evidence to use in assessing control risk? (pars. 68 and 69)	A377	___	___	___	___
Did the auditor document his or her conclusions about the: (par. 83) Assessed level of control risk?	A378	___	___	___	___
Control risk is at the maximum level for financial statement assertions where control risk is assessed at the maximum level?	A379	___	___	___	___
The basis for his or her conclusion that the effectiveness of the design and operation of controls supports the assessed level of control risk for those assertions where the assessed level of control risk is below the maximum level?	A380	___	___	___	___

III. WORKING PAPER AREAS

Note: Complete the sections determined to be key areas. Commitments and Contingencies; Revenues, Expenses, and Support; and Other are not optional and must always be completed. In the audit areas reviewed, the reviewer should evaluate whether the reviewed firm has obtained sufficient competent evidential matter to form conclusions concerning the validity of the assertions of material significance embodied in the financial statements as described in AU Sec. 326. The questions contained in each section represent some of the audit procedures or tests that the reviewed firm might have undertaken to form conclusions in support of financial statement assertions of material significance. If an audit area is not reviewed because it does not represent a *key* audit area for that engagement, the reviewer should place an "X" in the box below the name of the working paper area. (As indicated on page 20,604, the reviewer should indicate the reason for not reviewing a key audit area; in such circumstances, the reviewer should not place an "X" below the area.)

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Cash					
<input type="checkbox"/> Not a key area					
Were reconciling items cleared by reference to subsequent statements obtained either directly from the bank or from the client and appropriately tested?	A401	_____	_____	_____	_____
Was due consideration given to cash transactions shortly before and shortly after the balance-sheet date to determine whether they were recorded in the proper period?	A402	_____	_____	_____	_____
Do the working papers indicate that the following were considered:					
Confirmation of cash balances?	A403	_____	_____	_____	_____
Restrictions on cash balances?	A404	_____	_____	_____	_____
Confirmation of bank credit arrangements such as compensating balances?	A405	_____	_____	_____	_____
Confirmation of liabilities and contingent liabilities to banks?	A406	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of cash appear adequate? (AU Secs. 312 and 319)	A407	_____	_____	_____	_____
Receivables					
<input type="checkbox"/> Not a key area					
Were accounts, promises to give, and grant receivables confirmed and appropriate follow-up steps taken, including second requests and alternative procedures? (AU Sec. 330.24-.30 and .34)	A408	_____	_____	_____	_____
If accounts receivable confirmations, other than for contributions, were not requested, has the auditor documented how the presumption for such requests was overcome and were the reasons appropriate? (AU Sec. 330.34-.35)	A409	_____	_____	_____	_____
If confirmation work was performed prior to year-end, is there evidence that adequate substantive procedures were applied to the period from the confirmation date to the balance-sheet date?	A410	_____	_____	_____	_____

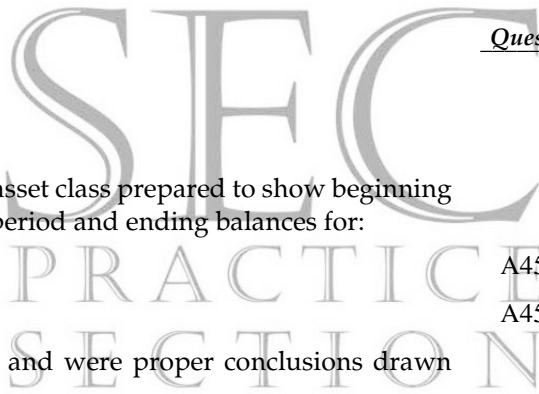
* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If a significant number and amount of accounts, promises to give and grants receivable selected for positive confirmation did not respond, is there evidence that alternative auditing procedures were performed? (AU Sec. 330.31–.35)	A411	_____	_____	_____	_____
Were significant notes receivable confirmed as of a date consistent with the auditor's assessment of inherent, control and detection risks? (AU Sec. 313)	A412	_____	_____	_____	_____
Were the results of confirmation and alternative procedures summarized, and were appropriate conclusions included in the working papers? (AU Sec. 330.33)	A413	_____	_____	_____	_____
Was collateral (if any) for receivables tested with respect to existence, ownership and value?	A414	_____	_____	_____	_____
Were procedures performed to provide evidence that receivables for promises to give were properly recorded as either unrestricted, temporarily restricted, or permanently restricted support? (ACNO, Ch. 5, pars. 5.35–.39 and .69)	N444	_____	_____	_____	_____
Was the reasonableness of allowances for doubtful accounts covered in the working papers and collectibility of receivables adequately considered? (AU Sec. 312.29)	A415	_____	_____	_____	_____
Is there evidence in the working papers that inquiry was made and consideration given to whether receivables are sold, pledged, assigned or otherwise encumbered?	A416	_____	_____	_____	_____
Was receivable work coordinated with tests of support and revenue, including cutoff tests?	A417	_____	_____	_____	_____
Were appropriate procedures applied to notes receivable regarding imputation of interest (if necessary), carrying amount, fair value and recognition of related interest income? (AC Secs. I69 and F25.115A–.115K)	A418	_____	_____	_____	_____
For long-term promises to give, were appropriate auditing procedures applied with respect to the accounting for present value? (AC Sec. C67.116 and ACNO, Ch. 5, par. 5.69)	N445	_____	_____	_____	_____
Has sufficient audit evidence been obtained to determine that impaired loans (e.g., impaired accounts receivable with terms exceeding one year, notes receivable and other loans), are carried at the present value of the loans' expected future cash flows discounted at the loans' effective interest rates, or at observable market prices, or at the fair value of the collateral if the loans are collateral dependent? (AC Sec. I08.111)	A420	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of receivables appear adequate? (AU Secs. 312 and 319)	A421	_____	_____	_____	_____
Inventories					
<input type="checkbox"/> Not a key area					
Do the working papers indicate that there were adequate tests of:					
Physical observation, if material? (AU Sec. 331.09–.13)	N446	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
The clerical accuracy of the inventory?	A427	_____	_____	_____	_____
Costing methods and substantiation of costs used in pricing all elements (raw material, work-in-process and finished goods) of the inventory?	A428	_____	_____	_____	_____
Were the results of inventory observations and other tests summarized and were appropriate conclusions drawn?	A429	_____	_____	_____	_____
Do the working papers indicate that consideration was given to whether the inventory was carried at a lower of cost or market (including consideration of obsolete or slow-moving inventory)?	A431	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of inventories appear adequate? (AU Secs. 312 and 319 and AC Sec. I78)	A435	_____	_____	_____	_____
Investments					
<input type="checkbox"/> Not a key area					
Did the auditor obtain evidence about the cost of investments if investments are carried at cost or if certain disclosures about the cost basis and realized and unrealized gains and losses are required to be disclosed? (AU Sec. 332.23)	A436	_____	_____	_____	_____
Were securities either inspected or confirmed? (AU Sec. 332.04)	A437	_____	_____	_____	_____
Were market quotations or other evidence of the current value of investments inspected? (AU Sec. 322.24-.30)	A438	_____	_____	_____	_____
When investments are held by an outside custodian, who is authorized by the client to execute transactions without specific authorization of individual transactions, did the auditor consider the guidance in professional standards? (AU Sec. 324.16 and .18)	N447	_____	_____	_____	_____
Was the computation of realized and unrealized gains and losses tested by the auditor? (ACNO, Ch. 8, pars. 8.10-.11)	A441	_____	_____	_____	_____
Was the classification of investments and related income and gains and losses examined for classification based on donor-imposed restrictions, if any? (ACNO, Ch. 8, pars. 8.14-.25)	N448	_____	_____	_____	_____
Were appropriate audit procedures performed related to split-interest agreements? (ACNO, Ch. 6)	N449	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of investments appear adequate? (AU Secs. 312 and 319)	A446	_____	_____	_____	_____
Effective for audits of financial statements for fiscal years ending on or after June 30, 2001, the Auditing Standards Board issued SAS No. 92, <i>Auditing Derivative Instruments, Hedging Activities, and Investments in Securities</i> . The SAS supercedes SAS No. 81 (AU Sec. 332), <i>Auditing Investments</i> . For engagements performed on or after the effective date, if derivative financial instruments, hedging activities and/or investment securities, as defined by SAS No. 92, were present, did the auditor:					
Assess inherent and control risk for the required audit assertions (existence, completeness, rights and obligations, valuation, and presentation and disclosure) about derivatives and investment securities?	A447	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Develop substantive procedures for derivative instruments and investment securities consistent with the results of the risk assessment to address the auditing assertions.	A448	_____	_____	_____	_____
Prepaid Expenses, Intangible Assets, Deferred Charges, etc.					
<input type="checkbox"/> Not a key area					
Were adequate tests made for all material:					
Prepaid expenses?	A449	_____	_____	_____	_____
Intangible assets? (AC Sec. I60)	A450	_____	_____	_____	_____
Deferred charges?	A451	_____	_____	_____	_____
Other?	A452	_____	_____	_____	_____
Is there adequate support for the deferral and amortization (or lack thereof) of these types of assets?	A453	_____	_____	_____	_____
If insurance policies were pledged as collateral or subjected to premium financing, did the auditor consider whether the accounting for the related loans was appropriate? (AC Sec. I69)	A454	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of prepaid expenses, intangible assets, deferred charges, etc., appear adequate? (AU Secs. 312 and 319)	A455	_____	_____	_____	_____
Collections of Works of Art and Similar Items (ACNO, Ch. 7, pars. 7.05-.14 and .17-.19)					
<input type="checkbox"/> Not a key area					
If the collection has been capitalized, do the working papers indicate that the auditor tested the reasonableness of the collection's carrying value?	N450	_____	_____	_____	_____
Whether or not a collection was capitalized, are the tests adequate with respect to accessions and deaccessions?	N451	_____	_____	_____	_____
If the collection was capitalized:					
Consider observing the physical inventory count at all locations where relatively large amounts were located?	N452	_____	_____	_____	_____
Where applicable, do the working papers contain evidence that counts were correctly made and recorded (i.e., was control over inventory tags or count sheets maintained and were test count quantities reconciled with the quantities reflected in the final inventory)?	N453	_____	_____	_____	_____
If the collection was considered inexhaustible and was not capitalized, do the working papers indicate that the auditor:					
Obtained an understanding of and assessed control risk for the internal controls over the collection?	N454	_____	_____	_____	_____
Observed a physical inventory at all locations where relatively large amounts are located?	N455	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of collections of works of art and similar items appear adequate? (AU Secs. 312 and 319)	N456	_____	_____	_____	_____



Property and Equipment

Not a key area

Was a summary schedule net asset class prepared to show beginning balances, changes during the period and ending balances for:

Property and equipment?

<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
A456	___	___	___	___

Accumulated depreciation?

A457	___	___	___	___
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Do the tests appear adequate and were proper conclusions drawn with respect to:

Additions (e.g., by examining supporting documents and/or physical inspection)?

A458	___	___	___	___
------	-----	-----	-----	-----

Retirements, etc. (e.g., including examining miscellaneous income, scrap sales?)

A459	___	___	___	___
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The adequacy of the current and accumulated provisions for depreciation and depletion?

A460	___	___	___	___
------	-----	-----	-----	-----

Valuation of assets not previously capitalized? (ACNO, Ch. 7, pars. 7.05-.14 and .19)

N457	___	___	___	___
------	-----	-----	-----	-----

Do the working papers indicate that the auditor considered whether property was subject to liens?

A461	___	___	___	___
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Based on the assessment of inherent and control risks, do the substantive tests of property and equipment appear adequate? (AU Secs. 312 and 319)

A462	___	___	___	___
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Liabilities

Not a key area

Were accounts payable tested adequately for existence?

A463	___	___	___	___
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Was an adequate search performed for unrecorded liabilities at the balance-sheet date?

A464	___	___	___	___
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Was consideration given to expenditures that might require accrual (e.g., pensions, compensated absences, other postretirement benefits, or postemployment benefits provided to former or inactive employees prior to retirement), and to whether accrued expenses were reasonably stated? (AC Secs. P16, C44, P32, and P40)

A466	___	___	___	___
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Were significant notes and bonds payable, together with interest rates and repayment periods, etc., confirmed, or alternative procedures applied?

A467	___	___	___	___
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Were procedures performed to verify the completeness and reasonableness of transactions recorded in mandatory sinking funds and other types of debt-related funds? (ACNO, Ch. 10)

N458	___	___	___	___
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Was there evidence that the release of funds from these reserves was tested and appropriately recorded in the financial statements?

N459	___	___	___	___
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Were appropriate procedures applied to notes payable regarding imputation of interest (if necessary), carrying amount, fair value (FAS No. 107) and recognition of related interest expense? (AC Secs. I69 and F25.115A-.115K)

A468	___	___	___	___
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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Do the working papers indicate that the auditor reviewed compliance with the covenants of the organization's debt obligations?	A469	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of liabilities appear adequate? (AU Secs. 312 and 319)	A470	_____	_____	_____	_____
Deferred Revenue and Support (ACNO, Ch. 10, par. 10.04)					
<input type="checkbox"/> Not a key area					
Do the working papers indicate that consideration was given as to whether the basis for deferring revenue is reasonable and consistent with the donors' or grantors' restrictions?	N462	_____	_____	_____	_____
Was consideration given to matching requirements, if any?	N463	_____	_____	_____	_____
Do the working papers indicate that consideration was given to the appropriateness of the amounts of restricted gifts, grants, bequests, donations, or other income recognized as current revenue or support?	N464	_____	_____	_____	_____
Commitments and Contingencies					
Do the working papers contain evidence of the following:					
Inspection of minutes of meetings of the governing board and other appropriate committees of the board?	A478	_____	_____	_____	_____
Inspection of contracts, loan agreements, leases, and correspondence from donors, grantors, and governmental agencies, and similar documents?	A479	_____	_____	_____	_____
Accumulation and analysis of confirmation responses from banks and lawyers?	A480	_____	_____	_____	_____
Inquiries and discussion with management including management's written representations concerning liabilities, litigation, claims, assessments, and regulatory requirements as applicable? (AU Secs. 333 and 337.05)	A481	_____	_____	_____	_____
Did the auditor consider evidence of the entity's activities (such as lobbying or substantial unrelated business income activities) which might cause the entity to lose its tax exempt status or be subject to penalties or taxes? (ACNO, Ch. 10, par. 10.11 and Ch. 15, pars. 15.03-.14)	N465	_____	_____	_____	_____
If the entity is a private foundation, as defined by IRC section 509, did the auditor determine whether the entity complied with IRS regulations concerning required distribution of income, and prohibited activities? (ACNO, Ch. 15, par. 15.16)	N466	_____	_____	_____	_____
Has adequate consideration been given to contingencies in accordance with professional standards? (AC Sec. C59 and ACNO, Ch. 10, par. 10.11)	N467	_____	_____	_____	_____
Were the audit procedures regarding the financial instruments appropriately designed, executed, and documented in the working papers?	A505	_____	_____	_____	_____
Was appropriate consideration given to issues related to known environmental matters? (SOP 96-1, Chs. 5 and 7 [TPA Sec. 10,680])	A484	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Net Assets (ACNO, Ch. 11)					
<input type="checkbox"/> Not a key area					
Do the working papers indicate that there were adequate inquiries, where applicable, as to proper classification, description and disclosure of components of net assets?	N468	___	___	___	___
If an endowment fund was maintained, do the working papers indicate that fund income was distributed to unrestricted and restricted net assets in accordance with donors' stipulations? (ACNO, Ch. 8, pars. 8.14–.16)	N469	___	___	___	___
Revenues, Expenses, and Support					
Did the accountant consider whether:					
Contributions received/made, including promises to give, were recognized as revenue/expenses in the period received/made, at their fair values?	N470	___	___	___	___
Contributions that increase net assets were categorized between permanently restricted, temporarily restricted and unrestricted?	N471	___	___	___	___
Donor-imposed restrictions which expire were recognized in the period in which they expired?	N472	___	___	___	___
Contributions for services were recognized only if they created or enhanced nonfinancial assets or require specialized skills that would have typically been purchased if not provided by donation?	N473	___	___	___	___
Were appropriate analytical procedures used in substantive tests of revenues, expenses, and support for the period? (AU Sec. 329 and ACNO, Chs. 5 and 12)	A491	___	___	___	___
Was adequate consideration given to:					
The entity's revenue recognition policy? (AC Sec. A10.105)	A492	___	___	___	___
Income recognition on transactions where the earnings process was not complete?	A493	___	___	___	___
Do the working papers indicate that consideration was given to the valuation and classification of revenue derived from service fees, such as subscription and membership income, and sales of publications and other items? (ACNO, Ch. 5, par. 5.15)	N474	___	___	___	___
Were appropriate procedures performed to determine whether or not revenue from and changes in the fair value of split-interest agreements was properly recorded? (ACNO, Ch. 6)	N475	___	___	___	___
If the entity is reimbursed by a third party for costs incurred in connection with providing services to others: (ACNO, Ch. 5, pars. 5.05 and .06)					
Were the pertinent sections of significant third-party contracts reviewed to determine the basis for reimbursement?	N476	___	___	___	___
Were cost reimbursement reports and the underlying support reviewed?	N477	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Were appropriate allocations made of indirect costs among the entity's programs?	N478	_____	_____	_____	_____
Do the working papers indicate that the auditor considered actual receipt and propriety of valuation method used, and any restrictions placed on amounts received during the current period from:					
Cash contributions? (ACNO, Ch. 5)	N479	_____	_____	_____	_____
Donated and contributed services? (ACNO, Ch. 5, pars. 5.40 and 5.41)	N480	_____	_____	_____	_____
Gifts of securities, materials, facilities, and other nonmonetary items? (ACNO, Ch. 5, pars. 5.42–44)	N481	_____	_____	_____	_____
Split-interest agreements and interest free loans? (ACNO, Ch. 6, par. 6.38)	N482	_____	_____	_____	_____
If expenses are classified by function, did the auditor adequately test the classifications and allocations? (ACNO, Ch. 13, pars. 13.29–13.42)	N483	_____	_____	_____	_____
Were fundraising costs expensed in the proper period? (ACNO, Ch. 13, pars. 13.29 and .51)	N484	_____	_____	_____	_____
If grants were awarded to other organizations, did the auditor review: (ACNO, Ch. 10, par. 10.06)					
The recognition of grants?	N485	_____	_____	_____	_____
The effects of the grantees' compliance or noncompliance with performance requirements?	N486	_____	_____	_____	_____
Were tests of payrolls, including account distribution, made, where appropriate?	A489	_____	_____	_____	_____
With regard to pension plans, do the tests made of the expense and liabilities appear adequate?	N487	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests (analytical procedures and test of details) of revenues and expenditures/expense appear adequate? (AU Secs. 312 and 319)	A496	_____	_____	_____	_____
Other					
Have leases been reviewed to determine that capital, operating, sales, and direct financing leases have been properly accounted for? (AC Sec. L10)	A497	_____	_____	_____	_____
Were appropriate procedures applied to accompanying information (AU Sec. 551.06 and .08) and "required supplementary information" (AU Sec. 558)?	A498	_____	_____	_____	_____
If the entity is affiliated with or otherwise financially related to other entities, did the auditor consider the need for combined financial statements or disclosure of the relationship? (SOP 94-3 [TPA Sec. 10,610], ACNO, Ch. 2, pars. 2.23–2.25)	N488	_____	_____	_____	_____

IV. FUNCTIONAL AREAS[†]

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Independence, Integrity, and Objectivity (QC Sec. 20.09 and .10)					
If anything has been noted that may indicate a lack of independence, integrity, and objectivity, was the matter identified and appropriately resolved by the firm and its effects appropriately considered? (ET Secs. 101 and 102)	A601	_____	_____	_____	_____
Have personnel been appropriately advised of the need to observe independence, integrity, and objectivity requirements concerning the client and any related nonclient parent, investor, investee, subsidiary, or affiliate?	A602	_____	_____	_____	_____
Was appropriate assurance of independence obtained from other firms engaged to audit segments or component units of the entity?	A603	_____	_____	_____	_____
Were the fees (billed/unbilled) for prior years' services paid prior to issuance of the report for the current engagement? (ET Sec. 191.103 and .104)	A604	_____	_____	_____	_____
Personnel Management (QC Sec. 20.11–.13)					
Were scheduling and staffing requirements identified on a timely basis and approved by appropriate personnel?	A606	_____	_____	_____	_____
Does it appear that the practitioner-in-charge of the engagement possessed the knowledge, skills and abilities (competencies) to fulfill his/her responsibilities on the engagement as noted in par. .08 of QC Sec. 40?	A607	_____	_____	_____	_____
Does it appear engagement personnel possessed an appropriate mix of experience, expertise, and technical training in relation to the complexity or other requirements of the engagement and the involvement of supervisory personnel?	A608	_____	_____	_____	_____
Does it appear that the practitioner in charge of the engagement possessed the following knowledge, skills, and abilities (competencies) to fulfill their responsibilities on the engagement:					
An understanding of the role of the firm's system of quality control and the AICPA's <i>Code of Professional Conduct</i> ?	A609	_____	_____	_____	_____
An understanding of the performance, supervision, and reporting aspects of the engagement?	A610	_____	_____	_____	_____
An understanding of the applicable accounting, auditing, or attestation professional standards including those standards directly related to the industry in which a client operates?	A611	_____	_____	_____	_____

[†] The AICPA's *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice* provides guidance on how to develop and implement a system of quality control for a firm's accounting and auditing practice in compliance with the requirements of Statements on Quality Control Standards Nos. 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice* (QC Sec. 20), as amended, 3, *Monitoring a CPA Firm's Accounting and Auditing Practice* (QC Sec. 30), and 5, *The Personnel Management Element of a Firm's System of Quality Control—Competencies Required by a Practitioner-in-charge of an Attest Engagement* (QC Sec. 40).

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
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?	A612	_____	_____	_____	_____
Skills that indicate sound professional judgment?	A613	_____	_____	_____	_____
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?	A614	_____	_____	_____	_____
Did the personnel assigned to this engagement appear to be appropriately familiar with the applicable professional pronouncements (FASB, AICPA, etc.)?	A615	_____	_____	_____	_____
If required by firm policy, was the staff on this engagement appropriately evaluated?	A616	_____	_____	_____	_____
Acceptance and Continuance of Clients and Engagements (QC Sec. 20.14–16)					
Does it appear that the firm's guidelines for acceptance and continuance of client relationships, including performing specific engagements for the client, were complied with?	A617	_____	_____	_____	_____
Engagement Performance (QC Sec. 20.17–.19)					
Were appropriate and knowledgeable engagement and supervisory personnel involved in the planning process?	A618	_____	_____	_____	_____
Does it appear that audit planning was adequately documented in the working papers, including any changes in the original plan? (AU Secs. 311 and 339.05)	A619	_____	_____	_____	_____
Did the owner/partner (or manager) approve the overall audit plan (including the audit program) as the final planning step and convey approval or modifications to the engagement staff?	A620	_____	_____	_____	_____
Does it appear that hours charged by the owner, manager, and where applicable, the concurring reviewer were adequate and appropriately timed to provide for planning and supervision as the job progressed?	A621	_____	_____	_____	_____
Were all forms, checklists, or questionnaires, if any, required by firm policy for the following areas adequately completed and modified, where appropriate, for the engagement:					
Planning?	A622	_____	_____	_____	_____
Internal control?	A623	_____	_____	_____	_____
Audit work program?	A624	_____	_____	_____	_____
Financial statement disclosures?	A625	_____	_____	_____	_____
Working paper and financial statement reviews?	A626	_____	_____	_____	_____
If standardized forms, etc., were not used for any of the above areas, is there adequate documentation of these areas?	A627	_____	_____	_____	_____
Were the firm's guidelines for the form and content of audit working papers complied with?	A628	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If used, were such audit tools as computer auditing or statistical sampling properly evaluated by persons with training in these areas? (AU Sec. 311.10)	A629	_____	_____	_____	_____
If required by firm policy, was an appropriate pre-issuance review made of the working papers, report, and financial statements by a person whose position in the firm is commensurate with that responsibility, to determine that the work performed was complete and conformed to professional standards and firm policy and was that review documented?	A630	_____	_____	_____	_____
Were any circumstances noted where the firm consulted or should have consulted regarding an engagement matter (i.e., a complex, unusual, or a technical issue) with individuals within the firm, an external party or by researching in applicable professional literature, based on the firm’s policies and procedures or where the complexity or nature of the issue warranted consultation? <input type="checkbox"/> No (skip to question A636) <input type="checkbox"/> Yes (respond to questions A631 to A635)					
If an individual was consulted (internally or externally), was the consultation done on a timely basis and, does it appear they were aware of all relevant facts and circumstances?	A631	_____	_____	_____	_____
If professional literature was researched, does it appear the research was thorough and the sources consulted were complete, correct and up-to-date?	A632	_____	_____	_____	_____
Does it appear the person(s) consulted (internally or externally) and/or the individual(s) performing the research had an appropriate level of knowledge, competence, judgment and (if applicable) authority?	A633	_____	_____	_____	_____
Based on the facts and circumstances, were the firm’s conclusions reasonable and consistent with professional standards?	A634	_____	_____	_____	_____
Is the firm’s report, the financial statements, or other information affected by the matter consistent with the results of the consultation?	A635	_____	_____	_____	_____
If the engagement records indicated a difference of opinion between the engagement personnel and/or specialist or other consultant was the difference resolved in accordance with firm policy and was the basis of the resolution appropriately documented?	A636	_____	_____	_____	_____

V. EXPLANATION OF "NO" ANSWERS AND OTHER COMMENTS

The following pages are provided for your comments on all "no" answers for which an MFC form was not generated or to expand upon any of the "yes" answers. All "no" answers must be thoroughly explained and reviewed with the engagement owner or partner.

<i>Page Number</i>	<i>Question Number</i>	<i>Explanatory Comments</i>	<i>Disposition of Comments*</i>
------------------------	----------------------------	-----------------------------	-------------------------------------

PRACTICE
SECTION

* The nature of the disposition of comments may vary, such as:

- Note "resolved" and the manner of resolution.
- Note "not significant" to indicate a "no" answer is appropriate but that the matter is not significant enough to warrant the preparation of an MFC form.

*Page
Number*

*Question
Number*

Explanatory Comments

*Disposition
of Comments*

SEC
PRACTICE
SECTION

*Page
Number*

*Question
Number*

Explanatory Comments

*Disposition
of Comments*

SEC
PRACTICE
SECTION

<i>Page Number</i>	<i>Question Number</i>	<i>Explanatory Comments</i>	<i>Disposition of Comments</i>
			

Note: Attach additional sheets if required.

VI. CONCLUSIONS

EXPLAIN BELOW THE REASONS FOR ANY "YES" ANSWERS. BE SPECIFIC.

Based on the work performed, did anything come to your attention that caused you to believe that:

- The firm did not perform the engagement in all material respects in accordance with auditing standards generally accepted in the United States of America (see AU Sec. 390 and ET Sec. 202) and other applicable standards of *Government Auditing Standards* and OMB Circular A-133? YES* NO
- The financial statements did not conform with accounting principles generally accepted in the United States of America (or where applicable, a comprehensive basis of accounting other than GAAP) in all material respects and the auditor's report was not appropriately modified (see AU Sec. 561 and ET Sec. 203)? YES* NO
- The auditor's reports, including all reports required by governmental agencies, were not appropriate in the circumstances? YES* NO
- The documentation on this engagement does not support the firm's opinion on the financial statements? YES* NO
- The firm did not comply with its policies and procedures on this engagement in all material respects? YES* NO

[The next page is 20,701.]

* If the question is answered "yes," see additional guidance contained in Section 3100.51–.53 of the *Standards for Performing and Reporting on Peer Reviews* in the AICPA *Peer Review Program Manual* or Section 2000.83–.89 in the *SEC Practice Section Reference Manual*.

PRM
20700

Employee Benefit Plan
Engagement

Section 20,700

Employee Benefit Plan Audit Engagement Checklist

Instructions for Use of the Checklist for Review of Audits of Employee Benefit Plans

This checklist was developed for use by reviewers of audits of employee benefit plans. It should be used in conjunction with other guidance materials issued to implement the AICPA peer review program and the SEC Practice Section Peer Review Program. Questions regarding these instructions or any other materials should be directed to AICPA Practice Monitoring at (201) 938-3030.

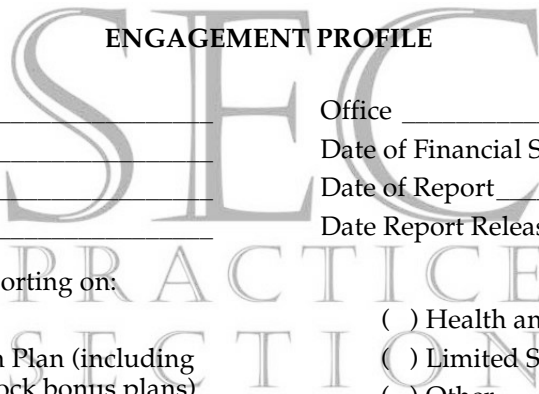
The questions in this checklist emphasize reporting matters and general procedures ordinarily performed by an independent auditor in the audit of financial statements of employee benefit plans. All "No" answers, for which an MFC was not generated, must be thoroughly explained in Section V of this checklist.

This checklist is not intended to be an all-inclusive document containing all disclosure and audit procedures related to employee benefit plans. It is a summarization of commonly addressed key areas and related concepts or procedures. Therefore, it should be used in conjunction with various reference materials dealing with reporting, disclosure and audit procedure issues in order to sufficiently evaluate employee benefit plan engagements. These additional materials include the AICPA Financial Reporting Practice Aid, *Checklist for Defined Benefit Pension Plans and Illustrative Financial Statements*, or other similarly comprehensive disclosure materials, and the AICPA Audit and Accounting Guide *Audits of Employee Benefit Plans*, as issued in 1991 and subsequently updated for changes to conform to revised professional standards.

Note: This checklist has been updated through SAS No. 94, FAS No. 142, and SOP 01-3.

Explanation of References:

AC	Reference to section number in FASB <i>Accounting Standards Current Text</i>
AEBP	Audit and Accounting Guide <i>Audits of Employee Benefit Plans</i> (reflects guidance contained in authoritative pronouncements through May 1, 2000)
AU	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
CFR	Code of Federal Regulations
EITF	Emerging Issues Task Force pronouncement
ET	Code of Professional Conduct in AICPA <i>Professional Standards</i> (vol. 2)
FAS	Financial Accounting Standards Board pronouncements
QC	Quality Control Standards in AICPA <i>Professional Standards</i> (vol. 2)
SAS	Statement on Auditing Standards
SOP	AICPA Statement of Position



ENGAGEMENT PROFILE

Engagement Code No. _____ Office _____
 Owner/Partner _____ Date of Financial Statements* _____
 Manager _____ Date of Report _____
 Concurring Reviewer** _____ Date Report Released _____

This engagement involves reporting on:

- 1. () Defined Benefit Plan () Health and Welfare Plans
- () Defined Contribution Plan (including profit-sharing and stock bonus plans) () Limited Scope Audit
- () Plans requiring a Form 11-K filing with the SEC*** () Other

Was the work performed at the request of another office? Yes ___ No ___

Date that the fee for the prior year's engagement was paid _____

Key data reported on by this office for this engagement:

Total assets	\$ _____
Net assets	\$ _____
Total income and contributions	\$ _____
Net increase in net assets available for plan benefits	\$ _____

Complex or troublesome audit areas:

List any nonaudit services performed for the client during the period of the financial statements being reported on and through the date of the auditor's report:

Personnel Continuity:	<i>Partner</i>	<i>Manager (or equivalent)</i>
Number of years assigned to this job	_____	_____
Number of years in current position on the job	_____	_____

Audit hours on this engagement:

	<i>Total</i>	<i>Prior to Commencement of Field Work</i>	<i>During Field Work</i>	<i>After Completion of Field Work</i>
Owner/Partner	_____	_____	_____	_____
Manager (or equivalent)	_____	_____	_____	_____
Other	_____			
Total this office	=====			
Total budgeted	=====			

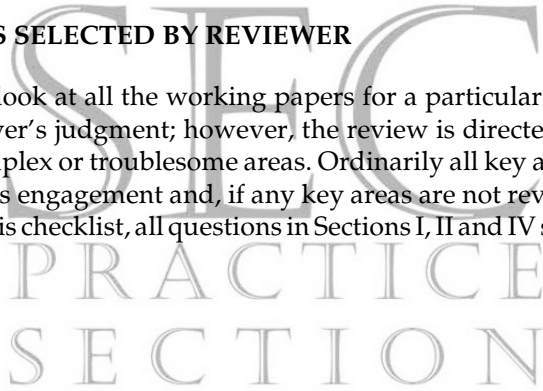
* To determine the applicability of all cross-referenced pronouncements, consider their effective dates.

** Not applicable unless required by firm policy.

*** Firms that file a Form 11-K with the SEC should be a member of the SEC Practice Section of the AICPA Division for CPA Firms and Section V, Audits of SEC Engagements of the *General Audit Engagement Checklist* must be completed.

LIST OF KEY AUDIT AREAS SELECTED BY REVIEWER

A reviewer is not required to look at all the working papers for a particular engagement. The depth of the review is based upon a reviewer’s judgment; however, the review is directed primarily to the key areas of an engagement, including complex or troublesome areas. Ordinarily all key audit areas should be reviewed. List below the key areas on this engagement and, if any key areas are not reviewed, indicate the reasons for this omission. In completing this checklist, all questions in Sections I, II and IV should be answered in addition to the key areas identified.



- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

Date Engagement Review Performed _____

Date Checklist Reviewed by Team Captain _____

Reviewer _____

Signature _____

Checklist for Review of Audits of Employee Benefit Plans

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I. REPORT AND FINANCIAL STATEMENTS

Note: This is a highly summarized checklist. Reviewers may wish to consult the professional standards cited for detailed information about the requirements. All “no” answers must be thoroughly explained. If the firm has used its own report and financial statement disclosure checklist on this engagement, it may be reviewed in lieu of completing this checklist provided the reviewer has determined that the firm’s checklist is current, comprehensive, and appropriate for the engagement.

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Auditor’s Report					
If subject to ERISA and DOL, is the plan required to have an audit? (Note: The audit requirement is applied to each separate plan and <i>not</i> each separate trust.) (AEBP, ch. 1, par. 1.16 and Appendix A, pars. .22, .23, .65 and .66)	BP101	_____	_____	_____	_____
If the plan is subject to ERISA and DOL regulations and is required to have an audit, is the auditor independent pursuant to DOL regulations? (29 CFR 2509.75–9)	BP102	_____	_____	_____	_____
Does the auditor’s report conform to the Audit and Accounting Guide— <i>Audits of Employee Benefit Plans</i> ? (AEBP, ch. 13 and Appendix A)	BP103	_____	_____	_____	_____
Is the report dated in conformity with the requirements of professional standards? (AU Secs. 508.08 and .28 and 530)	A101	_____	_____	_____	_____
Effective for reports issued or reissued after June 30, 2001, the Auditing Standards Board issued Statement on Auditing Standards No. 93, <i>Omnibus Statement on Auditing Standards—2000</i> . Among other amendments, SAS No. 93 amends SAS No. 58 (AU Sec. 508) to require a reference to the country of origin of: (1) the accounting principles used to prepare financial statements and (2) the auditing standards the auditor followed in performing the audit. For reports issued or reissued after the effective date:					
Does the report include a reference to the country of origin of the accounting principles used to prepare the financial statements (AU Sec. 508.08h)?	A102	_____	_____	_____	_____
Does the report include a reference to the country of origin of the auditing standards the auditor followed in performing the audit (AU Sec. 508.08d)?	A103	_____	_____	_____	_____
Does the report appropriately include the basic elements required under professional standards and is appropriate language used for modifying the report for circumstances described in such standards? (AU Secs. 508.08–.11 and 623)	A104	_____	_____	_____	_____
Does the report cover all periods for which financial statements are presented? (AU Sec. 508.08 and .65)	A105	_____	_____	_____	_____
If the financial statements of a prior period have been audited by a predecessor auditor whose report is not presented, has the successor auditor included the appropriate reference to the predecessor auditor in the introductory paragraph? (AU Sec. 508.74)	A106	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All “no” answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the REF column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If supplementary information accompanies the basic financial statements, does the auditor describe in the report the degree of responsibility, if any, the auditor is taking? (AU Secs. 551 and 558)	A107	_____	_____	_____	_____
If the use of the report has been restricted, have the applicable provisions of SAS No. 87 been complied with (AU Sec. 532)?	A112	_____	_____	_____	_____
If the audit was a limited scope audit permitted by DOL rules and regulations with respect to investment information, was this stated and a disclaimer issued? (AEBP, ch. 5, pars. 5.02, 7.52, .53 and ch. 13, pars. 13.26–.30)	BP104	_____	_____	_____	_____
Does the report identify and include an appropriate opinion on supplemental schedules required by ERISA and DOL regulations? (AEBP, ch. 13, pars. 13.09–.19)	BP105	_____	_____	_____	_____
Is the report appropriately modified for financial statements presented on a basis other than GAAP that is acceptable under ERISA or DOL regulations? (AEBP, ch. 13, pars. 13.20–.23)	BP106	_____	_____	_____	_____
If the entity has made the decision to terminate a defined benefit pension plan, has the auditor considered the implications of that decision for the auditor's report? (AEBP, ch. 13, pars. 13.39–.40)	BP107	_____	_____	_____	_____
Is the auditor's report on financial statements of defined benefit plans appropriately worded assuming either an End-of-Year Benefit Information Date or Beginning-of-Year Benefit Information Date? (AEBP, ch. 13, pars. 13.04 and .05)	BP108	_____	_____	_____	_____
If the entity (AU Sec. 420):					
Reported changes resulting from a transaction or event, did the auditor not add a consistency explanatory paragraph to the auditor's report?	BP109	_____	_____	_____	_____
Had a pooling of interest that was not accounted for retroactively in the comparative financial statements, did the auditor not add a consistency explanatory paragraph to the auditor's report?	BP110	_____	_____	_____	_____
Had single-year financial statements that reported a pooling of interest that did not disclose combined information for prior year, did the auditor add a consistency explanatory paragraph to the auditor's report?	BP111	_____	_____	_____	_____

Financial Statements and Footnotes

General

Are the financial statements suitably titled? (AU Sec. 623.07 and .24, AEBP, chs. 2 and 3, pars. 2.07–.09, 3.09–.11, and ch. 4, pars. 4.17–.22)	A113	_____	_____	_____	_____
Is the accounting appropriate and are the disclosures adequate regarding:					
Significant accounting policies? (AC Sec. A10.105–.108)	A114	_____	_____	_____	_____
Accounting changes? (AC Sec. A06)	A115	_____	_____	_____	_____
Comparative financial statements? (AC Sec. F43)	A116	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
With respect to contingencies and commitments:					
Are loss contingencies accrued and/or disclosed as appropriate? (AC Sec. C59.104-.116, and .120)	A130	_____	_____	_____	_____
Are other contingencies and commitments adequately disclosed? (AC Secs. C32.102-.105 and C59.118-.120)	A131	_____	_____	_____	_____
Are the financial statements adjusted, where appropriate, for the effect of subsequent events and do they include disclosure of significant subsequent events, whether or not adjustments were made? (AC Sec. C59.105 and .115 and AU Secs. 560.01-.09 and 561)	A132	_____	_____	_____	_____
Are adjustments of financial statements for prior periods adequate? (AC Sec. A35)	A140	_____	_____	_____	_____
Have defined contribution plans been properly accounted for and reported, and have disclosures properly been made in accordance with SOP 99-3, <i>Accounting For and Reporting of Certain Defined Contribution Plan Investments and Other Disclosure Matters</i> , including the reclassification of comparative amounts in financial statements for earlier years presented if the "by-fund" disclosure are eliminated?	A141	_____	_____	_____	_____
For financial statements for plan years beginning after December 15, 2000, SOP 01-2, <i>Accounting and Reporting by Health and Welfare Benefit Plans</i> , amends the AAG for Employee Benefit Plans and SOP 92-6. For health and welfare benefit plan financial statements issued for periods after the effective date, did the plan follow guidance consistent with SOP 01-2 with respect to:					
Presentation of benefit obligations information? (pars. 8-10)	A142	_____	_____	_____	_____
Accounting and reporting of postemployment benefit obligations? (pars. 11-14)	A143	_____	_____	_____	_____
The measurement date of the plan's benefit obligation? (par. 15)	A144	_____	_____	_____	_____
Disclosure of information about retirees' relative share of the plan's estimated cost of providing postretirement benefits? (pars. 16 and 17)	A145	_____	_____	_____	_____
Disclosure of the discount rate used for measuring the health and welfare plan's obligation for postemployment benefits? (par. 18)	A146	_____	_____	_____	_____
Disclosure of investments representing 5 percent or more of the net assets available for benefits? (par. 19)	A147	_____	_____	_____	_____
Is the presentation appropriate and disclosure adequate regarding:					
Description of method and significant assumptions used to determine the fair value of investments and the reported value of insurance contracts, including the consideration of SOP 94-4? (AEBP, chs. 2 and 3, pars. 2.10-2.14, 3.12-3.20, and ch. 4, pars. 4.23-4.30 and 4.58, 4.59 and Appendix H)	BP112	_____	_____	_____	_____
Description of method and significant assumptions used to determine the actuarial present value of accumulated plan benefits including any significant changes in the method of assumptions during the year? (AC Sec. Pe5.126b)	BP113	_____	_____	_____	_____
Description of plan including its vesting and benefit provisions? (AEBP chs. 2 and 3, pars. 2.27a, 3.28a and ch. 4, par. 4.59)	BP114	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Description of significant plan amendments adopted during the year? (AEBP, chs. 2 and 3, pars. 2.27 <i>b</i> , 3.28 <i>b</i> and ch. 4, par. 4.59)	BP115	_____	_____	_____	_____
Description of the benefit priority and Pension Benefit Guarantee Coverage in the event of plan termination? (AEBP, ch. 2, par. 2.27 <i>c</i>)	BP116	_____	_____	_____	_____
Description of funding policy? (AEBP, ch. 2, par. 2.27 <i>d</i> , ch. 3, par. 3.28 <i>d</i> and ch. 4, par. 4.59)	BP117	_____	_____	_____	_____
Federal income tax status of the plan, including IRS tax ruling or determination letter? (AEBP, chs. 2 and 3, pars. 2.27 <i>f</i> , 3.28 <i>f</i> , and ch. 4, par. 4.59)	BP118	_____	_____	_____	_____
Compliance with the ERISA requirement that reports under its jurisdiction must include disclosure of "information concerning whether or not a tax ruling or determination letter has been obtained," (which is more than is required by FASB Statement No. 35 as amended)? (AEBP, chs. 2 and 3, pars. 2.27 <i>f</i> and 3.28 <i>f</i>)	BP119	_____	_____	_____	_____
Identification of investments that represent 5 percent or more of total net assets for defined benefit plans, 5 percent or more of the net assets available for benefits for defined contribution plans (with nonparticipant-directed investments separately identified) and 5 percent or more of total plan assets for health and welfare plans. (AEBP, chs. 2 and 3, pars. 2.27 <i>g</i> , 3.28 <i>g</i> , and ch. 4, par. 4.59, and SOP 99-3, par. 18 [TPA Sec. 10,790.18])	BP120	_____	_____	_____	_____
Reporting significant real estate, or other transactions between related parties, or was the audit opinion appropriately modified? (AEBP, chs. 2 and 3, pars. 2.27 <i>h</i> , 3.28 <i>h</i> , ch. 4, par. 4.59 and ch. 11)	BP121	_____	_____	_____	_____
Prohibited transactions? (AEBP, ch. 11, par. 11.09-.16)	BP122	_____	_____	_____	_____
Significant, unusual, or infrequent events of transactions occurring after the financial statement date but before issuance of the financial statements? (AEBP, chs. 2 and 3, pars. 2.27 <i>i</i> , 3.28 <i>m</i> , and ch. 4, par. 4.59)	BP123	_____	_____	_____	_____
The amount and disposition of forfeited nonvested accounts. Specifically, identification of those amounts that will be used to reduce future employer contributions? (AEBP, ch. 3, par. 3.28 <i>n</i> and ch. 4, par. 4.59)	BP124	_____	_____	_____	_____
Investment contracts as required by SOP 94-4? (AEBP, ch. 3, par. 3.28 <i>o-q</i> and ch. 4, par. 4.59)	BP125	_____	_____	_____	_____
For risks and uncertainties, disclosures regarding the nature of operations, the use of estimates, certain significant estimates, and current vulnerabilities due to certain concentrations? (AEBP, chs. 2, 3, and 4, pars. 2.44-.47, 3.38-.41, 4.68-.71 and SOP 94-6)	BP126	_____	_____	_____	_____
For master trusts, a description of the basis used to allocate net assets, net investment income, gains and losses to participating plans, and the plan's percentage interest in the master trust as of the date of each statement of net assets available for benefits presented? (AEBP, ch. 2, par. 2.32 and ch. 3, par. 3.33)	BP127	_____	_____	_____	_____
Material lease commitments, other commitments, or contingent liabilities? (AEBP, ch. 4, par. 4.59)	BP128	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
The assumed health care cost-trend rate(s) used to measure the expected cost of benefits covered by the plan for the next year, a general description of the direction and pattern of change in the assumed trend rates thereafter, the ultimate trend rate(s), and when that rate is expected to be achieved. (AEBP, ch. 4, par. 4.59)	BP129	_____	_____	_____	_____
For health and welfare benefit plans providing postretirement health care benefits, the effect of a one-percentage-point increase in the assumed health care cost-trend rates for each future year on the postretirement benefit obligation. (AEBP, ch. 4, par. 4.59)	BP130	_____	_____	_____	_____
Any modification of the existing cost-sharing provisions that are encompassed by the substantive plan(s) and the existence and nature of any commitment to increase monetary benefits provided by the plan and their effect on the plan's financial statements. (AEBP, ch. 4, par. 4.59)	BP131	_____	_____	_____	_____
Termination provisions of the plan and priorities for distribution of assets, if applicable. (AEBP, ch. 4, par. 4.59)	BP132	_____	_____	_____	_____
Restrictions, if any, on plan assets (for example, legal restrictions on multiple trusts). (AEBP, ch. 4, par. 4.59)	BP133	_____	_____	_____	_____
If the plan is subject to ERISA reporting requirements are the following schedules attached, if applicable: assets held for investment purposes, assets held for investment purposes that were both acquired and sold during the year, non-exempt transactions, loans or fixed income obligations, leases in default or classified as uncollectible, and reportable (5 percent) transactions? (AEBP, chs. 2 and 3, pars. 2.05, 3.06, Appendix A, par. A.51 and A.73)	BP134	_____	_____	_____	_____
Have the proper disclosures been made, and the liquidation basis of accounting used for plan terminations? (AEBP, chs. 2, 3, and 4, pars. 2.48-.52, 3.46-.49 and ch. 4, pars. 4.72-.75)	BP135	_____	_____	_____	_____
Is there a description of the policy regarding the purchase of insurance contracts that are excluded from plan benefits? (AEBP, ch. 2, par. 2.26e, and ch. 4, par. 4.59)	BP136	_____	_____	_____	_____
Is there a disclosure of amounts allocated to persons who have withdrawn from participation in the earnings and operations of the plan? Are such amounts excluded from liabilities on the financial statements? (AEBP, ch. 3, par. 3.28l)	BP137	_____	_____	_____	_____
Are the amounts of unallocated assets disclosed as well as the basis used to allocate asset values to participants accounts when the basis differs from the one used to record assets in the financial statements? (AEBP, ch. 3, par. 3.28c)	BP138	_____	_____	_____	_____
Is the basis for determining contributions by employers and the method of determining participant contributions disclosed? (AEBP, chs. 2 and 3, pars. 2.27d, 3.28d and ch. 4, par. 4.59)	BP139	_____	_____	_____	_____
Are investments pledged to secure debt disclosed? (AEBP, ch. 3, par. 3.28i)	BP140	_____	_____	_____	_____
Are guarantees by others of debt of the plan disclosed? (AEBP, ch. 3, par. 3.28j)	BP141	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If a defined contribution plan provides for participant-directed and non participant-directed investment programs, is information about the net assets and significant components of the changes in net assets relating to the non participant-directed program disclosed, with such reasonable detail, in the financial statements or accompanying notes, as is necessary to identify the types of investments and changes therein? (AEBP, ch. 3, par. 3.28k)	BP142	___	___	___	___
Are changes in the actuarial present value of accumulated plan benefits including amendments, changes in actuarial assumptions, and nature of the plan (mergers, spinoffs, etc.), disclosed? (AEBP, ch. 2, par. 2.25)	BP143	___	___	___	___
Is a prior-year statement of net assets and changes presented if beginning-of-year benefit information is used? (AC Sec. Pe5.106)	BP144	___	___	___	___
Is the actuarial present value of accumulated plan benefits, including vested benefits of participants currently receiving payments, other vested benefits, and non-vested benefits presented? (AEBP, ch. 2, pars. 2.21–24)	BP145	___	___	___	___
If subject to ERISA and DOL, is there a reconciliation between financial statements and form 5500 amounts, if applicable? (AEBP Appendix A, par. A.51c)	BP146	___	___	___	___
Are significant employer absorbed costs of plan administration disclosed? (AC Sec. Pe5.127(d), 3.28(d) fn #12, and 4.59 fn #37)	BP147	___	___	___	___
Statement of Net Assets Available for Benefits					
Is the presentation appropriate and is the disclosure adequate regarding:					
Participant directed and non-participant directed investments including those in master trust (identified by type and presented at fair value)? (AEBP, chs. 2 and 3, pars. 2.10–.14, .32, 3.12–.20, .33, ch. 4, pars. 4.23–.30 and SOP 99-3 [TPA Sec. 10,790])	BP148	___	___	___	___
Are investment contracts with fully benefit-responsive features or contracts that incorporate mortality or morbidity risks reported at contract value (where the entire contractual amount is recoverable) and are other investment contracts reported at fair value? (AEBP, Appendix H)	BP149	___	___	___	___
Insurance contracts? (AEBP, ch. 3, par. 3.13 and ch. 4, par. 4.24 and .57)	BP150	___	___	___	___
Investment contracts as required by SOP 94-4? (AEBP, ch. 3, pars. 3.17–.19, ch. 4, pars. 4.25–.30 and .57)	BP151	___	___	___	___
Risks and uncertainties as required by SOP 94-6? (AEBP, ch. 2, pars. 2.44–.47, ch. 3, pars. 3.38–.41 and ch. 4 pars. 4.68–.71)	BP152	___	___	___	___
Exemption from certain required disclosures about financial instruments for certain non-public entities? (AEBP, chs. 2 and 3, pars. 2.33, .34, 3.34, .35, and ch. 4, pars. 4.64 and .65)	BP153	___	___	___	___
Information about derivative financial instruments—futures, forwards, swap and option contracts, and other financial instruments with similar characteristics? (AEBP, chs. 2 and 3, pars. 2.35 and .36, 3.36 and .37, and ch. 4, pars. 4.66 and .67)	BP154	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Effective June 30, 2000, for companies that have not adopted FAS No. 133 for derivative financial instruments and hedging activities, the company must adopt FAS No. 138 concurrently with FAS No. 133. Therefore, in conjunction with the adoption of FAS No. 133, have derivative financial instruments and hedging activities been properly accounted for and disclosed in accordance with FAS No. 138, <i>Accounting for Certain Derivative Instruments and Certain Hedging Activities (an amendment of FASB Statement No. 133)</i> ?	BP155	___	___	___	___
Are unallocated insurance contracts reported on in accordance with ERISA and DOL? (AEBP, ch. 2, par. 2.13)	BP156	___	___	___	___
Contributions receivable? (AEBP, ch. 2, pars. 2.15, .16, ch. 3, par. 3.21, and ch. 4, par. 4.31)	BP157	___	___	___	___
Amounts receivable from brokers for securities sold?	BP158	___	___	___	___
Accrued interest and dividends?	BP159	___	___	___	___
Have defined benefit pension plans and health and welfare benefit plans properly accounted for and disclosed 401(h) accounts in accordance with SOP 99-2 [TPA Sec. 10,780]?	BP160	___	___	___	___
Allowance for estimated uncollectible amounts? (AEBP, chs. 2 and 3, pars. 2.15, .16, 3.21 and ch. 4, par. 4.31)	BP161	___	___	___	___
Assets used in plan operations (e.g., buildings, equipment, furniture and fixtures and leasehold improvements) identified by type and presented at cost, less accumulated depreciation or amortization? (AEBP, ch. 2, par. 2.16, ch. 3, par. 3.22, and ch. 4, par. 4.35)	BP162	___	___	___	___
Property and equipment including accounting for the impairment of long-lived assets to be held and used, long-lived assets to be disposed of, assets of discontinued operations, investment credit, and capitalized interest? (AEBP, ch. 2, par. 2.18, ch. 3, par. 3.23, ch. 4, par. 4.36, and AC Secs. D40.105, I08.122-.138, I13.108, I67, and I27)	BP163	___	___	___	___
For health and welfare plans if significant: accrued experience—rating adjustments, insurance premiums payable, deposits with insurance companies and accumulated eligibility credits? (AEBP, ch. 4, pars. 4.40, .41, and .44-.47)	BP164	___	___	___	___
Information regarding the plan's benefit obligation as of the end of the plan year and certain factors affecting the year-to-year change in the plan's benefit obligations (AEBP, ch. 4, pars. 4.17-.19 and .40-.57)	BP165	___	___	___	___
For insured health and welfare plans, are claims payable and currently due and claims incurred by eligible participants but not yet reported (IBNR) excluded from benefit obligations of the plan? (AEBP, ch. 4, pars. 4.42 and .43)	BP166	___	___	___	___
For self-funded health and welfare plans, do the benefit obligations present the amount of claims payable and currently due for active and retired participants, dependents, and beneficiaries for active participants in the plan and IBNR for active participants and does the postretirement benefit obligation include IBNR for retired participants? (AEBP, ch. 4, pars. 4.42 and .43)	BP167	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
For self-funded health and welfare plans, is the cost of IBNR measured at the present value, as applicable, of the estimated ultimate cost to the plan settling the claims? (AEBP, ch. 4, par. 4.43)	BP168	_____	_____	_____	_____
Notes payable and other debt:					
Maturities, rates, and sinking fund requirements for the next five years? (AC Sec. C32.104 and .105)	A148	_____	_____	_____	_____
Other terms and covenants? (AC Sec. C59.120 and SOP 97-1, par. 17 [TPA Sec. 10,690.17])	A149	_____	_____	_____	_____
Other liabilities, including amounts due to brokers for securities purchased, other accounts payable, and accrued expenses?	BP169	_____	_____	_____	_____
If subject to ERISA and DOL regulations, are comparative statements of net assets available for benefits presented? (AEBP, chs. 2 and 3, pars. 2.08a, 3.10 and ch. 4, par. 4.21 and Appendix A, par. A.51a)	BP170	_____	_____	_____	_____
Statement of Changes in Net Assets					
Are the presentations appropriate and disclosures adequate regarding:					
Net change in fair value of investments? (AEBP, chs. 2 and 3, pars. 2.20a and 2.32, 3.25a and 3.33, ch. 4, par. 4.38 and SOP 99-3)	BP171	_____	_____	_____	_____
Contributions from employer(s), employees, and other identified sources separately stated? (AEBP, chs. 2 and 3, pars. 2.20c, d, e, 3.25c, d, e and ch. 4, par. 4.38)	BP172	_____	_____	_____	_____
Payments to insurance companies to purchase contracts? (AEBP, chs. 2 and 3, pars. 2.20g, 3.25g, and ch. 4, par. 4.38)	BP173	_____	_____	_____	_____
Investment income? (AEBP, chs. 2 and 3, pars. 2.20b, 3.25b and ch. 4, par. 4.38)	BP174	_____	_____	_____	_____
Benefits paid to participants? (AEBP, chs. 2 and 3, pars. 2.20f, 3.25f and ch. 4, par. 4.38)	BP175	_____	_____	_____	_____
Administrative expense? (AEBP, chs. 2 and 3, pars. 2.20h, 3.25h and ch. 4, par. 4.38)	BP176	_____	_____	_____	_____

II. GENERAL AUDIT PROCEDURES

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
If applicable, has the auditor established and documented the understanding with the client regarding the engagement? (AU Sec. 310.05-.07)	A300	_____	_____	_____	_____
In planning the audit engagement, did the auditor properly consider:					
Matters affecting the plan, such as accounting practices, economic conditions, laws, government regulations, and changes in technology? (AU Secs. 311.03, .07, and 801.11)	BP301	_____	_____	_____	_____
Preliminary judgment about materiality levels? (AU Secs. 311.03 and 312.10)	A303	_____	_____	_____	_____
Did the auditor: (a) assess the risk of material misstatement due to fraud, (b) consider the presence of fraud risk factors, (c) inquire of management about its understanding of the risk of fraud in the entity, and (d) document evidence of the performance of the fraud assessment, including the fraud risk factors identified as present? (AU Sec. 316)	A304	_____	_____	_____	_____
For identified fraud risk factors, did the auditor develop an appropriate audit response and document the response? (AU Sec. 316.37)	A305	_____	_____	_____	_____
Did the auditor use analytical procedures in planning the nature, timing and extent of audit procedures? (AU Sec. 329.01 and .06-.08)	A306	_____	_____	_____	_____
If the auditor succeeded another auditor, did the successor auditor initiate communications with the predecessor auditor to ascertain whether there were matters that might assist the auditor in determining whether to accept the engagement? (AU Sec. 315.09)	A307	_____	_____	_____	_____
Did the successor auditor obtain satisfaction as to the account balances at the beginning of the year and consistency of the application of accounting principles in the year being audited as compared with the preceding year? (AU Sec. 315.12 and .13)	A308	_____	_____	_____	_____
If consideration was given to the work of internal auditors in determining the scope of the audit, was it done in accordance with professional standards? (AU Sec. 322)	A309	_____	_____	_____	_____
For audits of financial statements for periods beginning before June 1, 2001 or the application of SAS No. 94, did the auditor:					
Obtain a sufficient understanding of the entity's internal control, including electronic evidential matter which may only exist for a specified period of time, to plan the audit? (AU Secs. 319.19, 324.07-.10, and 326.18)	A310	_____	_____	_____	_____
Document the understanding of the internal control? (AU Sec. 319.44)	A311	_____	_____	_____	_____
Document the conclusion that control risks are at the maximum level for those financial statement assertions where control risk is assessed at the maximum level? (AU Sec. 319.57)	A312	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the REF column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Document the basis for the conclusion (i.e., tests of controls) that the effectiveness of the design and operation of controls support the assessed level of control risk when that assessed level is below the maximum level? (AU Sec. 319.57)	A313	_____	_____	_____	_____
For audits of financial statements for periods beginning on or after June 1, 2001, Statement on Auditing Standards No. 94, <i>The Effect of Information Technology on the Auditor's Consideration of Internal Control in a Financial Statement Audit</i> , substantially amends AU Sec. 319 to address the implications of information technology on the auditor's internal control consideration. For financial statement audits after the effective date,					
Did the auditor consider information technology ("IT") risks that could result in misstatements in making a judgment about the understanding of internal control necessary to plan the audit and the nature, timing, and extent of procedures the auditor chooses to perform to obtain an understanding? (par. 25)	A314	_____	_____	_____	_____
Did the auditor consider whether specialized skills were needed for the auditor to determine the effect of IT on the audit, to understand the IT controls, or to design and perform tests of IT controls or substantive tests? (par. 31)	A315	_____	_____	_____	_____
Did the auditor obtain an understanding of the automated and manual procedures the entity uses to prepare financial statements and related disclosures, and how misstatements may occur and did the understanding include the procedures used to: (par. 51)					
Enter transaction totals into the general ledger?	A316	_____	_____	_____	_____
Initiate, record, and process journal entries in the general ledger, including standard journal entries and nonstandard journal entries?	A317	_____	_____	_____	_____
Record recurring and nonrecurring adjustments to the financial statements that are not reflected in formal journal entries?	A318	_____	_____	_____	_____
Did the auditor document his or her understanding of the entity's internal control components obtained to plan the audit? (par. 61)	A319	_____	_____	_____	_____
In determining whether to assess control risk at the maximum level or at a lower level would be effective for specific assertions, did the auditor consider: (1) the nature of the assertion, (2) the volume of transactions or data related to the assertion, (3) the nature and complexity of the systems, including the use of information technology, by which the entity processes and controls information supporting the assertion, and (4) the nature of the available evidential matter, including evidential matter that is available only in electronic form? (par. 67)	A320	_____	_____	_____	_____
If the auditor determined that it was not possible to design effective substantive tests that by themselves provided sufficient evidence that the one or more financial statement assertions are not materially misstated because a significant amount of the associated information is electronically initiated, recorded, processed, and reported, did the auditor perform tests of controls to gather evidence to use in assessing control risk? (pars. 68 and 69)	A321	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Did the auditor document his or her conclusions about the: (par. 83)					
Assessed level of control risk?	A322	___	___	___	___
Control risk is at the maximum level for financial statement assertions where control risk is assessed at the maximum level?	A323	___	___	___	___
The basis for his or her conclusion that the effectiveness of the design and operation of controls supports the assessed level of control risk for those assertions where the assessed level of control risk is below the maximum level?	A324	___	___	___	___
If the entity obtained services from another organization that are part of the entity's information system, did the auditor:					
During planning, obtain an understanding of the controls in place by the entity and by the service organization whose services are part of the entity's information system? (AU Sec. 324.07-10)	A325	___	___	___	___
If the auditor decided to assess control risk below the maximum for financial statement assertions affected by the processing performed by the service organization, was a service auditor's report that describes the results of the service auditor's tests of operating effectiveness obtained; or were tests performed by the auditor at the service organization? (AU Sec. 324.14-16)	A326	___	___	___	___
If the engagement included the use of the work (domestic or international) of another office, correspondent or affiliate:					
Do the instructions to the other office or firm appear adequate? (AU Sec. 311)	A327	___	___	___	___
Does it appear that the control exercised over the work of others through supervision and review was adequate? (AU Sec. 311)	A328	___	___	___	___
Was there appropriate follow-up of open matters? (AU Sec. 311)	A329	___	___	___	___
In those cases where another firm is used, were appropriate inquiries made as to its independence and professional reputation? (AU Sec. 543.10)	A330	___	___	___	___
Was an appropriately tailored, written audit program prepared? (AU Sec. 311.05 and applicable AICPA industry audit guide)	A331	___	___	___	___
Was the audit program responsive to the needs of the engagement, and the understanding of the internal control, including electronic evidential matter which may only exist for a specified period of time, obtained during the planning process? (AU Secs. 319.02 and .05 and 326.18)	A332	___	___	___	___
Was consideration given to applicable assertions in developing audit objectives and in designing substantive tests? (AU Sec. 326.09-14)	A333	___	___	___	___
If conditions changed during the course of the audit, was the audit program modified as appropriate in the circumstances? (AU Secs. 311.05 and 316.33-37)	A334	___	___	___	___
Have all procedures called for in the audit program been signed when completed? (AU Sec. 339)	A335	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If statistical or nonstatistical sampling was used in test of controls (AU Secs. 319 and 350):					
In your evaluation of the adequacy of the sample size, does it appear the firm gave appropriate consideration to the specific objective of the test of controls, tolerable rate, allowable risk of overreliance, and characteristics of the population? (AU Sec. 350.31)	A336	_____	_____	_____	_____
Was the sample selected in such a way that it could be expected to be representative of the population? (AU Sec. 350.39)	A337	_____	_____	_____	_____
If the auditor concluded that the sample results did not support the planned assessed level of control risk for an assertion, were the nature, timing and extent of the planned substantive procedures reevaluated based on a revised consideration of assessed level of control risk for the relevant financial statement assertions? (AU Sec. 350.40–.43)	A338	_____	_____	_____	_____
In evaluating the sample, was appropriate consideration given to items for which the planned test of controls or appropriate alternative procedure could not be performed, for example, because the documentation was missing? (AU Sec. 350.40)	A339	_____	_____	_____	_____
Was the documentation of the foregoing considerations in accordance with firm policy?	A340	_____	_____	_____	_____
If statistical or nonstatistical sampling was used for substantive tests of details (AU Sec. 350):					
In your evaluation of the adequacy of the sample size, does it appear the firm gave appropriate consideration to the specific audit objective, preliminary judgments about materiality levels, acceptable level of risk of incorrect acceptance, and characteristics of the population? (AU Sec. 350.16)	A341	_____	_____	_____	_____
Was the sample selected in such a way that it could be expected to be representative of the population? (AU Sec. 350.24)	A342	_____	_____	_____	_____
Were the misstatements in the sample projected to the items from which the sample was selected? (AU Sec. 350.26)	A343	_____	_____	_____	_____
In evaluating the sample, was appropriate consideration given to items for which the planned substantive tests or appropriate alternative procedures could not be performed? (AU Sec. 350.25)	A344	_____	_____	_____	_____
In evaluating whether the financial statements may be materially misstated, was appropriate consideration given, in the aggregate, to projected misstatements resulting from all audit sampling applications and to all known misstatements from non-sampling applications? (AU Sec. 350.30)	A345	_____	_____	_____	_____
Was the documentation of the foregoing considerations in accordance with firm policy?	A346	_____	_____	_____	_____
During the performance of the engagement, did the auditor:					
Consider the guidelines in professional standards in developing, performing, and evaluating the results of analytical procedures used as substantive tests? (AU Sec. 329)	A347	_____	_____	_____	_____
Use analytical procedures in the overall review stage of the audit? (AU Sec. 329.22)	A348	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Has the auditor evaluated the reasonableness of significant accounting estimates made by management? (AU Secs. 326 and 342)	A349	_____	_____	_____	_____
Did the auditor obtain written timely and appropriate representations from management and was the representation letter properly dated? (AU Sec. 333)	A350	_____	_____	_____	_____
Did the auditor obtain timely and appropriate responses from the entities' attorneys concerning litigation, claims, and assessments? (AU Sec. 337.08-.14)	A351	_____	_____	_____	_____
Have all questions, exceptions, or notes been followed up and resolved?	A352	_____	_____	_____	_____
Was appropriate consideration given to all passed adjustments and to the risk that the current period's financial statements are materially misstated when prior-period likely misstatements are considered together with likely misstatements arising in the current period? (AU Sec. 312.37)	A353	_____	_____	_____	_____
If audit tests identify misstatements in the financial statements, did the auditor consider whether such misstatements may be indicative of fraud and evaluate the implications involved? (AU Sec. 316)	A354	_____	_____	_____	_____
Did the auditor consider whether the accumulated results of audit procedures and other observations affect the assessment of the risk of material misstatement due to fraud made when planning the audit; and if so, and if the auditor believed an additional response was required, were any additional risk factors or other conditions that were identified and any further response that the auditor concluded was appropriate documented? (AU Sec. 316)	A355	_____	_____	_____	_____
If the auditor has determined that there is evidence that fraud may exist (even if the matter might be considered inconsequential), was the matter brought to the attention of an appropriate level of management; and was the matter reported directly to the audit committee (or others with equivalent authority and responsibility), if the fraud involves senior management or the fraud causes a material misstatement of the financial statements? (AU Sec. 316)	A356	_____	_____	_____	_____
When the auditor, as a result of the assessment of the risk of material misstatement due to fraud, has identified risk factors that have continuing control implications (whether or not transactions or adjustments that could be the result of fraud have been detected), did the auditor consider whether these risk factors represent reportable conditions relating to the entity's internal control that should be communicated to senior management and the audit committee (or others with equivalent authority and responsibility)? (AU Sec. 316)	A357	_____	_____	_____	_____
If the auditor's procedures disclosed instances or indications of illegal acts, did the auditor:					
Follow up on the illegal acts in accordance with professional standards? (AU Sec. 317.10 and .11)	A358	_____	_____	_____	_____
Consider the implications of the detected illegal act in relation to other aspects of the audit, including the reliability of the client's representations? (AU Sec. 317.16)	A359	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Communicate directly with the audit committee if the illegal act(s) involved senior management, and document that communication, and obtain assurance that all other illegal acts that came to the auditor's attention were adequately communicated? (AU Sec. 317.17)	A360	_____	_____	_____	_____
Did the auditor consider if there was substantial doubt about the plans's ability to continue as a going concern for a reasonable period of time? (AU Sec. 341.02)	A361	_____	_____	_____	_____
If the auditor believed that there was substantial doubt about the plan's ability to continue as a going concern for a reasonable period of time, did the auditor obtain information about management's plans and evaluate the likelihood that such plans could be effectively implemented? (AU Sec. 341.03(b))	A362	_____	_____	_____	_____
If the auditor's substantial doubt was alleviated, did the auditor consider the need for disclosure of the principal conditions and events that initially caused the auditor to believe there was substantial doubt together with mitigating factors? (AU Sec. 341.11)	A363	_____	_____	_____	_____
If the auditor's substantial doubt was not alleviated, did the auditor's report include an explanatory paragraph that adequately communicated the auditor's substantial doubt (e.g., include the terms "substantial doubt" and "going concern")? (AU Sec. 341.12 and .13)	A364	_____	_____	_____	_____
During the performance of the audit:					
If there were reportable conditions identified were they communicated to the audit committee, management and others within the organization on a timely basis and if the communication was oral was it documented in the working papers? (AU Sec. 325.09)	A365	_____	_____	_____	_____
Does the auditor's conclusions regarding whether internal control matters noted during the audit were (or were not) reportable conditions appear appropriate? (AU Sec. 325.13-.15)	A366	_____	_____	_____	_____
If the report was issued on reportable conditions, did it indicate the purpose of the audit was to report on the financial statements and not to provide assurance on internal control, and did it include the definition of reportable conditions and include the restriction on distribution? (AU Sec. 325.11 and SAS No. 87)	A367	_____	_____	_____	_____
Has the auditor complied with the requirement not to issue a letter stating that there were no reportable conditions? (AU Sec. 325.17)	A368	_____	_____	_____	_____
Did the auditor perform appropriate procedures regarding events subsequent to the balance-sheet date but prior to the date of the report? (AU Sec. 560)	A369	_____	_____	_____	_____
If the auditor, subsequent to the date of the report, became aware of facts that may have existed at that date which might have affected the report, had the auditor then been aware of such facts, did the auditor consider the guidance in professional standards in determining an appropriate course of action, including performing audit procedures to determine if there are any such events affecting the financial statements, and does the matter appear to be properly resolved? (AU Sec. 561)	A370	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
<p>If there is an indication that the auditor, subsequent to the date of the report, concluded that one or more auditing procedures considered necessary at the time of the audit of the financial statements in the then existing circumstances were omitted from the audit, did the auditor consider the guidance in professional standards in determining an appropriate course of action, and does the matter appear to be properly resolved? (AU Sec. 390)</p>	A371	_____	_____	_____	_____
<p>Where there is a plan audit committee or some other formal oversight committee or the client is an SEC engagement, did the auditor:</p>					
<p>Ensure that the appropriate matters were communicated to those with responsibility for oversight of the financial reporting process? (AU Sec. 380.01 and .02)</p>	A372	_____	_____	_____	_____
<p>If the communication was in writing, prepare a written report that included a statement that the communication was intended solely for the information and use of the audit committee or the board of directors (and, if appropriate, management), and is not intended to be and should not be used by anyone other than these specified parties? (AU Sec. 380.03 and AU Sec. 532)</p>	A373	_____	_____	_____	_____
<p>If the communication was oral, document the information communicated by appropriate memorandum or notations in the working papers? (AU Sec. 380.03)</p>	A374	_____	_____	_____	_____
<p>With respect to uncorrected financial statement misstatements aggregated by the auditor during the current engagement, has the auditor:</p>					
<p>Obtained an understanding with the entity's management that management is responsible for adjusting the financial statements to correct material misstatements? (AU Sec. 310.06 and SAS No. 89)</p>	A375	_____	_____	_____	_____
<p>Obtained a representation letter from the entity's management that includes an acknowledgement that it has considered the financial statement misstatements aggregated by the auditor during the current engagement and pertaining to the latest period presented, and has concluded that any uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole? (AU Sec. 333.06g and SAS No. 89)</p>	A376	_____	_____	_____	_____
<p>Informed the audit committee about uncorrected misstatements aggregated during the current engagement and pertaining to the latest period presented that was determined by the entity's management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole? (AU Sec. 380.10 and SAS No. 89)</p>	A377	_____	_____	_____	_____

III. WORKING PAPER AREAS—EMPLOYEE BENEFIT PLANS¹

Note: In the key audit areas reviewed, the reviewer should evaluate whether the reviewed firm has obtained sufficient competent evidential matter to form conclusions regarding the validity of the assertions of material significance embodied in the financial statements as described in AU Sec. 326. The questions contained in each section represent some of the audit procedures or tests that the reviewed firm might have undertaken to form conclusions in support of financial statement assertions of material significance. If an audit area is not reviewed because it does not represent a *key* area for that engagement, the reviewer should place an "X" in the box above the name of the working paper area. [As indicated on page 20,703, the reviewer should indicate the reason(s) for not reviewing a key audit area; in such circumstances, the reviewer should place an "X" above the area.]

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
<input type="checkbox"/> Not a key area					
Cash					
Were reconciling items cleared by reference to subsequent statements obtained either directly from the bank or from the client and appropriately tested?	A401	_____	_____	_____	_____
Was due consideration given to cash transactions shortly before and shortly after the balance-sheet date to determine that transactions were recorded in the proper period?	A402	_____	_____	_____	_____
Do the working papers indicate that the following were considered:					
Confirmation of cash balances?	A403	_____	_____	_____	_____
Confirmation of liabilities and contingent liabilities to banks?	A406	_____	_____	_____	_____
Based on the assessment of control risk, do the substantive tests of cash appear adequate? (AU Secs. 312 and 319)	A407	_____	_____	_____	_____
Investments					
For trustee assets, did the audit procedures provide a reasonable basis for conclusions regarding:					
Analysis of changes in investments during the period? (AEBP, ch. 7, par. 7.12b)	BP401	_____	_____	_____	_____
Evidence regarding the existence and ownership of investments, such as direct confirmation (including securities in transit), and review for liens or other security interest? (AEBP, ch. 7, par. 7.12c, d, f)	BP402	_____	_____	_____	_____
Investment transactions, including accrued income? (AEBP, ch. 7, par. 7.12e, g)	BP403	_____	_____	_____	_____
Fair value of investments, including the net change in appreciation or depreciation? (AEBP, ch. 7, par. 7.12h, i)	BP404	_____	_____	_____	_____
Situations where the plan's investments might violate applicable laws or regulations? (AEBP, ch. 7, par. 7.12j)	BP405	_____	_____	_____	_____

¹ Complete only the sections for the key areas selected for review.

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the REF column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Assets in a discretionary trust, an understanding of the related internal control sufficient to support transactions executed by the trust? (AEBP, ch. 7, pars. 7.13–.15)	BP406	_____	_____	_____	_____
For investments in a common or commingled trust, did the audit procedures consider or include:					
Confirming units of participation held by the plan? (AEBP, ch. 7, par. 7.18a)	BP407	_____	_____	_____	_____
Supporting documentation for unit value information? (AEBP, ch. 7, par. 7.18b, c)	BP408	_____	_____	_____	_____
For investment arrangements with insurance companies in insurance contracts did the audit procedures consider or include:					
Contracts between the contract holder and the insurance company? (AEBP, ch. 7, par. 7.43a)	BP409	_____	_____	_____	_____
Evidence regarding the existence and ownership of the contract, contributions, premium payments, income credits, etc., such as by direct confirmation and other means? (AEBP, ch. 7, par. 7.43b)	BP410	_____	_____	_____	_____
Unusual circumstances which may affect the market value of the contract? (AEBP, ch. 7, par. 7.43c)	BP411	_____	_____	_____	_____
Tests of the individual securities or other investments that comprise the assets underlying synthetic Guaranteed Investment Contracts? (AEBP, ch. 7, par. 7.43d)	BP412	_____	_____	_____	_____
Deposit Administration Contracts, interest credited in relation to minimum guaranteed interest? (AEBP, ch. 7, par. 7.44a)	BP413	_____	_____	_____	_____
Rate of return for Immediate Participation Guarantee Contracts? (AEBP, ch. 7, par. 7.44b)	BP414	_____	_____	_____	_____
Rates in annuity purchases consistent with contract stipulations? (AEBP, ch. 7, par. 7.44c)	BP415	_____	_____	_____	_____
Reading the financial statements of the insurance company? (AEBP, ch. 7, par. 7.44d)	BP416	_____	_____	_____	_____
Expenses charged to the contract in accordance with stipulations? (AEBP, ch. 7, par. 7.44e)	BP417	_____	_____	_____	_____
Investments made in separate, or pooled separate accounts? (AEBP, ch. 7, par. 7.45a, b)	BP418	_____	_____	_____	_____
Did the audit procedures applied to the other types of investments consider investments in real estate, loans, and mortgages? (AEBP, ch. 7, pars. 7.47–.50)	BP419	_____	_____	_____	_____
For limited-scope audits, did the audit procedures consider:					
Certified investment information? (AEBP, ch. 7, pars. 7.52 and .53)	BP420	_____	_____	_____	_____
Were the audit procedures performed in all areas except investments? (AEBP, ch. 7, pars. 7.52 and .53)	BP421	_____	_____	_____	_____
Was the investment information certified as to completeness and accuracy, prepared by a bank, similar institution, or insurance carrier that is regulated, supervised, and subject to periodic examination by a state or federal agency? (AEBP, ch. 13, pars. 13.26–.30)	BP422	_____	_____	_____	_____

Effective for audits of financial statements for fiscal years ending on or after June 20, 2001, the Auditing Standards Board issued SAS No. 92, *Auditing Derivative Instruments, Hedging Activities, and Investments in Securities*. The SAS supercedes SAS No. 81 (AU Sec. 332), *Auditing Investments*. For engagements performed on or after the effective date, if derivative financial instruments, hedging activities and/or investment securities, as defined by SAS No. 92, were present, did the auditor:

Assess inherent and control risk for the required audit assertions (existence, completeness, rights and obligations, valuation, and presentation and disclosure) about derivatives and investment securities? (AU Sec. 332.08 and .15–.18)

<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
BP423	_____	_____	_____	_____

Develop substantive procedures for derivative instruments and investment securities consistent with the results of the risk assessment to address the auditing assertions. (AU Sec. 332.19–.20)

BP424	_____	_____	_____	_____
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Not a key area

Contributions Received and Related Receivables

For contributions received and related receivables, did the audit procedures used provide a reasonable basis for conclusions regarding:

Employers' and Employees' contributions? (AEBP, ch. 8, par. 8.03a–h)

BP425	_____	_____	_____	_____
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Actuary reports for defined benefit plans? (AEBP, ch. 8, par. 8.05a–c)

BP426	_____	_____	_____	_____
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Contribution provisions of the plan instrument for defined contribution plans? (AEBP, ch. 8, par. 8.06a–e)

BP427	_____	_____	_____	_____
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Did the audit procedures consider whether the companies' contributions to the plan were sufficient to meet the minimum funding standards set forth in ERISA? (AEBP, Appendix A, pars. A.10–A.13)

BP428	_____	_____	_____	_____
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Based on the assessment of control risk, do the substantive tests of contributions appear adequate? (AU Secs. 312 and 319)

BP429	_____	_____	_____	_____
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Not a key area

Receivables

Were amounts receivable from brokers for securities sold confirmed and appropriate follow-up steps taken, including second requests and alternate procedures? (AU Sec. 330.24–.31 and .34)

BP430	_____	_____	_____	_____
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If a significant number and amount of receivables were not confirmed, is there evidence that alternative auditing procedures were performed? (AU Sec. 330.31 and .32)

BP431	_____	_____	_____	_____
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Were the results of confirmation and alternative procedures summarized and were appropriate conclusions included in the working papers? (AU Sec. 330.33)

A412	_____	_____	_____	_____
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Was the reasonableness of allowances for doubtful accounts covered in the working papers and collectibility of receivables adequately considered? (AU Sec. 312.36)

A415	_____	_____	_____	_____
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If accounts receivable confirmations were not requested, has the auditor documented how the presumption for such requests was overcome and were the reasons appropriate? (AU Sec. 330.34 and .35)

A419	_____	_____	_____	_____
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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Based on the assessment of control risk, do the substantive tests of receivables appear adequate? (AU Secs. 312 and 319)	A421	_____	_____	_____	_____
<input type="checkbox"/> Not a key area					
Property and Equipment Used in Plan Operations					
Was a summary schedule prepared to show beginning balances, changes during the period and ending balances for:					
Property and equipment used in plan operations?	A455	_____	_____	_____	_____
Accumulated depreciation?	A456	_____	_____	_____	_____
Do tests appear adequate and were proper conclusions drawn with respect to:					
Additions (e.g., by examining supporting documents and/or physical inspection)?	A457	_____	_____	_____	_____
Retirements, etc.?	A458	_____	_____	_____	_____
The adequacy of the current and accumulated provisions for depreciation?	A459	_____	_____	_____	_____
Consideration of asset impairment including the status of idle facilities? (AC Sec. I08.122-.130)	A460	_____	_____	_____	_____
Do the working papers indicate that the auditor considered the possibility that property was subject to liens?	A461	_____	_____	_____	_____
Based on the assessment of control risk, do the substantive tests of property and equipment appear adequate? (AU Secs. 312 and 319)	A462	_____	_____	_____	_____
<input type="checkbox"/> Not a key area					
Liabilities					
Were other liabilities (including payables for securities purchased) tested adequately for existence?	BP432	_____	_____	_____	_____
Was an adequate search performed for unrecorded liabilities at the balance sheet date?	A464	_____	_____	_____	_____
Was consideration given to expenditures and expenses that might require accrual (e.g., third-party administrator fees), and to whether accrued expenses were reasonably stated? (AC Secs. P16, C44 and P40)	A466	_____	_____	_____	_____
Were significant notes and bonds payable, together with interest rates and repayment periods, etc., confirmed or, alternative procedures performed?	A467	_____	_____	_____	_____
Were procedures performed to determine whether the carrying value of notes payable reflects the present value of the consideration received at the appropriate interest rate?	A468	_____	_____	_____	_____
Do the working papers indicate that the auditor reviewed compliance with the covenants of the entity's debt obligations?	A469	_____	_____	_____	_____
Based on the assessment of control risk, do the substantive tests of liabilities appear adequate? (AU Secs. 312 and 319)	A470	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Benefit Payments and Claims Payable					
For selected participants receiving benefit payments, did the audit procedures consider or include:					
The propriety, required approvals, eligibility, cash disbursements, (including long outstanding benefit checks)? (AEBP, ch. 9, par. 9.03a-c)	BP433	___	___	___	___
Payments made by third parties? (AEBP, ch. 9, par. 9.04)	BP434	___	___	___	___
For defined contribution plans, did the audit procedures include or consider a comparison of disbursements to participants' records? (AEBP, ch. 9, par. 9.03d)	BP435	___	___	___	___
For health and welfare plans, did the audit procedures include accrued claims payable? (AEBP, ch. 9, par. 9.03f)	BP436	___	___	___	___
Commitments and Contingencies					
Do the working papers contain evidence of the following:					
Inspection of minutes of meetings of relevant committees or boards?	A478	___	___	___	___
Inspection of contracts, loan agreements, leases, and correspondence from taxing and other governmental agencies, and similar documents?	A479	___	___	___	___
Accumulation and analysis of confirmation responses from banks and lawyers?	A480	___	___	___	___
Inquiries and discussions with management including management's written representations concerning liabilities, litigation, claims, assessments and regulatory requirements as applicable? (AU Secs. 333 and 337.05)	A481	___	___	___	___
Other contingent liabilities or possible guarantees?	A482	___	___	___	___
Have all material contingencies been properly considered, documented, and reported? (AC Sec. C59)	A483	___	___	___	___
Were the audit procedures regarding financial instruments appropriately designed, executed, and documented in the working papers, and were the disclosures in the financial statements adequate?	A505	___	___	___	___
Participant Data and Plan Obligations					
In full-scope and limited-scope audits under DOL regulations, has the auditor ascertained that participant data was appropriately audited? (AEBP, ch. 10, pars. 10.01-.16)	BP437	___	___	___	___
For participant data, did the audit procedures consider or include:					
Demographic data, payroll data, and benefits data? (AEBP, ch. 10, pars. 10.04, .05 and .7a)	BP438	___	___	___	___
For multi-employer plans, were employer contribution reports compared to participant data? (AEBP, ch. 10, par. 10.05)	BP439	___	___	___	___
For multi-employer plans, if participant data cannot be reviewed, were other procedures performed? (AEBP, ch. 10, par. 10.07b)	BP440	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
For defined benefit plans, did the audit procedures consider or include:					
Participant data compared with information given to the actuary? (AEBP, ch. 10, par. 10.11)	BP441	___	___	___	___
Use of actuary's work? (AEBP, ch. 10, pars. 10.18-.23)	BP442	___	___	___	___
For defined contribution plans, did the audit procedures consider or include:					
Allocation of company and individual contributions, demographic data used to determine eligibility and vesting, and terminations? (AEBP, ch. 10, pars. 10.12-.14)	BP443	___	___	___	___
Allocation of income or loss, forfeitures, etc.? (AEBP, ch. 10, par. 10.30a-f)	BP444	___	___	___	___
For health and welfare benefit plans, did the audit procedures consider or include:					
Claims information? (AEBP, ch. 10, pars. 10.15c and .32)	BP445	___	___	___	___
Claims incurred but not paid? (AEBP, ch. 10, pars. 10.34 and .35)	BP446	___	___	___	___
Premiums paid, and actuary's data? (AEBP, ch. 10, pars. 10.33 and .36)	BP447	___	___	___	___
Assets of more than one plan held in a 501(c)(9) VEBA trust? (AEBP, ch. 4, pars. 4.09 and .76-.78)	BP448	___	___	___	___
Based on the assessment of control risk, do the substantive tests of participant data appear adequate? (AU Sec. 319)	BP449	___	___	___	___
Other Considerations					
Did the audit procedures consider or include:					
ERISA requirements, applicable sections of the Internal Revenue Code, related DOL and IRS regulations and the potential effect on the plan? (AEBP, ch. 5, par. 5.16 and Appendix A)	BP450	___	___	___	___
SEC requirements if applicable? (AEBP, ch. 3, par. 3.07, ch. 12, pars. 12.20-.22, ch. 13, pars. 13.38-.40, and Appendix A, par. A.59)	BP451	___	___	___	___
Risk areas, such as valuation of non-readily marketable securities or specialized investments? (AEBP, ch. 5, pars. 5.17-.24)	BP452	___	___	___	___
Plan transactions with parties-in-interest including a basis for identification, understanding and evaluation of parties-in-interest? (AEBP, ch. 11)	BP453	___	___	___	___
If the auditor concluded that a party-in-interest transaction resulted in an illegal act, including in-kind contributions of property other than cash that reduce the sponsor's obligation to fund the plan in cash, did the audit procedures adequately consider the effect on the financial statements as well as other aspects of the audit? (AEBP, ch. 11, pars. 11.09-.14)	BP454	___	___	___	___
Reviewing the tax status of the plan and IRS determination letters? (AEBP, ch. 12, pars. 12.01-.03)	BP455	___	___	___	___
Administrative expenses? (AEBP, ch. 12, pars. 12.08 and .09)	BP456	___	___	___	___

<i>Ques.</i>	<i>N/A</i>	<i>Yes</i>	<i>No</i>	<i>Ref.</i>
Reading the other information contained in the Form 5500 and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements? (AEBP, ch. 12, pars. 12.23–.27)	BP457	_____	_____	_____
Reading the actuary's report, and reviewing the actuarial methods and assumptions? (AEBP, ch. 10, pars. 10.18–.23)	BP458	_____	_____	_____
Comparing the plan provisions to the plan instrument and changes in provisions by the Internal Revenue Code in effect as of the plan year-end? (AEBP, chs. 1, 8, 10, and 12, pars. 1.20, 8.06a–d, 10.30a, .32c, and 12.01–.03)	BP459	_____	_____	_____
If the work of a specialist was used, did the auditor apply the guidance in professional standards? (AU Sec. 336)	BP460	_____	_____	_____
If the firm issued an engagement letter on the audit engagement reviewed, did the language about the firm's responsibility with respect to the detection of errors and fraud conform with the requirements of SAS No. 82? (AEBP Exhibit 5-4 and AU Sec. 316, par. 1)	BP461	_____	_____	_____
If a third-party administrator was used, consideration of the effect of a service organization on the internal control structure of a user organization and the availability of audit evidence, including correct usage of a SAS No. 70 report if applicable? (AEBP, ch. 6, pars. 6.07–6.16 and AU Sec. 324, pars. 6–21)	BP462	_____	_____	_____

IV. FUNCTIONAL AREAS[†]

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Independence, Integrity, and Objectivity (QC Sec. 20.09 and 20.10) If anything has been noted that may indicate a lack of independence, integrity, and objectivity was the matter identified and appropriately resolved by the firm and its effects appropriately considered? (ET Sec. 101 and 102)	A601	_____	_____	_____	_____
Have personnel been appropriately advised of the need to observe independence, integrity, and objectivity requirements concerning the client and any related nonclient parent, investor, investee, subsidiary or affiliate?	A602	_____	_____	_____	_____
Was appropriate assurance of independence obtained from other firms engaged to audit segments or component units of the entity?	A603	_____	_____	_____	_____
For non-SEC clients, were the fees (billed/unbilled) for prior years' services paid prior to issuance of the report for the current engagement? (ET Sec. 191.103 and .104)	A604	_____	_____	_____	_____
For SEC clients, if the fees (billed/unbilled) for prior years' services were not paid prior to the commencement of the current engagement, were the SEC's rules for unpaid professional fees adhered to?	A605	_____	_____	_____	_____
Personnel Management (QC Sec. 20.11–.13) Were scheduling and staffing requirements identified on a timely basis and approved by appropriate personnel?	A606	_____	_____	_____	_____
Does it appear that the practitioner in charge of the engagement possessed the following knowledge, skills, and abilities (competencies) to fulfill their responsibilities on the engagement:					
An understanding of the role of the firm's system of quality control and the AICPA's <i>Code of Professional Conduct</i> ?	A607	_____	_____	_____	_____
An understanding of the performance, supervision, and reporting aspects of the engagement?	A608	_____	_____	_____	_____
An understanding of the applicable accounting, auditing, or attestation professional standards including those standards directly related to the industry in which a client operates?	A609	_____	_____	_____	_____
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?	A610	_____	_____	_____	_____
Skills that indicate sound professional judgment?	A611	_____	_____	_____	_____

[†] The AICPA's *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice* provides guidance on how to develop and implement a system of quality control for a firm's accounting and auditing practice in compliance with the requirements of Statements on Quality Control Standards Nos. 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*, (QC Sec. 20), as amended, 3, *Monitoring a CPA Firm's Accounting and Auditing Practice* (QC Sec. 30), and 5, *The Personnel Management Element of a Firm's System of Quality Control—Competencies Required by a Practitioner-in-charge of an Attest Engagement* (QC Sec. 40).

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the REF column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
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?	A612	___	___	___	___
Does it appear engagement personnel possessed an appropriate mix of experience, expertise, and technical training in relation to the complexity or other requirements of the engagement and the involvement of supervisory personnel?	A613	___	___	___	___
Does it appear that the practitioner-in-charge of the engagement possessed the knowledge, skills and abilities (competencies) to fulfill his/her responsibilities on the engagement as noted in par. 8 of QC Sec. 40?	A614	___	___	___	___
Did the personnel assigned to this engagement appear to be familiar with the applicable professional pronouncements (FASB, GASB, AICPA, SEC, etc.)?	A615	___	___	___	___
If required by firm policy, was the staff on this engagement appropriately evaluated?	A616	___	___	___	___
Acceptance and Continuance of Clients and Engagements (QC Sec. 20.14–.16)					
Does it appear that the firm's guidelines for acceptance and continuance of client relationships, including performing specific engagements for the client, were complied with?	A617	___	___	___	___
Engagement Performance (QC Sec. 20.17–.19)					
Were appropriate and knowledgeable engagement and supervisory personnel involved in the planning process?	A618	___	___	___	___
Does it appear that audit planning was adequately documented in the working papers, including any changes in the original plan? (AU Secs. 311 and 339.05)	A619	___	___	___	___
Did the owner/partner (or manager) approve the overall audit plan (including the audit program) as the final planning step and convey approval or modifications to the engagement staff?	A620	___	___	___	___
Does it appear that hours charged by the owner/partner, manager, and where applicable, the concurring reviewer were adequate and appropriately timed to provide for planning and supervision as the job progressed?	A621	___	___	___	___
Were all forms, checklists, or questionnaires, if any, required by firm policy for the following areas adequately completed and modified, where appropriate, for the engagement:					
Planning?	A622	___	___	___	___
Internal control?	A623	___	___	___	___
Audit work program?	A624	___	___	___	___
Financial statement disclosures?	A625	___	___	___	___
Working paper and financial statement reviews?	A626	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If standardized forms, etc., were not used for any of the above areas, is there adequate documentation of these areas?	A627	___	___	___	___
Were the firm’s guidelines for the form and content of audit working papers complied with?	A628	___	___	___	___
If used, were such audit tools as computer auditing or statistical sampling properly evaluated by persons with training in these areas? (AU Sec. 311.10)	A629	___	___	___	___
If required by firm policy, was an appropriate pre-issuance review made of the working papers, report, and financial statements by a person whose position in the firm is commensurate with that responsibility, to determine that the work performed was complete and conformed to professional standards and firm policy and was that review documented?	A630	___	___	___	___
Were any circumstances noted where the firm consulted or should have consulted regarding an engagement matter (i.e., a complex, unusual, or a technical issue) with individuals within the firm, an external party or by researching in applicable professional literature, based on the firm’s policies and procedures or where the complexity or nature of the issue warranted consultation? <input type="checkbox"/> No (skip to question A636) <input type="checkbox"/> Yes (respond to questions A631 to A635)					
If an individual was consulted (internally or externally), does it appear they were aware of all relevant facts and circumstances?	A631	___	___	___	___
If professional literature was researched, does it appear the research was thorough and the sources consulted were complete, correct and up-to-date?	A632	___	___	___	___
Does it appear the person(s) consulted (internally or externally) and/or the individual(s) performing the research had an appropriate level of knowledge, competence, judgment and (if applicable) authority?	A633	___	___	___	___
Based on the facts and circumstances, were the firm’s conclusions reasonable and consistent with professional standards?	A634	___	___	___	___
Is the firm’s report, the financial statements, or other information affected by the matter consistent with the results of the consultation?	A635	___	___	___	___
If the engagement records indicated a difference of opinion between the engagement personnel and/or specialist or other consultant was the difference resolved in accordance with firm policy and was the basis of the resolution appropriately documented?	A636	___	___	___	___

V. EXPLANATION OF "NO" ANSWERS AND OTHER COMMENTS

The following pages are provided for your comments on all "no" answers for which an MFC form was not generated or to expand upon any of the "yes" answers. All "no" answers must be thoroughly explained and reviewed with the engagement owner/partner.

<i>Page Number</i>	<i>Question Number</i>	<i>Explanatory Comments</i>	<i>Disposition of Comments*</i>
------------------------	----------------------------	-----------------------------	-------------------------------------

SEC
PRACTICE
SECTION

* The nature of the disposition of comments may vary, such as:

- Note "resolved" and the manner of resolution.
- Note "not significant" to indicate a "no" answer is appropriate, but that the matter is not significant enough to warrant the preparation of an MFC form.

*Page
Number*

*Question
Number*

Explanatory Comments

*Disposition
of Comments*

SEC
PRACTICE
SECTION

*Page
Number*

*Question
Number*

Explanatory Comments

*Disposition
of Comments*

SEC
PRACTICE
SECTION

*Page
Number*

*Question
Number*

Explanatory Comments

*Disposition
of Comments*

SEC
PRACTICE
SECTION

VI. CONCLUSIONS

EXPLAIN BELOW THE REASONS FOR ANY "YES" ANSWERS. BE SPECIFIC.

Based on the work performed, did anything come to your attention that caused you to believe that:

- The firm did not perform the engagement in all material respects in accordance with generally accepted auditing standards? (See AU Sec. 390 and ET Sec. 202) YES* NO
- The financial statements did not conform with generally accepted accounting principles (or where applicable, a comprehensive basis of accounting other than GAAP) in all material aspects and the auditor's report was not appropriately modified? (See AU Sec. 561 and ET Sec. 203) YES* NO
- The auditor's report was not appropriate in the circumstances? YES* NO
- The documentation on this engagement does not support the firm's opinion on the financial statements? YES* NO
- The firm did not comply with its policies and procedures on this engagement in all material aspects? YES* NO

[The next page is 20,801.]

* If this question is answered "yes," see additional guidance contained in Section 3100.51–.53 of the *Standards for Performing and Reporting on Peer Reviews* in the AICPA *Peer Review Program Manual* or Section 2000.83–.89 in the *SEC Practice Section Reference Manual*.

PRM
20800

Prospective Financial
Engagement

Section 20,800

Prospective Financial Statement Engagement Checklist

Instructions for Use of the Checklist for Review of Prospective Financial Statement Engagements

This checklist was developed for use by reviewers of prospective financial statement engagements. Questions regarding these instructions or any other materials should be directed to AICPA Practice Monitoring at (201) 938-3030.

The questions in this checklist emphasize reporting matters and general procedures ordinarily performed by an independent auditor/accountant in engagements involving prospective financial statements. All "No" answers must be thoroughly explained in Section IV of this checklist.

This checklist is not intended to be a document containing all disclosure and reporting procedures related to prospective financial statements. Rather, it is a summarization of commonly addressed key areas and related concepts or procedures. Therefore, it should be used in conjunction with various reference materials dealing with reporting, disclosure, and procedural issues in order to sufficiently evaluate prospective financial engagements. These additional materials include the AICPA *Checklist Supplement and Illustrative Financial Statements for Prospective Financial Statements*, or other similarly comprehensive disclosure materials, and the AICPA Audit and Accounting Guide *Guide for Prospective Financial Information*.

Note: This checklist has been updated as applicable through SAS No. 94, SSARS No. 8, SSAE No. 10, FAS No. 142, and SOP No. 01-03.

Explanation of References:

AT	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
AU	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
APFI	AICPA Audit and Accounting Guide <i>Guide for Prospective Financial Information</i> (reflects guidance contained in authoritative pronouncements through May 1, 1999)
ET	<i>Code of Professional Conduct</i> AICPA <i>Professional Standards</i> (vol. 2)
FAS	Financial Accounting Standards Board Pronouncements
SAS	AICPA Statements on Auditing Standards
SOP	AICPA Statement of Position
QC	Quality Control Standards AICPA <i>Professional Standards</i> (vol. 2)
SSAE	Statement on Standards for Attestation Engagements
SSARS	Statement on Standards for Accounting and Review Services



ENGAGEMENT PROFILE

Engagement Code No. _____ Office _____

Owner/Partner _____ Date of Financial Statements* _____

Manager _____ Date of Report _____

Date Report Released _____

The responsibility of this engagement involves reporting on:

- 1. compiled forecast results of applying agreed-upon procedures
- compiled projection other prospective financial information
- examination of a projection (describe) _____
- examination of a forecast _____
- SEC engagement

2. that (include) (omit) substantially all required disclosures and

3. that (include) (do not include) supplementary information.

The prospective financial statements are for an entity that is a (an):

- independent entity subsidiary, division or branch
- consolidated or combined group other (explain)

Date that the fee for the prior year's services was paid, if applicable: _____

Type of Industry: _____

Complex or troublesome assumptions and key factors: _____

Hours on this engagement:

Owner/Partner _____

Manager (or equivalent) _____

Senior _____

Other Professionals _____

Total this office _____

Total budgeted _____

* * * * *

Date Engagement Review Performed _____

Date Checklist Reviewed by Team Captain _____

Reviewer _____

Signature _____

* The effective date of all cross-referenced pronouncements should be considered in determining their applicability.

Checklist for Review of Prospective Financial Statement Engagements

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I. REPORT AND FINANCIAL STATEMENTS

Title	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
For a forecast, does the title describe the nature of the presentation and include the word "forecast" or "forecasted"? (APFI, Ch. 8, par. 8.05)	P101	_____	_____	_____	_____
For a projection, is the title descriptive of the presentation and does not imply that a presentation is a forecast? (APFI, Ch. 8, par. 8.05P)	P102	_____	_____	_____	_____
For a projection, does the title describe or refer to any significant hypothetical assumptions? (APFI, Ch. 8, par. 8.05P)	P103	_____	_____	_____	_____
Presentation					
Are the following minimum financial statement items disclosed? (APFI, Ch. 8, par. 8.06)					
(a) Sales or gross revenues?	P104	_____	_____	_____	_____
(b) Gross profit or cost of sales?	P105	_____	_____	_____	_____
(c) Unusual or infrequently occurring items?	P106	_____	_____	_____	_____
(d) Provision for income taxes?	P107	_____	_____	_____	_____
(e) Income from continuing operations?	P108	_____	_____	_____	_____
(f) Discontinued operations or extraordinary items?	P109	_____	_____	_____	_____
(g) Net income and, if applicable, comprehensive income?	P110	_____	_____	_____	_____
(h) Basic and diluted earnings per share?	P111	_____	_____	_____	_____
(i) Significant changes in financial position?	P112	_____	_____	_____	_____
(j) A description of what the responsible party intends the prospective financial information to present, a statement that the assumptions are based on the responsible party's judgment at the time the prospective information was prepared, and a caveat that the forecasted results may not be achieved?	P113	_____	_____	_____	_____
(k) Summary of significant assumptions?	P114	_____	_____	_____	_____
(l) Summary of significant accounting policies?	P115	_____	_____	_____	_____
If item <i>j</i> through <i>l</i> above is omitted, is the accountant's report modified to reflect this deficiency? (APFI, Ch. 8, par. 8.08)	P116	_____	_____	_____	_____
If item <i>k</i> above is not included as an integral part of these financial statements, did the accountant consider withdrawing from the engagement? (APFI, Ch. 10, pars. 10.11, 10.11P, and 10.12)	P117	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of the checklist if no MFC was generated noting the page number in the Ref. column.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If one or more of the omitted items (<i>a</i> through <i>i</i> , above) cannot be derived from the information presented, was guidance for partial presentations of prospective financial information followed? (APFI, Ch. 23 and SOP 90-1 [TPA Sec. 11,150])	P118	___	___	___	___
If the size of the range is so wide that it is not meaningful, or if the range is biased, did the accountant consider withdrawing from the engagement? (APFI, Ch. 10, par. 10.15)	P119	___	___	___	___
Is the number and/or significance of the hypothetical assumptions so large that it may be inappropriate for the responsible party to present a financial projection? (APFI, Ch. 10, par. 10.14P)	P120	___	___	___	___
If the presentation is other than a single-point estimate, is there a clear indication that the presentation does not necessarily represent the best or worst possible alternatives? (APFI, Ch. 8, par. 8.21)	P121	___	___	___	___
If the forecast is supplemented by a financial projection, are both the forecast and projection clearly labeled? (APFI, Ch. 8, par. 8.20)	P122	___	___	___	___
Does the responsible party appear to have a reasonable objective basis for presenting prospective financial statements (APFI, Ch. 8, par. 8.04) and have the underlying assumptions and other issues affecting prospective financial statements been considered in accordance with SOP 92-2 (TPA Sec. 11,200)? (APFI, Ch. 7)	P123	___	___	___	___
Disclosure on the Face of Statements					
Is each page of the prospective financials referenced to the summaries of significant assumptions and accounting policies? (APFI, Ch. 8, par. 8.10)	P124	___	___	___	___
Assumptions					
Has an introduction preceding the summary of assumptions been provided? (APFI, Ch. 8, par. 8.28)	P125	___	___	___	___
For a projection, is an introduction presented that clearly explains any special purpose and limitation of the usefulness of the prospective financial statements? (APFI, Ch. 8, par. 8.29P)	P126	___	___	___	___
Does the introduction include:					
A description of what the responsible party intends the prospective financial statements to present? (APFI, Ch. 8, par. 8.28)	P127	___	___	___	___
A statement that assumptions are not all-inclusive? (APFI, Ch. 8, par. 8.28)	P128	___	___	___	___
If the presentation is a range, a statement that the responsible party expects the results to fall within a range, but that there will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected? (APFI, Ch. 8, par. 8.30)	P129	___	___	___	___
A statement that the assumptions are based on the responsible party's judgment at the time the prospective information was prepared? (APFI, Ch. 8, par. 8.28)	P130	___	___	___	___
A caveat that the prospective results may not be attained? (APFI, Ch. 8, par. 8.28)	P131	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Was the date of completion of the preparation presented in the introduction or elsewhere in the prospective financial statements? (APFI, Ch. 8, par. 8.11)	P132	_____	_____	_____	_____
Do the assumptions disclosed include (APFI, Ch. 8, par. 8.23):					
Assumptions about which there is a reasonable possibility of the occurrence of a variation that may significantly affect the prospective results (sensitive assumptions)?	P133	_____	_____	_____	_____
Assumptions about anticipated conditions expected to be significantly different from current conditions which are not otherwise reasonably apparent?	P134	_____	_____	_____	_____
Other matters deemed important to the prospective information or its interpretation?	P135	_____	_____	_____	_____
For a projection, did the responsible party identify which assumptions in the projection are hypothetical? (APFI, Ch. 8, par. 8.23P)	P136	_____	_____	_____	_____
For a projection, if the hypothetical assumptions are improbable, is this disclosed? (APFI, Ch. 8, par. 8.23P)	P137	_____	_____	_____	_____
Does the presentation indicate which assumptions disclosed appeared particularly sensitive at the time of preparation? (APFI, Ch. 8, par. 8.24)	P138	_____	_____	_____	_____
If an updated prospective presentation is issued, is the reason for updating disclosed in the summary of significant assumptions? (APFI, Ch. 8, par. 8.48)	P139	_____	_____	_____	_____
If an error in the preparation of the forecast is discovered, was consideration given as to whether it was necessary to withdraw the forecast? (APFI, Ch. 8, par. 8.47)	P140	_____	_____	_____	_____
Accounting Principles and Policies					
Is the summary of significant accounting policies used in preparing the prospective financials disclosed or cross-referenced to a presentation elsewhere in the document that contains this information? (APFI, Ch. 8, par. 8.12)	P141	_____	_____	_____	_____
If historical financial statements for prospective periods are expected to be prepared on a comprehensive basis of accounting other than generally accepted accounting principles, are the prospective financial statements prepared on the same basis? (APFI, Ch. 8, par. 8.14)	P142	_____	_____	_____	_____
Is the basis used disclosed (including statement titles) along with the fact that the disclosed basis is different from generally accepted accounting principles? (APFI, Ch. 8, par. 8.14)	P143	_____	_____	_____	_____
For a projection which requires that it be prepared based on other accounting principles, is the use of other accounting principles disclosed? (APFI, Ch. 8, par. 8.13P)	P144	_____	_____	_____	_____
If a different comprehensive basis of accounting is used for the prospective financial statements than is expected to be used for the historical financial statements for the prospective period, is the use of the different basis disclosed? (APFI, Ch. 8, par. 8.15)	P145	_____	_____	_____	_____

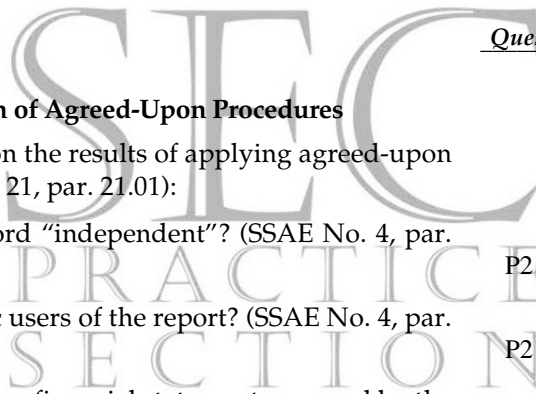
	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If deemed appropriate, are differences in financial position and results of operations arising from the use of different accounting principles reconciled? (APFI, Ch. 8, par. 8.15)	P146	___	___	___	___
If the prospective financial statements give effect to a change in accounting principle from one used in prior period historical financial statements, is the change reported in the prospective information in the same manner that would be used in the historical financial statements? (APFI, Ch. 8, par. 8.16)	P147	___	___	___	___
Reports—Compilation					
Does the accountant's standard report on a compilation of prospective financial statements include (APFI, Ch. 14, par. 14.01):					
An identification of the prospective financial statements presented by the responsible party?	P148	___	___	___	___
A statement that the accountant has compiled the prospective financial statements in accordance with statements issued by the American Institute of Certified Public Accountants?	P149	___	___	___	___
A statement that a compilation is limited in scope and does not enable the accountant to express an opinion or any other form of assurance on the prospective financial statements or the assumptions?	P150	___	___	___	___
A caveat that the prospective results may not be achieved?	P151	___	___	___	___
A statement that the accountant assumes no responsibility to update the report for events and circumstances occurring after the date of the report?	P152	___	___	___	___
If a projection, does the accountant's report include a separate paragraph describing the limitations on the usefulness of the presentation? (APFI, Ch. 14, par. 14.01P)	P153	___	___	___	___
If a range is presented, does the report include a separate paragraph stating that the responsible party has elected to portray the expected results of one or more assumptions as a range? (APFI, Ch. 14, par. 14.03)	P154	___	___	___	___
Was the date of the completion of the compilation procedures used as the date of the report? (APFI, Ch. 14, par. 14.04)	P155	___	___	___	___
If the accountant was not independent, did he/she specifically disclose a lack of independence after the last paragraph of the standard compilation report? (APFI, Ch. 14, par. 14.05)	P156	___	___	___	___
If the historical financial statements that appear in the document were summarized and presented with the prospective financial statements for comparative purposes, was a reference made to the accountant's report on the historical financial statements? (APFI, Ch. 14, par. 14.06)	P157	___	___	___	___
If the accountant expands his/her report to emphasize a matter, was the information presented in a separate paragraph of the accountant's report? (APFI, Ch. 14, par. 14.07)	P158	___	___	___	___
When emphasizing a matter, did the report not give the impression that assurance is being expressed or the degree of responsibility was being expanded concerning such information? (APFI, Ch. 14, par. 14.07)	P159	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the accountant compiled prospective financial statements that contain presentation deficiencies or omit disclosures other than those relating to significant assumptions, is the deficiency or omission clearly indicated in the report? (APFI, Ch. 14, pars. 14.09 and .10)	P160	_____	_____	_____	_____
If the prospective financial statements are presented on a comprehensive basis of accounting other than generally accepted accounting principles and do not include disclosure of the basis of accounting used, is the basis disclosed in the accountant's report? (APFI, Ch. 14, par. 14.11)	P161	_____	_____	_____	_____
Effective when the date of the practitioner's report is on or after June 1, 2001, SSAE No. 10, <i>Attestation Standards: Revision and Recodification</i> , supercedes existing SSAEs Nos. 1–9. Among its changes, SSAE No. 10 provides the following: (1) defines a responsible party as a representative of the entity who is responsible for the subject matter of an attest engagement, (2) allows practitioners to issue an attest report (examination, review, or agreed-upon procedures) on subject matter, or an assertion about the subject matter, that is the responsibility of another party, (3) revises the general attestation standards to allow the practitioner to evaluate subject matter against criteria that are "suitable" and "available to users," and (4) incorporates the guidance from SAS No. 75, <i>Agreed-Upon Procedures Engagements</i> . For attest engagements after the effective date of SSAE No. 10 and consistent with the added elements in compilation reports on prospective financial statements, did the practitioner:					
Provide a manual or printed signature on the report? (SSAE No. 10, par. 3.18f and AT Sec. 301.18f)	P162	_____	_____	_____	_____
Properly date the compilation report? (SSAE No. 10, par. 3.18g and AT Sec. 301.18g)	P163	_____	_____	_____	_____
If the compilation report is on a presentation that is a projection:					
Does the compilation report include a statement describing the special purpose for which the projection was prepared? (SSAE No. 10, par. 3.20 and AT Sec. 301.20)	P164	_____	_____	_____	_____
Does the compilation report include a separate paragraph that restricts the use of the report because it is intended to be used solely by the specified parties? (SSAE No. 10, par. 3.20 and AT Sec. 301.20)	P165	_____	_____	_____	_____
Reports—Examination					
Does the accountant's standard report on an examination of the prospective financial statements include (APFI, Ch. 17, par. 17.01):					
An identification of the prospective financial statements presented?	P166	_____	_____	_____	_____
A statement that the examination was made in accordance with AICPA standards and a brief description of the nature of such an examination?	P167	_____	_____	_____	_____
The accountant's opinion that the prospective financial statements are presented in conformity with AICPA presentation guidelines and that the underlying assumptions provide a reasonable basis for the forecast or a reasonable basis for the projection given the hypothetical assumptions?	P168	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
A caveat that the prospective results may not be achieved?	P169	_____	_____	_____	_____
A statement that the accountant assumes no responsibility to update the report for events and circumstances occurring after the date of the report?	P170	_____	_____	_____	_____
In the examination of a projection, is the opinion regarding assumptions conditioned on the hypothetical assumptions? (APFI, Ch. 17, par. 17.02P)	P171	_____	_____	_____	_____
Does the report include a separate paragraph describing the limitations on the usefulness of the presentation? (APFI, Ch. 17, par. 17.01P)	P172	_____	_____	_____	_____
If a range is presented, does the report include a separate paragraph stating that the responsible party has elected to portray the expected results of one or more assumptions as a range? (APFI, Ch. 17, par. 17.03)	P173	_____	_____	_____	_____
Is the date of completion of the accountant's examination procedures used as the date of the report? (APFI, Ch. 17, par. 17.05)	P174	_____	_____	_____	_____
If, in the accountant's opinion, the prospective financial statements depart from AICPA presentation guidelines, was a qualified or adverse opinion expressed? (APFI, Ch. 17, par. 17.06)	P175	_____	_____	_____	_____
If the presentation, including the summary of significant assumptions, fails to disclose any assumptions that, at the time, appear to be significant, did the accountant describe the assumptions in the report and issue an adverse opinion? (APFI, Ch. 17, pars. 17.10 and 17.10P)	P176	_____	_____	_____	_____
If the accountant believes that one or more significant assumptions do not provide a reasonable basis for the forecast, or a reasonable basis for the projection given the hypothetical assumptions, was an adverse opinion expressed? (APFI, Ch. 17, pars. 17.06a and b, and 17.06P)	P177	_____	_____	_____	_____
If the accountant's examination is affected by conditions that preclude application of one or more procedures considered necessary in the circumstances, was an opinion disclaimed and the scope limitation described? (APFI, Ch. 17, par. 17.06c)	P178	_____	_____	_____	_____
In a qualified opinion, did the accountant state all of the substantive reasons for the modification of the opinion and describe the departure from AICPA presentation guidelines in a separate paragraph of the report? (APFI, Ch. 17, par. 17.07)	P179	_____	_____	_____	_____
If the accountant's report is qualified (APFI, Ch. 17, pars. 17.07–.15):					
Does the opinion include the words "except" or "exception" as the qualifying language?	P180	_____	_____	_____	_____
Does the opinion paragraph refer to the separate explanatory paragraph?	P181	_____	_____	_____	_____
If a measurement departure, an unreasonable assumption, or a limitation on the scope of the accountant's examination has led the accountant to conclude that an unqualified opinion cannot be expressed, did the report contain an adverse opinion, or a disclaimer of opinion based on the circumstances?	P182	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If an adverse opinion was expressed, did the accountant state all of the substantive reasons for such an opinion in a separate paragraph?	P183	_____	_____	_____	_____
If applicable, does the opinion state that the presentation is not in conformity with presentation guidelines?	P184	_____	_____	_____	_____
When applicable, does the opinion paragraph state that, in the accountant's opinion, the assumptions do not provide a reasonable basis for the prospective financial statements?	P185	_____	_____	_____	_____
If the use of the report has been restricted, have the applicable provisions of SAS No. 87 been complied with?	P186	_____	_____	_____	_____
If a disclaimer of opinion was expressed, does the opinion include:					
The reasons why the examination did not comply with standards for an examination?	P187	_____	_____	_____	_____
That the scope of the examination was not sufficient to warrant the expression of an opinion on the presentation or the underlying assumptions? and	P188	_____	_____	_____	_____
A direct reference to the explanatory paragraph?	P189	_____	_____	_____	_____
Effective when the date of the practitioner's report is on or after June 1, 2001, SSAE No. 10, <i>Attestation Standards: Revision and Recodification</i> , supersedes existing SSAEs Nos. 1-9. For attest engagements after the effective date of SSAE No. 10 and consistent with the added elements in examination reports on prospective financial statements, did the practitioner:					
Include the word independent? (SSAE No. 10, par. 3.33a and AT Sec. 301.33a)	P190	_____	_____	_____	_____
Identify the responsible party and a statement that the prospective financial statements are the responsibility of the responsible party? (SSAE No. 10, par. 3.33c and AT Sec. 301.33c)	P191	_____	_____	_____	_____
Include a statement that the practitioner's responsibility is to express an opinion on the prospective financial statements based on his or her examination? (SSAE No. 10, par. 3.33d and AT Sec. 301.33d)	P192	_____	_____	_____	_____
Include a statement that the practitioner believes that the examination provides a reasonable basis for his or her opinion? (SSAE No. 10, par. 3.33f and AT Sec. 301.33f)	P193	_____	_____	_____	_____
Provide a manual or printed signature? (SSAE No. 10, par. 3.33j and AT Sec. 301.33j)	P194	_____	_____	_____	_____
Properly date the examination report? (SSAE No. 10, par. 3.33k and AT Sec. 301.33k)	P195	_____	_____	_____	_____
If the examination report is on a presentation that is a projection:					
Does the examination report include a statement describing the special purpose for which the projection was prepared? (SSAE No. 10, par. 3.35 and AT Sec. 301.35)	P196	_____	_____	_____	_____
Does the examination report include a separate paragraph that restricts the use of the report because it is intended to be used solely by the specified parties? (SSAE No. 10, par. 3.35 and AT Sec. 301.35)	P197	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Reports—Examination of a Forecast—Public Offering					
Does the accountant have a reasonable basis to consent to the use of the report in a 1933 Act filing? (APFI, Ch. 18, par. 18.04)	P198	_____	_____	_____	_____
Did the accountant perform the applicable steps below to determine that he/she had a reasonable basis for such consent (APFI, Ch. 18, par. 18.04):					
Did the accountant perform procedures for the period from the date of examination up to the consent date and as is reasonable and practical in circumstances?	P199	_____	_____	_____	_____
Did the accountant read the latest interim financial statements, operating reports, and any relevant information such as budgets?	P200	_____	_____	_____	_____
Did the accountant consider prospective results in relation to actual results achieved in the interim period?	P201	_____	_____	_____	_____
Did the accountant inquire whether or not accounting principles used are consistent with the principles used in preparing the forecast?	P202	_____	_____	_____	_____
Did the accountant read the prospectus and other pertinent portions of the registration statement and consider that information in relation to prospective results and summary of significant assumptions?	P203	_____	_____	_____	_____
Did the accountant inquire of and obtain written representations from the responsible party as to whether there are any events, plans, or expectations that may require the forecast to be modified, or that should be disclosed in order that the forecast reflect the responsible party's judgment based on present circumstances of the expected conditions and its expected course of action?	P204	_____	_____	_____	_____
Did the accountant read the minutes of the board of directors and related committees?	P205	_____	_____	_____	_____
Did the accountant make additional inquiries or perform such procedures as were considered necessary to dispose of questions that arose in carrying out the foregoing procedures?	P206	_____	_____	_____	_____
If the accountant believes that the forecast, including the summary of significant assumptions, should be revised, was the client requested to revise its forecast and, if engaged to do so, did the accountant examine the revised forecast? (APFI, Ch. 18, par. 18.05)	P207	_____	_____	_____	_____
If the client does not make appropriate revisions to the forecast, did the accountant refuse his/her consent to the use of the report in the registration statement? (APFI, Ch. 18, par. 18.05)	P208	_____	_____	_____	_____
Is the accountant's consent in writing? (APFI, Ch. 18, par. 18.06)	P209	_____	_____	_____	_____
Is the consent for the 1933 Act filing manually signed and dated? (APFI, Ch. 18, par. 18.06)	P210	_____	_____	_____	_____
Is the consent dated at or near the effective date of the registration statement? (APFI, Ch. 18, par. 18.07)	P211	_____	_____	_____	_____
Is the "experts" section of the registration statement worded so that there is no implication that the forecast has been prepared by the accountant or that the forecast is not the direct responsibility of the responsible party? (APFI, Ch. 18, par. 18.09)	P212	_____	_____	_____	_____



Reports—Application of Agreed-Upon Procedures

Does the accountant's report on the results of applying agreed-upon procedures include (APFI, Ch. 21, par. 21.01):

A title that includes the word "independent"? (SSAE No. 4, par. 54a)

Ques. N/A Yes No Ref.

P213

___ ___ ___ ___

Identification of the specific users of the report? (SSAE No. 4, par. 54b)

P214

___ ___ ___ ___

A reference to the prospective financial statements covered by the report and the character of the engagement? (SSAE No. 4, par. 54c)

P215

___ ___ ___ ___

A statement that the procedures performed were those agreed to by the specified users identified in the report, and wording to describe or clarify the purpose of the engagement? (SSAE No. 4, par. 54d)

P216

___ ___ ___ ___

A reference to standards established by the AICPA? (SSAE No. 4, par. 54e)

P217

___ ___ ___ ___

A statement that the sufficiency of the procedures is solely the responsibility for the specified users and a disclaimer of responsibility for the sufficiency of those procedures? (SSAE No. 4, par. 54f)

P218

___ ___ ___ ___

A list of the procedures performed (or reference thereto) and related findings? (The accountant should not provide negative assurance.) (SSAE No. 4, par. 54g)

P219

___ ___ ___ ___

Where applicable, a description of any agreed-upon materiality limits? (SSAE No. 4, par. 54h)

P220

___ ___ ___ ___

A statement that the accountant was not engaged to, and did not, perform an examination of prospective financial statements; a disclaimer of opinion on whether the presentation of the prospective financial statements is in conformity with AICPA presentation guidelines and on whether the underlying assumptions provide a reasonable basis for the projection, or a reasonable basis for the projection given the hypothetical assumptions, and a statement that if the accountant had performed additional procedures, other matters might have come to his or her attention that would have been reported? (SSAE No. 4, par. 54i)

P221

___ ___ ___ ___

A statement of restrictions on the use of the report because it is intended to be used solely by the specified users? (SSAE No. 4, par. 54j)

P222

___ ___ ___ ___

Where applicable, reservations or restrictions concerning procedures or findings? (SSAE No. 4, par. 54k)

P223

___ ___ ___ ___

A caveat that the prospective results may not be achieved? (SSAE No. 4, par. 54l)

P224

___ ___ ___ ___

A statement that the accountant assumes no responsibility to update the report for events and circumstances occurring after the date of the report? (SSAE No. 4, par. 54m)

P225

___ ___ ___ ___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Where applicable, a description of the nature of the assistance provided by a specialist? (SSAE No. 4, par. 54n)	P226	___	___	___	___
Were the results of applying the agreed-upon procedures presented in the form of findings (negative assurance should not be provided)? (APFI, Ch. 21, par. 21.02)	P227	___	___	___	___
Were all findings from the application of the agreed-upon procedures reported (unless a definition of materiality is agreed upon by the specified users)? (APFI, Ch. 21, par. 21.03)	P228	___	___	___	___
In reporting findings, was vague or ambiguous language avoided? (APFI, Ch. 21, par. 21.04)	P229	___	___	___	___
Effective when the date of the practitioner’s report is on or after June 1, 2001, SSAE No. 10, <i>Attestation Standards: Revision and Recodification</i> , supercedes existing SSAEs Nos. 1–9. Among its changes, SSAE No. 10 provides the following: (1) defines a responsible party as a representative of the entity who is responsible for the subject matter of an attest engagement, and (2) incorporates the guidance from SAS No. 75, <i>Agreed-Upon Procedures Engagements</i> . For agreed-upon procedures engagements after the effective date of SSAE No. 10 adds certain elements to the practitioners report. For reports on agreed-upon procedures engagements on prospective financial statements after the effective date and consistent with the added elements in the report, did the practitioner:					
Identify the responsible party and a statement that the prospective financial statements are the responsibility of the responsible party? (SSAE No. 10, par. 3.55e and AT Sec. 301.55e)	P230	___	___	___	___
Include a manual or printed signature of the practitioner’s firm? (SSAE No. 10, par. 3.55p and AT Sec. 301.55p)	P231	___	___	___	___
Include the report date? (SSAE No. 10, par. 3.55q and AT Sec. 301.55q)	P232	___	___	___	___

II. WORKING PAPERS

<i>Ques.</i>	<i>N/A*</i>	<i>Yes</i>	<i>No</i>	<i>Ref.**</i>
Are the accountant's working papers in connection with the compilation or examination of, or the application of agreed-upon procedures to, prospective financial statements appropriate in the circumstances? (APFI, Ch. 12, par. 12.11 for compilations and APFI, Ch. 15, par. 15.41 for examinations, and APFI, Ch. 19, par. 19.10 for agreed-upon procedures)	P233	_____	_____	_____
For compilations, do the working papers indicate that (APFI, Ch. 12, par. 12.11):				
The work was adequately planned and supervised?	P234	_____	_____	_____
The required compilation procedures were performed as a basis for the compilation report?	P235	_____	_____	_____
For an examination, do the working papers indicate that (APFI, Ch. 15, par. 15.41):				
The work was adequately planned and supervised?	P236	_____	_____	_____
The process by which the entity developed its prospective financial information was considered in determining the scope of the examination?	P237	_____	_____	_____
Sufficient evidence was obtained to provide a reasonable basis for the accountant's report?	P238	_____	_____	_____
For agreed-upon procedures, do the working papers indicate that (APFI, Ch. 19, par. 19.10):				
The work was adequately planned and supervised?	P239	_____	_____	_____
Evidential matter was obtained to provide a reasonable basis for the finding or findings expressed in the accountant's report?	P240	_____	_____	_____
Did the accountant:				
Establish an understanding with the client, preferably in writing? (APFI, Ch. 12, par. 12.10 for a compilation and APFI, Ch. 15, par. 15.12 for an examination and Ch. 19, par. 19.05 for attest engagements)	P241	_____	_____	_____
For examination and agreed-upon procedures engagements, obtain knowledge of the entity's business, accounting principles and key factors upon which its future financial results appear to depend? (APFI, Ch. 12, par. 12.07 or Ch. 15, par. 15.10)	P242	_____	_____	_____
Perform the appropriate procedures:				
For compilations, by listing or obtaining a list of the responsible party's significant assumptions, and consider whether there were any obvious omissions in light of the key factors on which the prospective results appear to depend? (APFI, Ch. 12, par. 12.10)	P243	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of the checklist if no MFC was generated noting the page number in the Ref. column.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
For examinations by performing those procedures the accountant considers necessary in the circumstances to report on whether the assumptions provide a reasonable basis for the prospective financial information? (APFI, Ch. 15, par. 15.20)	P244	_____	_____	_____	_____
For agreed-upon procedures, inspection of specified documents evidencing certain types of transactions or detailed attributes thereof, and confirmation of specific information with third parties? (APFI, Ch. 19, par. 19.08)	P245	_____	_____	_____	_____
Perform or test the mathematical accuracy of computations that translate the assumptions into the prospective amounts in the prospective financial statements? (APFI, Ch. 12, par. 12.10, Ch. 15, par. 15.35 and Ch. 19, par. 19.08)	P246	_____	_____	_____	_____
Obtain written representations from the responsible party acknowledging its responsibility for both the presentation and the underlying assumptions? (APFI, Ch. 12, par. 12.10 or Ch. 15, par. 15.37, and Ch. 19, pars. 19.14 and .15)	P247	_____	_____	_____	_____
If the work of a specialist was used in an examination, was the guidance provided in SAS No. 73, "Using the Work of a Specialist" followed? (APFI, Ch. 15, par. 15.39)	P248	_____	_____	_____	_____
Were the following conditions met for applying agreed-upon procedures (APFI, Ch. 19, par. 19.01a-j):					
The accountant is independent?	P249	_____	_____	_____	_____
The accountant and the specified users agree upon the procedures performed or to be performed by the accountant?	P250	_____	_____	_____	_____
The specified users take responsibility for the sufficiency of the agreed-upon procedures for their purposes?	P251	_____	_____	_____	_____
The prospective financial statements include a summary of significant assumptions?	P252	_____	_____	_____	_____
The prospective financial statements to which the procedures are to be applied are subject to reasonably consistent estimation or measurement?	P253	_____	_____	_____	_____
The accountant and the specified users agreed upon the criteria to be used in the determination of findings?	P254	_____	_____	_____	_____
The procedures to be applied to the prospective financial statements are expected to result in reasonably consistent findings using the criteria?	P255	_____	_____	_____	_____
Evidential matter related to the prospective financial statements to which the procedures are applied is expected to exist in order to provide a reasonable basis for expressing the findings in the accountant's report?	P256	_____	_____	_____	_____
Where applicable, a description of any agreed-upon materiality limits for reporting purposes?	P257	_____	_____	_____	_____
Use of the report is to be restricted to the specified users?	P258	_____	_____	_____	_____

III. FUNCTIONAL AREAS[†]

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Independence, Integrity, and Objectivity (QC Sec. 20.09 and .10)					
If anything has been noted that may indicate a lack of independence, integrity, and objectivity was the matter identified and appropriately resolved by the firm and its effects appropriately considered? (ET Sec. 102)	P301	_____	_____	_____	_____
Have personnel been appropriately advised of the need to observe independence, integrity, and objectivity requirements concerning the client and any related nonclient parent, investor, investee, subsidiary, or affiliate?	P302	_____	_____	_____	_____
Was appropriate assurance of independence obtained from other firms engaged to audit segments or component units of the entity?	P303	_____	_____	_____	_____
Were the fees (billed/unbilled) for prior years' services paid prior to issuance of the report for the current engagement? (ET Sec. 191.103 and .104)	P304	_____	_____	_____	_____
For SEC clients, if the fees (billed/unbilled) for prior years' services were not paid prior to the commencement of the current engagement, were the SEC's rules for unpaid professional fees adhered to?	P305	_____	_____	_____	_____
Personnel Management (QC Sec. 20.11–.13)					
Were scheduling and staffing requirements identified on a timely basis and approved by appropriate personnel?	P306	_____	_____	_____	_____
Does it appear engagement personnel possessed an appropriate mix of experience or expertise and technical training in relation to the complexity or other requirements of the engagement and the involvement of supervisory personnel?	P307	_____	_____	_____	_____
Does it appear that the practitioner in charge of the engagement possessed the following knowledge, skills, and abilities (competencies) to fulfill their responsibilities on the engagement:					
An understanding of the role of the firm's system of quality control and the AICPA's <i>Code of Professional Conduct</i> ?	P308	_____	_____	_____	_____
An understanding of the performance, supervision, and reporting aspects of the engagement?	P309	_____	_____	_____	_____
An understanding of the applicable accounting, auditing, or attestation professional standards including those standards directly related to the industry in which a client operates?	P310	_____	_____	_____	_____

[†] The AICPA's *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice* provides guidance on how to develop and implement a system of quality control for a firm's accounting and auditing practice in compliance with the requirements of Statements on Quality Control Standards Nos. 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice* (QC Sec. 20), as amended, 3, *Monitoring a CPA Firm's Accounting and Auditing Practice* (QC Sec. 30), and 5, *The Personnel Management Element of a Firm's System of Quality Control—Competencies Required by a Practitioner-in-charge of an Attest Engagement* (QC Sec. 40).

* The N/A column should be used when the item either does not exist or is not material.

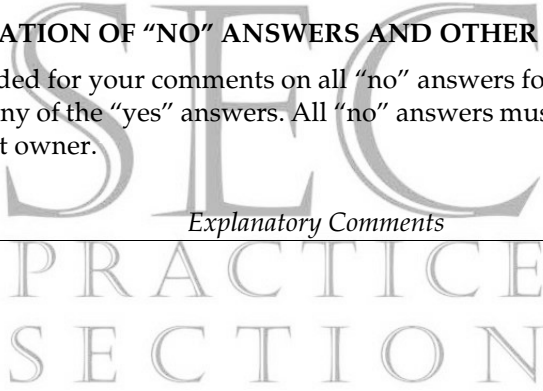
** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of the checklist if no MFC was noting the page number in the Ref. column generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
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?	P311	___	___	___	___
Skills that indicate sound professional judgment?	P312	___	___	___	___
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?	P313	___	___	___	___
Does it appear that the practitioner-in-charge of the engagement possessed the knowledge, skills and abilities (competencies) to fulfill his/her responsibilities on the engagement as noted in par. 8 of QC Sec. 40?	P314	___	___	___	___
Did the personnel assigned to this engagement appear to be familiar with the applicable professional pronouncements (FASB, GASB, AICPA, SEC, etc.)?	P315	___	___	___	___
If required by firm policy, was the staff on this engagement appropriately evaluated?	P316	___	___	___	___
Acceptance and Continuance of Clients and Engagements (QC Sec. 20.14–.16)					
Does it appear that the firm's guidelines for acceptance and continuance of client relationships, including performing specific engagements for the client, were complied with?	P317	___	___	___	___
Engagement Performance (QC Sec. 20.17–.19)					
Were appropriate and knowledgeable engagement and supervisory personnel involved in the planning process?	P318	___	___	___	___
Does it appear that planning was adequately documented in the working papers, including any changes in the original plan? (AU Secs. 311 and 339.05)	P319	___	___	___	___
Did the owner/partner (or manager) approve the overall engagement plan as the final planning step and convey approval or modifications to the engagement staff?	P320	___	___	___	___
Does it appear that hours charged by the owner/partner and manager were adequate and appropriately timed to provide for planning and supervision as the job progressed?	P321	___	___	___	___
Were all forms, checklists, or questionnaires, if any, required by firm policy for the following areas adequately completed and modified, where appropriate, for the engagement:					
Planning?	P322	___	___	___	___
Work program?	P323	___	___	___	___
Disclosure and reporting checklist?	P324	___	___	___	___
Working paper and prospective financial statement reviews?	P325	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If standardized forms, etc., were not used for any of the above areas, is there adequate documentation of these areas?	P326	_____	_____	_____	_____
Were the firm's guidelines for the form and content of audit working papers complied with?	P327	_____	_____	_____	_____
If required by firm policy, was an appropriate pre-issuance review made of the working papers, report, and prospective financial statements by a person whose position in the firm is commensurate with that responsibility, to determine that the work performed was complete and conformed to professional standards and firm policy, and was that review documented?	P328	_____	_____	_____	_____
Were any circumstances noted where the firm consulted or should have consulted regarding an engagement matter (i.e., a complex, unusual, or a technical issue) with individuals within the firm, an external party or by researching in applicable professional literature, based on the firm's policies and procedures or where the complexity or nature of the issue warranted consultation? <input type="checkbox"/> No (skip to question P334) <input type="checkbox"/> Yes (respond to questions P329 to P333)					
If an individual was consulted (internally or externally), does it appear they were aware of all relevant facts and circumstances?	P329	_____	_____	_____	_____
If professional literature was researched, does it appear the research was thorough and the sources consulted were complete, correct and up-to-date?	P330	_____	_____	_____	_____
Does it appear the person(s) consulted (internally or externally) and/or the individual(s) performing the research had an appropriate level of knowledge, competence, judgment and (if applicable) authority?	P331	_____	_____	_____	_____
Based on the facts and circumstances, were the firm's conclusions reasonable and consistent with professional standards?	P332	_____	_____	_____	_____
Is the firm's report, the financial statements, or other information affected by the matter consistent with the results of the consultation?	P333	_____	_____	_____	_____
If the engagement records indicated a difference of opinion between the engagement personnel and/or specialist or other consultant was the difference resolved in accordance with firm policy and was the basis of the resolution appropriately documented?	P334	_____	_____	_____	_____

IV. EXPLANATION OF "NO" ANSWERS AND OTHER COMMENTS

The following pages are provided for your comments on all "no" answers for which an MFC form was not generated or to expand upon any of the "yes" answers. All "no" answers must be thoroughly explained and reviewed with the engagement owner.

<i>Page Number</i>	<i>Question Number</i>	<i>Explanatory Comments</i>	<i>Disposition of Comments*</i>
			

* The nature of the disposition of comments may vary, such as:

- Note "resolved" and the manner of resolution.
- Note "not significant" to indicate a "no" answer is appropriate but that the matter is not significant enough to warrant the preparation of an MFC form.

*Page
Number*

*Question
Number*

Explanatory Comments

*Disposition
of Comments*

SEC
PRACTICE
SECTION

*Page
Number*

*Question
Number*

Explanatory Comments

*Disposition
of Comments*

SEC
PRACTICE
SECTION

*Page
Number*

*Question
Number*

Explanatory Comments

*Disposition
of Comments*

SEC
PRACTICE
SECTION

Note: Attach additional sheets if required.

V. CONCLUSIONS

EXPLAIN BELOW THE REASONS FOR ANY "YES" ANSWERS. BE SPECIFIC.

Based on the work performed, did anything come to your attention that caused you to believe that:

- The firm did not perform the engagement in all material respects in accordance with professional standards (see ET Sec. 202)? YES NO
- The prospective financial statements were not presented fairly in all material respects and the firm's report was not appropriately modified (see ET Sec. 203)? YES NO
- The firm's report was not appropriate in the circumstances? YES NO
- The documentation on this engagement does not support the firm's report on the prospective financial statements? YES NO
- The firm did not comply with its policies and procedures on this engagement in all material respects? YES NO

[The next page is 20,901.]

* If the question is answered "yes," see additional guidance contained in Section 3100.51-.53 of the *Standards for Performing and Reporting on Peer Reviews* in the AICPA *Peer Review Program Manual* or Section 2000.83-.89 in the *SEC Practice Section Reference Manual*.

SEC
PRACTICE
SECTION

PRM
20900

Agree-Upon Procedures
Engagement

Section 20,900

Agreed-Upon Procedures Engagement Checklist*



ENGAGEMENT PROFILE

Engagement Code No. _____ Office _____
 Owner/Partner _____ Period Covered _____
 Manager _____ Date of Report _____
 Concurring Reviewer** _____ Date Report Released _____

This engagement involves reporting under:

- Statement on Auditing Standards No. 75***
- Statements on Standards for Attestation Engagements (AT Sec. 600)***

Financial or Other Information Involved: _____

The procedures are for an entity that is a (an):

- independent entity
- consolidated or combined group
- subsidiary, division or branch
- other (explain)

Date that the fees for the prior year's services were paid, if applicable:

Type of industry:

Complex or troublesome areas:

Hours on this engagement:

Owner/Partner _____
 Manager (or equivalent) _____
 Concurring Reviewer _____
 Senior/Other Professionals _____
 Total this office _____

Total budgeted _____

* * * * *

Date Engagement Review Performed _____

Date Checklist Reviewed by Team Captain _____

Reviewer _____

Signature _____

* Reviews of agreed-upon procedures of financial forecasts and projections engagements performed under AT Section 200 of the Statements on Standards for Attestation Engagements should be documented using the Prospective Financial Statement Engagement Checklist (Sec. 20,800).

** Not applicable unless required by firm policy.

*** Effective for agreed-upon procedures for which the subject matter or assertion is as of or for a period ending on or after June 1, 2001, Statement on Auditing Standards No. 75, *Engagements to Apply Agreed-Upon Procedures to Specified Elements, Accounts, or Items of a Financial Statement*, is withdrawn. As of June 1, 2001, the guidance of AT Section 201 applies to all agreed-upon procedures engagements.

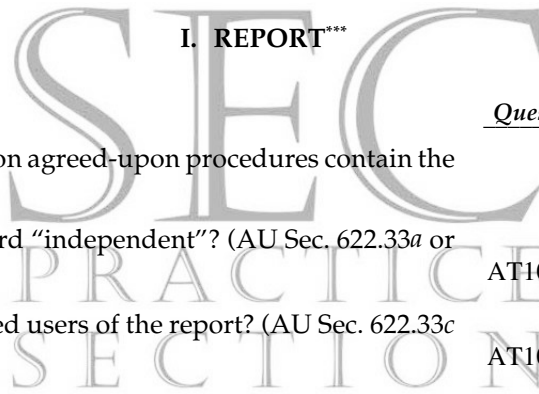
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Note: This checklist has been updated through SAS No. 94, SSAE No. 10, and SOP 01-3.

Explanation of References:

AU	Reference to codified Statements on Auditing Standards section number in AICPA <i>Professional Standards</i> (vol. 1)
AT	Reference to codified Statements on Standards for Attestation Engagements section number in AICPA <i>Professional Standards</i> (vol. 1)
ET	<i>Code of Professional Conduct</i> in AICPA <i>Professional Standards</i> (vol. 2)
QC	Quality Control Standards in AICPA <i>Professional Standards</i> (vol. 2)
SOP	AICPA Statement of Position [included in the AICPA <i>Technical Practice Aids</i> (TPA), vol. 2]



I. REPORT***

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No**</u>	<u>Ref.</u>
Does the practitioner’s report on agreed-upon procedures contain the following elements:					
A title that includes the word “independent”? (AU Sec. 622.33a or AT Sec. 600.33a)	AT101	___	___	___	___
Identification of the specified users of the report? (AU Sec. 622.33c or AT Sec. 600.33b)	AT102	___	___	___	___
Reference to the character of the engagement and to the specified elements, accounts, or items of a financial statement of an identified entity or to the assertion? (AU Sec. 622.33b or AT Sec. 600.33c)	AT103	___	___	___	___
If performed under the auditing standards, the basis of accounting of the specified elements, accounts, or items of a financial statement unless clearly evident? (AU Sec. 622.33d)	AT104	___	___	___	___
If performed under the attestation standards, a reference to the criteria against which the assertion was measured? (AT Sec. 100.50)	AT105	___	___	___	___
A statement that the procedures performed were those agreed to by the specified users identified in the report? (AU Sec. 622.33e or AT Sec. 600.33d)	AT106	___	___	___	___
Reference to standards established by the AICPA? (AU Sec. 622.33f or AT Sec. 600.33e)	AT107	___	___	___	___
A statement that the sufficiency of the procedures is solely the responsibility of the specified users and a disclaimer of responsibility for the sufficiency of those procedures? (AU Sec. 622.33g or AT Sec. 600.33f)	AT108	___	___	___	___
A list of the procedures performed (or reference thereto) and related findings? (The practitioner should not provide negative assurance.) (AU Sec. 622.33h or AT Sec. 600.33g)	AT109	___	___	___	___
Where applicable, a description of any agreed-upon materiality limits? (AU Sec. 622.33i or AT Sec. 600.33h)	AT110	___	___	___	___
A statement that the practitioner was not engaged to, and did not, perform an audit of the specified elements, accounts, or items or an examination of the assertion, a disclaimer of opinion on the specified elements, accounts, or items or on the assertion, and a statement that if the practitioner had performed additional procedures, other matters might have come to his or her attention that would have been reported? (AU Sec. 622.33j or AT Sec. 600.33i)	AT111	___	___	___	___

* The N/A column should be used when the item either does not exist or is not material.

** All “no” answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

*** Effective for agreed-upon procedures for which the subject matter or assertion is as of or for a period ending on or after June 1, 2001, Statement on Auditing Standards No. 75, *Engagements to Apply Agreed-Upon Procedures to Specified Elements, Accounts, or Items of a Financial Statement*, is withdrawn. As of June 1, 2001, the guidance of AT Section 201 (formerly AT Sec. 600) applies to all agreed upon procedures engagements.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
A disclaimer on the effectiveness of the internal control over financial reporting or any part thereof, if while performing a SAS No. 75 engagement on specified elements, accounts, or items of a financial statement, the accountant also performs agreed-upon procedures on part of an entity's internal control over financial reporting (AU Sec. 622.33k)?	AT112	___	___	___	___
A statement of restrictions on the use of the report because it is intended to be used solely by the specified users? (AU Sec. 622.33l or AT Sec. 600.33j)	AT113	___	___	___	___
If the report is a matter of public record, does it include a sentence stating: "However, this report is a matter of public record and its distribution is not limited"? (AU Sec. 622.33l or AT Sec. 600.33j)	AT114	___	___	___	___
Where applicable, reservations or restrictions concerning procedures or findings? (AU Sec. 622.33m or AT Sec. 600.33k)	AT115	___	___	___	___
Where applicable, a description of the nature of the assistance provided by a specialist? (AU Sec. 622.33n or AT Sec. 600.33m)	AT116	___	___	___	___
Is the report dated the date of completion of the agreed-upon procedures? (AU Sec. 622.36 or AT Sec. 600.36)	AT117	___	___	___	___
Are the results presented in the form of finding? (AU Sec. 622.33h and AT Sec. 600.26)	AT118	___	___	___	___
If requested to add additional users, did the practitioner obtain affirmative acknowledgment from the additional parties agreeing to the procedures performed and of their taking responsibility for the sufficiency of the procedures? (AU Sec. 622.38 or AT Sec. 600.38)	AT119	___	___	___	___
If the provisions of SAS No. 87, <i>Restricting the Use of an Auditor's Report</i> , were applicable, does the auditor's report specify language that restricts its use to specified parties? (AU Sec. 532.19)	AT120	___	___	___	___

II. GENERAL AGREED-UPON PROCEDURES***

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No**</u>	<u>Ref.</u>
Were the following conditions met for applying agreed-upon procedures:					
The practitioner was independent? (AU Sec. 622.09a or AT Sec. 600.10a)	AT201	_____	_____	_____	_____
If performed under the attestation standards, the responsible party provided the assertion in writing to the practitioner prior to the issuance of his or her report? (AT Sec. 600.10b)	AT202	_____	_____	_____	_____
The practitioner and the specified users agreed upon the procedures performed or to be performed by the practitioner? (AU Sec. 622.09b or AT Sec. 600.10c)	AT203	_____	_____	_____	_____
The specified users took responsibility for the sufficiency of the agreed-upon procedures for their purposes? (AU Sec. 622.09c or AT Sec. 600.10d)	AT204	_____	_____	_____	_____
The specific subject matter to which the procedures were applied were subject to reasonably consistent estimation or measurement? (AU Sec. 622.09f or AT Sec. 600.10e)	AT205	_____	_____	_____	_____
If performed under the attestation standards, the criteria to be used in the determination of findings were agreed upon between the practitioner and the specified users? (AT Sec. 600.10f)	AT206	_____	_____	_____	_____
If performed under the auditing standards, the basis of accounting of the specified elements, accounts, or items of a financial statement was clearly evident to the specified users and the practitioner? (AU Sec. 622.09e)	AT207	_____	_____	_____	_____
The procedures to be performed were expected to result in reasonably consistent findings? (AU Sec. 622.09d or AT Sec. 600.10g)	AT209	_____	_____	_____	_____
Evidential matter related to the specific subject matter to which the procedures were applied, provided a reasonable basis for expressing the findings in the practitioner's report? (AU Sec. 622.09g or AT Sec. 600.10h)	AT210	_____	_____	_____	_____
Where applicable, the practitioner and the specified users agreed on any materiality limits for reporting purposes? (AU Sec. 622.09h or AT Sec. 600.10i)	AT211	_____	_____	_____	_____
Use of the report was restricted to the specified users? (AU Sec. 622.09i or AT Sec. 600.10j)	AT212	_____	_____	_____	_____
Did the practitioner follow the general, fieldwork, and reporting standards for attestation engagements? (AT Sec. 100)	AT213	_____	_____	_____	_____
Did the practitioner communicate directly with and obtain affirmative acknowledgment from each of the specified users? (AU Sec. 622.10 or AT Sec. 600.11)	AT214	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

*** Effective for agreed-upon procedures for which the subject matter or assertion is as of or for a period ending on or after June 1, 2001, Statement on Auditing Standards No. 75, *Engagements to Apply Agreed-Upon Procedures to Specified Elements, Accounts, or Items of a Financial Statement*, is withdrawn. As of June 1, 2001, the guidance of AT Section 201 applies to all agreed-upon procedures engagements.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If no, were appropriate alternative procedures performed, such as comparing the procedures to be applied to written requirements of the specified users, discussing the procedures to be applied with appropriate representatives of the specified users involved, or reviewing relevant contracts with or correspondence from the specified users? (AU Sec. 622.10 or AT Sec. 600.11)	AT215	___	___	___	___
Did the practitioner establish and document a clear understanding with the client regarding the terms of the engagement, preferably in an engagement letter? (AU Sec. 622.11 or AT Sec. 600.12; AT Sec. 100.32 for periods ending on or after June 15, 1998)	AT216	___	___	___	___
Does the practitioner have adequate knowledge in the specific subject matter to which the agreed-upon procedures were applied? (AU Sec. 622.14 or AT Sec. 600.15)	AT217	___	___	___	___
Did the procedures performed appear to be not overly subjective and thus open to varying interpretations? (AU Sec. 622.17 or AT Sec. 600.18)	AT218	___	___	___	___
Did the practitioner avoid using terms of uncertain meaning in describing procedures performed? (AU Sec. 622.17 or AT Sec. 600.18)	AT219	___	___	___	___
Did the practitioner obtain evidential matter from applying the agreed-upon procedures to provide a reasonable basis for the finding(s) expressed in the practitioner's report? (AU Sec. 622.17 and 622.26 or AT Sec. 600.18 and .26)	AT220	___	___	___	___
If the work of a specialist was used, did the practitioner and the specified users explicitly agree to the involvement of the specialist in assisting the practitioner in the performance of the engagement? (AU Sec. 622.22 or AT Sec. 600.22)	AT221	___	___	___	___
Were the agreed-upon procedures performed entirely by the practitioner except for those agreed by the practitioner and the specified users to be performed by a specialist? (AU Sec. 622.24 or AT Sec. 600.24)	AT222	___	___	___	___
When the practitioner decides to obtain a representation letter, or when such a letter is required, does the letter include a statement(s) that the responsible party has disclosed all known material and relevant matters to the practitioner? (For example, does the letter disclose all known matters contradicting the basis of accounting or assertion and any communication from regulatory agencies affecting the specified elements, accounts, items or assertions?) (AU Sec. 622.39 or AT Sec. 600.40)	AT223	___	___	___	___
If the practitioner requested a letter and the responsible party refused to sign such a letter, did the accountant do one of the following (a) disclose in the report the inability to obtain representations, (b) withdraw from the engagement, (c) change the engagement to another form of engagement or include matters in the accountant's report that have come to the accountant's attention by other means that significantly contradict the basis of accounting specified? (AU Sec. 622.40 and .41 or AT Sec. 600.41)	AT224	___	___	___	___
If the practitioner was requested to change from another form of engagement to an engagement to apply agreed-upon procedures, were the following considered by the practitioner before agreeing to the change:					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
<p>The possibility that certain procedures performed as part of another type of engagement are not appropriate for inclusion in an engagement to apply agreed-upon procedures? (AU Sec. 622.43a or AT Sec. 600.44a)</p>	AT225	_____	_____	_____	_____
<p>The reason given for the request, particularly the implications of a restriction on the scope of the original engagement or the matters to be reported? (AU Sec. 622.43b or AT Sec. 600.44b)</p>	AT226	_____	_____	_____	_____
<p>The additional effort required to complete the original engagement? (AU Sec. 622.43c or AT Sec. 600.44c)</p>	AT227	_____	_____	_____	_____
<p>If applicable, the reasons for changing from a general-distribution report to a restricted-use report? (AU Sec. 622.43d or AT Sec. 600.44d)</p>	AT228	_____	_____	_____	_____
<p>If a practitioner conducted an agreed-upon procedures engagement to assist management of a health care provider in evaluating the effectiveness of its corporate compliance program, did the practitioner comply with the guidance set forth in SOP 99-1 (TPA Sec. 11,350)?</p>	AT229	_____	_____	_____	_____
<p>Effective when the subject matter or assertion is as of or for a period ending on or after June 1, 2001, SSAE No. 10, <i>Attestation Standards: Revision and Recodification</i>, supercedes existing SSAEs Nos. 1-9. Among its changes, SSAE No. 10 provides the following: (1) defines a responsible party as a representative of the entity who is responsible for the subject matter of an attest engagement, and (2) incorporates the guidance from SAS No. 75, <i>Agreed-Upon Procedures Engagements</i>. For agreed-upon procedures engagements after the effective date and consistent with the added elements in the report, did the practitioner:</p>					
<p>Identify of the subject matter (or written assertion related thereto and the character of the engagement)? (SSAE No. 10, par. 2.31c)</p>	AT230	_____	_____	_____	_____
<p>Identify the responsible party? (SSAE No. 10, par. 2.31d)</p>	AT231	_____	_____	_____	_____
<p>Include a statement that the subject matter is the responsibility of the responsible party? (SSAE No. 10, par. 2.31e)</p>	AT232	_____	_____	_____	_____
<p>Include a statement of restrictions on the use of the report because it is intended to be used solely by the specified parties? (SSAE No. 10, par. 2.31l)</p>	AT233	_____	_____	_____	_____
<p>Provide a manual or printed signature? (SSAE No. 10, par. 2.31p)</p>	AT234	_____	_____	_____	_____
<p>Properly date the report? (SSAE No. 10, par. 2.31q)</p>	AT235	_____	_____	_____	_____

III. WORKING PAPERS***

<i>Ques.</i>	<i>N/A*</i>	<i>Yes</i>	<i>No**</i>	<i>Ref.</i>
Did the practitioner prepare and maintain working papers? (AU Sec. 622.29-.32 or AT Sec. 600.29-.32)	AT301	_____	_____	_____
If yes, were the working papers appropriate to the circumstances and the practitioner's needs on the engagement? (AU Sec. 622.29 or AT Sec. 600.29)	AT302	_____	_____	_____
Do the working papers indicate that—				
The work was adequately planned and supervised? (AU Sec. 622.29a or AT Sec. 600.29a)	AT303	_____	_____	_____
Evidential matter was obtained to provide a reasonable basis for the finding(s) expressed in the practitioner's report? (AU Sec. 622.29b or AT Sec. 600.29b)	AT304	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

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IV. FUNCTIONAL AREAS⁺

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No**</u>	<u>Ref.</u>
Independence, Integrity, and Objectivity (QC Sec. 20.09 and .10)					
If anything has been noted that may indicate a lack of independence, integrity, and objectivity, was the matter identified and appropriately resolved by the firm and its effects appropriately considered? (ET Sec. 101)	AT401	_____	_____	_____	_____
Have personnel been appropriately advised of the need to observe independence, integrity, and objectivity requirements concerning the client and any related nonclient parent, investor, investee, subsidiary, or affiliate?	AT402	_____	_____	_____	_____
Was appropriate assurance of independence obtained from other firms engaged to perform a portion of the attest service?	AT403	_____	_____	_____	_____
Were the fees (billed/unbilled) for prior years' services paid prior to issuance of the report for the current engagement? (ET Sec. 191.103 and .104)	AT404	_____	_____	_____	_____
For SEC clients, if the fees (billed/unbilled) for prior years' services were not paid prior to the commencement of the current engagement, were the SEC's rules for unpaid professional fees adhered to?	AT405	_____	_____	_____	_____
Personnel Management (QC Sec. 20.11–.13)					
Were scheduling and staffing requirements identified on a timely basis and approved by appropriate personnel?	AT406	_____	_____	_____	_____
Does it appear engagement personnel possessed an appropriate mix of experience or expertise and technical training in relation to the complexity or other requirements of the engagement and the involvement of supervisory personnel?	AT407	_____	_____	_____	_____
Does it appear that the practitioner in charge of the engagement possessed the following knowledge, skills, and abilities (competencies) to fulfill their responsibilities on the engagement:					
An understanding of the role of the firm's system of quality control and the AICPA's <i>Code of Professional Conduct</i> ?	AT408	_____	_____	_____	_____
An understanding of the performance, supervision, and reporting aspects of the engagement?	AT409	_____	_____	_____	_____
An understanding of the applicable accounting, auditing, or attestation professional standards including those standards directly related to the industry in which a client operates?	AT410	_____	_____	_____	_____

⁺ The AICPA's *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice* provides guidance on how to develop and implement a system of quality control for a firm's accounting and auditing practice in compliance with the requirements of Statements on Quality Control Standards Nos. 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice* (QC Sec. 20), as amended, 3, *Monitoring a CPA Firm's Accounting and Auditing Practice* (QC Sec. 30), and 5, *The Personnel Management Element of a Firm's System of Quality Control—Competencies Required by a Practitioner-in-charge of an Attest Engagement* (QC Sec. 40).

^{*} The N/A column should be used when the item either does not exist or is not material.

^{**} All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
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?	AT411	_____	_____	_____	_____
Skills that indicate sound professional judgment?	AT412	_____	_____	_____	_____
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?	AT413	_____	_____	_____	_____
Does it appear that the practitioner-in-charge of the engagement possessed the knowledge, skills and abilities (competencies) to fulfill his/her responsibilities on the engagement as noted in par. 8 of QC Sec. 40?	AT414	_____	_____	_____	_____
Did the personnel assigned to this engagement appear to be familiar with the applicable professional pronouncements (FASB, GASB, AICPA, SEC, etc.)?	AT415	_____	_____	_____	_____
If required by firm policy, was the staff on this engagement appropriately evaluated?	AT416	_____	_____	_____	_____
Acceptance and Continuance of Clients and Engagements (QC Sec. 20.14–.16)					
Does it appear that the firm's guidelines for acceptance and continuance of client relationships, including performing specific engagements for the client, were complied with?	AT417	_____	_____	_____	_____
Engagement Performance (QC Sec. 20.17–.19)					
Were appropriate and knowledgeable engagement and supervisory personnel involved in the planning process?	AT418	_____	_____	_____	_____
Does it appear that planning was adequately documented in the working papers, including any changes in the original plan?	AT419	_____	_____	_____	_____
Did the owner (or manager) approve the overall plan as the final planning step and convey approval or modifications to the engagement staff?	AT420	_____	_____	_____	_____
Does it appear that hours charged by the owner and manager were adequate and appropriately timed to provide for planning and supervision as the job progressed?	AT421	_____	_____	_____	_____
Were all forms, checklists, or questionnaires, if any, required by firm policy for the following areas adequately completed and modified, where appropriate, for the engagement:					
Planning?	AT422	_____	_____	_____	_____
Work program?	AT423	_____	_____	_____	_____
Working paper and written assertion reviews?	AT424	_____	_____	_____	_____
If standardized forms, etc., were not used for any of the above areas, is there adequate documentation of these areas?	AT425	_____	_____	_____	_____
Were the firm's guidelines for the form and content of working papers complied with?	AT426	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If required by firm policy, was an appropriate pre-issuance review made of the working papers, report, and written assertions by a person whose position in the firm is commensurate with that responsibility, to determine that the work performed was complete and conformed to professional standards and firm policy and was that review documented?	AT427	—	—	—	—
Was there appropriate consultation and documentation—					
In situations specified by firm policy?	AT428	—	—	—	—
Where the complexity or unusual nature of the issue warranted it?	AT429	—	—	—	—
Were any circumstances noted where the firm consulted or should have consulted regarding an engagement matter (i.e., a complex, unusual, or a technical issue) with individuals within the firm, an external party or by researching in applicable professional literature, based on the firm’s policies and procedures or where the complexity or nature of the issue warranted consultation?					
___ No (skip to question AT435)					
___ Yes (respond to questions AT430 to AT434)					
If an individual was consulted (internally or externally), was the consultation done on a timely basis and, does it appear they were aware of all relevant facts and circumstances?	AT430	—	—	—	—
If professional literature was researched, does it appear the research was thorough and the sources consulted were complete, correct and up-to-date?	AT431	—	—	—	—
Does it appear the person(s) consulted (internally or externally) and/or the individual(s) performing the research had an appropriate level of knowledge, competence, judgment and (if applicable) authority?	AT432	—	—	—	—
Based on the facts and circumstances, were the firm’s conclusions reasonable and consistent with professional standards?	AT433	—	—	—	—
Is the firm’s report, the financial statements, or other information affected by the matter consistent with the results of the consultation?	AT434	—	—	—	—
If the engagement records indicated a difference of opinion between the engagement personnel and/or specialist or other consultant, was the difference resolved in accordance with firm policy and was the basis of the resolution appropriately documented?	AT435	—	—	—	—

V. EXPLANATION OF "NO" ANSWERS AND OTHER COMMENTS

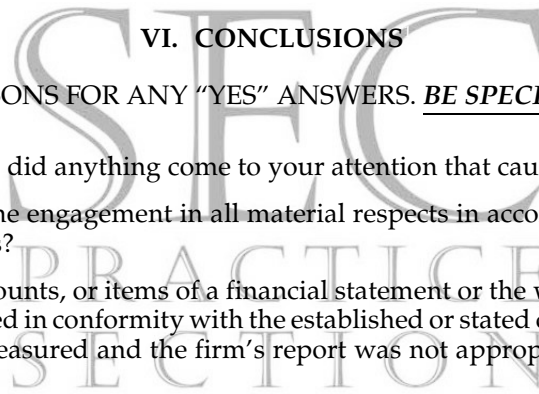
The following pages are provided for your comments on all "no" answers for which an MFC form was not generated or to expand upon any of the "yes" answers. All "no" answers must be thoroughly explained and reviewed with the engagement owner.

<i>Page Number</i>	<i>Question Number</i>	<i>Explanatory Comments</i>	<i>Disposition of Comments*</i>
------------------------	----------------------------	-----------------------------	-------------------------------------

SEC
PRACTICE
SECTION

* The nature of the disposition of comments may vary, such as:

- Note "resolved" and the manner of resolution.
- Note "not significant" to indicate a "no" answer is appropriate, but that the manner is not significant enough to warrant the preparation of an MFC form.



VI. CONCLUSIONS

EXPLAIN BELOW THE REASONS FOR ANY "YES" ANSWERS. BE SPECIFIC.

Based on the work performed, did anything come to your attention that caused you to believe that:

The firm did not perform the engagement in all material respects in accordance with professional standards?

YES* ___ NO ___

The specified elements, accounts, or items of a financial statement or the written assertions were not presented in conformity with the established or stated criteria against which they were measured and the firm's report was not appropriately modified?

YES* ___ NO ___

The firm's report was not appropriate in the circumstances?

YES* ___ NO ___

The documentation on this engagement does not support the firm's report on the specified elements, accounts, or items of a financial statement or the written assertions?

YES* ___ NO ___

The firm did not comply with its policies and procedures on this engagement in all material respects?

YES* ___ NO ___

[The next page is 21,001.]

* If this question is answered "yes," see additional guidance contained in Section 3100.51-.53 of the *Standards for Performing and Reporting on Peer Reviews* in the AICPA *Peer Review Program Manual* or Section 2000.83-.89 in the *SEC Practice Section Reference Manual*.

SEC
PRACTICE
SECTION

PRM
21000

Other Attestation
Engagement

Section 21,000

Other Attestation Engagement Checklist^{*,**}



ENGAGEMENT PROFILE

Engagement Code No. _____ Office _____
 Owner/Partner _____ Period Covered _____
 Manager _____ Date of Report _____
 Concurring Reviewer*** _____ Date Report Released _____

This engagement involves reporting on:

- Examination of written assertions—Internal controls over financial reporting
- Examination of written assertions—Compliance with laws and regulations
- Examination of written assertions—Pro forma financial information
- Examination of written assertions—Other
- Review of written assertions—Pro forma financial information
- Review of written assertion—Other (explain) _____

Financial or Other Information Involved: _____

The assertions are for an entity that is a (an):

- independent entity
- consolidated or combined group
- subsidiary, division or branch
- other (explain)

Date that the fee for the prior year's services was paid, if applicable: _____

Type of industry: _____

Complex or troublesome areas: _____

Hours on this engagement:

Owner/Partner _____
 Manager (or equivalent) _____
 Concurring Reviewer _____
 Senior/Other Professionals _____
 Total this office _____

Total budgeted _____

* * * * *

Date Engagement Review Performed _____

Date Checklist Reviewed by Team Captain _____

Reviewer _____

Signature _____

* Reviews of examined or compiled financial forecasts and projections engagements performed under AT Section 200 of the Statements on Standards for Attestation Engagements should be documented using the Prospective Financial Statement Engagement Checklist (Sec. 20,800). Reviews of agreed-upon procedures engagements (whether of financial forecasts and projections or written assertions) performed under the attestation standards should be documented using the Agreed-Upon Procedures Engagement Checklist (Sec. 20,900). Any attestation engagements not covered by those two checklists should be documented using this checklist.

** References to AT Secs. 100–600 refer to the attestation guidance prior to the implementation of SSAE No. 10 and the recodification of the associated sections of the AICPA *Professional Standards* dated as of June 1, 2001.

*** Not applicable unless required by firm policy.

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Note: This checklist has been updated through SSAE No. 10, Attestation Standards: Revision and Recodification, which supersedes SSAEs Nos. 1–9.*

Explanation of References:

AT	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
ET	<i>Code of Professional Conduct</i> in AICPA <i>Professional Standards</i> (vol. 2)
QC	Quality Control Standards in AICPA <i>Professional Standards</i> (vol. 2)
AU	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)

* The effective date of SSAE No. 10 is as of or for a period ending on or after June 1, 2001, therefore, this checklist retains the guidance and associated references of SSAEs Nos. 1–9.

I. REPORT

Note: Complete only the sections that apply to the type of attestation engagement being reviewed. The questions contained in each section represent some of the procedures or tests that the reviewed firm might have undertaken to form conclusions in support of the assertions. The practitioner should place an "X" in the box below the sections that are not applicable to the type of attestation engagement reviewed.

Note: References to AT Secs. 100–600 refer to the attestation guidance prior to the implementation of SSAE No. 10 and the recodification of the associated sections of the AICPA *Professional Standards* dated as of June 1, 2001.

SECTION	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No**</u>	<u>Ref.</u>
Does the report—					
Identify the assertion being reported on and state the character of the engagement? (AT Sec. 100.49)	AO101	_____	_____	_____	_____
State all of the practitioner's significant reservations about the engagement and the presentation of the assertions? (AT Sec. 100.70)	AO102	_____	_____	_____	_____
If the engagement involves the evaluation of whether assertions have been prepared in conformity with specified criteria that have been agreed upon by the asserter and the user, does the practitioner's report—					
State that the report is intended solely for the use of the parties who have agreed upon the criteria? (AT Sec. 100.76)	AO103	_____	_____	_____	_____
Indicate, if applicable, that the presentation of assertions differs materially from that which would have been presented if criteria for the presentation of such assertions for general distribution had been followed in its preparation? (AT Sec. 100.58)	AO104	_____	_____	_____	_____
If a written presentation of assertions that is the responsibility of the asserter does not accompany the practitioner's report, does the introductory paragraph contain a statement of management's assertion? (AT Secs. 100.58b or .64b, 400.45b, 500.54b, and .55)	AO105	_____	_____	_____	_____
Is appropriate modification made to the standard report in the circumstances described under professional standards? (AT Secs. 100.53, 300.11–.14, 400.51, and 500.62)	AO106	_____	_____	_____	_____
Effective when the subject matter or assertion is as of or for a period ending on or after June 1, 2001, SSAE No. 10, <i>Attestation Standards: Revision and Recodification</i> , supersedes existing SSAEs Nos. 1–9. Among its changes, SSAE No. 10 provides the following: (1) defines a responsible party as a representative of the entity who is responsible for the subject matter of an attest engagement, (2) allows practitioners to issue an attest report (examination, review, or agreed-upon procedures) on subject matter, or an assertion about the subject matter, that is the responsibility of another party, (3) revises the general attestation standards to allow the practitioner to evaluate subject matter against criteria that are "suitable" and "available to users," and (4) incorporates the guidance from SAS No. 75, <i>Agreed-Upon Procedures Engagements</i> . For attest engagements after the effective date of SSAE No. 10 and consistent with the added elements in the report, did the practitioner:					

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

Note: References to AT Secs. 100–600 refer to the attestation guidance prior to the implementation of SSAE No. 10 and the recodification of the associated sections of the AICPA *Professional Standards* dated as of June 1, 2001.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Obtain written acknowledgment or other evidence of the responsible party's responsibility for the subject matter, or the written assertion? (SSAE No. 10, par. 1.14 and AT Sec. 101.14)	AO107	___	___	___	___
In the report, identify the responsible party and the subject matter or assertion? (SSAE No. 10, pars. 1.85b, .86b, .89b, and .90b and AT Secs. 101.85b, .86b, .89b, and .90b)	AO108	___	___	___	___
Include a statement in the report that the subject matter is the responsibility of the responsible party? (SSAE No. 10, pars. 1.85c, .86c, .89c, and .90c and AT Secs. 101.85c, .86c, .89c, and .90c)	AO109	___	___	___	___
Restrict the use of the report to the applicable specified parties when the following circumstances are present:					
The criteria used to evaluate the subject matter are determined by the practitioner to be appropriate only for a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria?	AO110	___	___	___	___
The criteria used to evaluate the subject matter are available only to the specified parties?	AO111	___	___	___	___
When reporting on subject matter; and a written assertion has not been provided by the responsible party?	AO112	___	___	___	___
The report is on an attest engagement to apply agreed-upon procedures to the subject matter? (SSAE No. 10, par. 1.78 and AT Sec. 101.78)	AO113	___	___	___	___
Modify his or her report and restrict the use of that report when the responsible party is the client and the client fails to provide the practitioner with a written assertion? (SSAE No. 10, pars. 1.58, .85h(3), and .89g(3))	AO114	___	___	___	___
Examination Reports—Internal Control					
<input type="checkbox"/> Not applicable for the engagement					
Does the practitioner's report on an examination of written assertions contain the following elements:					
A title that includes the word independent (AT Sec. 400.45a)	AO115	___	___	___	___
An identification of management's assertion about the effectiveness of the entity's internal control over financial reporting as of a specified date? (AT Sec. 400.45b)	AO116	___	___	___	___
A statement that the assertion is the responsibility of management? (AT Sec. 400.45c)	AO117	___	___	___	___
A statement that the practitioner's responsibility is to express an opinion on the effectiveness of an entity's internal control or management's assertion based on the practitioner's examination? (AT Sec. 400.45d)	AO118	___	___	___	___

Note: References to AT Secs. 100–600 refer to the attestation guidance prior to the implementation of SSAE No. 10 and the recodification of the associated sections of the AICPA *Professional Standards* dated as of June 1, 2001.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
A reference to the attestation standards established by the AICPA and that the procedures included obtaining an understanding of internal control over financial reporting, testing and evaluating the design and operating effectiveness of internal control, and performing other procedures considered necessary? (AT Sec. 400.45e)	AO119	_____	_____	_____	_____
A statement that the examination provides a reasonable basis for the practitioner's opinion? (AT Sec. 400.45f)	AO120	_____	_____	_____	_____
A paragraph stating that because of inherent limitations of any internal control, misstatements due to errors or fraud may occur and not be detected? (AT Sec. 400.45g)	AO121	_____	_____	_____	_____
A statement regarding the risk associated with projecting any evaluation of internal control to future periods? (AT Sec. 400.45g)	AO122	_____	_____	_____	_____
An opinion on whether (1) the entity has maintained effective internal control over financial reporting as of the specified date based on the control criteria or (2) management's assertions about the effectiveness of the entity's internal control over financial reporting as of the specified date is fairly stated based on the control criteria?	AO123	_____	_____	_____	_____
Is report dated at completion of examination procedures? (AT Sec. 400.45k)	AO124	_____	_____	_____	_____
Examination Reports—Compliance					
<input type="checkbox"/> Not applicable for the engagement					
Does the practitioner's report on an examination of written assertions contain the following elements (AT Sec. 500.54):					
A title that includes the word independent? (AT Sec. 500.54a)	AO125	_____	_____	_____	_____
An identification of management's assertion about the entity's compliance with specified requirements and the period covered? (AT Sec. 500.54b)	AO126	_____	_____	_____	_____
A statement that compliance with the requirements addressed in management's assertion is the responsibility of the entity's management? (AT Sec. 500.54c)	AO127	_____	_____	_____	_____
A statement that the practitioner's responsibility is to express an opinion on the entity's compliance with those requirements or on management's assertion on such compliance based on the practitioner's examination? (AT Sec. 500.54d)	AO128	_____	_____	_____	_____
A reference to the attestation standards established by the AICPA and that the procedures included examining on a test basis evidence about the entity's compliance with those requirements and performing other procedures the practitioner considered necessary? (AT Sec. 500.54e)	AO129	_____	_____	_____	_____
A statement that the examination provides a reasonable basis for the practitioner's opinion and does not provide a legal determination on the entity's compliance? (AT Sec. 500.54f and g)	AO130	_____	_____	_____	_____

Note: References to AT Secs. 100–600 refer to the attestation guidance prior to the implementation of SSAE No. 10 and the recodification of the associated sections of the AICPA *Professional Standards* dated as of June 1, 2001.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
An opinion on whether the entity complied with specified requirements [or whether management's assertion about compliance with specified requirements is fairly stated] based on established or agreed-upon criteria. (AT Sec. 500.54h)	AO131	_____	_____	_____	_____
Is the report dated the date of completion of examination procedures? (AT Sec. 500.54k)	AO132	_____	_____	_____	_____
Effective when the subject matter or assertion is as of or for a period ending on or after June 1, 2001, SSAE No. 10, <i>Attestation Standards: Revision and Recodification</i> , supersedes existing SSAEs Nos. 1-9. For examination reports as of or after the effective date, does the practitioner's examination report on compliance include:					
Identification of the specified compliance requirements, including the period covered, and of the responsible party? (SSAE No. 10, par. 6.55b and AT Sec. 601.55b)	AO133	_____	_____	_____	_____
A statement that compliance with the specified requirements is the responsibility of the entity's management? (SSAE No. 10, par. 6.55c and AT Sec. 601.55c)	AO134	_____	_____	_____	_____
A statement that the examination was conducted in accordance with attestation standards established by the AICPA and, accordingly, included examining on a test basis, evidence about the entity's compliance with those requirements and performing such other procedures as the practitioner considered necessary in the circumstances? (SSAE No. 10, par. 6.55e and AT Sec. 601.55e)	AO135	_____	_____	_____	_____
The practitioner's opinion on whether the entity complied, in all material respects, with specified requirements based on the specified criteria? (SSAE No. 10, par. 6.55h and AT Sec. 601.55h)	AO136	_____	_____	_____	_____
A statement restricting the use of the report to the specified parties, as applicable? (SSAE No. 10, par. 6.55i and AT Sec. 601.55i)	AO137	_____	_____	_____	_____
Examination Reports—Other Written Assertions					
<input type="checkbox"/> Not applicable for this engagement					
Does the practitioner's report on an examination of written assertions include the following:					
A title that includes the word independent? (AT Sec. 100.58a)	AO138	_____	_____	_____	_____
An identification of management's assertion? (AT Sec. 100.58b)	AO139	_____	_____	_____	_____
A statement that the assertion is the responsibility of management? (AT Sec. 100.58c)	AO140	_____	_____	_____	_____
A statement that the practitioner's responsibility is to express an opinion on management's assertion based on his or her examination? (AT Sec. 100.58d)	AO141	_____	_____	_____	_____
A reference to the attestation standards established by the AICPA and that the practitioner performed the procedures considered necessary in the circumstances? (AT Sec. 100.58e)	AO142	_____	_____	_____	_____

Note: References to AT Secs. 100–600 refer to the attestation guidance prior to the implementation of SSAE No. 10 and the recodification of the associated sections of the AICPA *Professional Standards* dated as of June 1, 2001.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
A Statement that the examination provides a reasonable basis for the practitioner's opinion? (AT Sec. 100.58f)	AO143	___	___	___	___
An opinion on whether the assertions as of the specified date are fairly stated, in all material respects, based on the established or stated criteria? (AT Sec. 100.58g)	AO144	___	___	___	___
Is report dated at the end of the examination procedures? (AT 100.58j)	AO145	___	___	___	___
Effective when the subject matter or assertion is as of or for a period ending on or after June 1, 2001, SSAE No. 10, <i>Attestation Standards: Revision and Recodification</i> , supersedes existing SSAEs Nos. 1–9. For examination reports as of or after the effective date, does the practitioner's examination report on an assertion include:					
Identification of the assertion and the responsible party? (SSAE No. 10, par. 1.86b and AT Sec. 101.86b)	AO146	___	___	___	___
A statement that the assertion is the responsibility of the responsible party? (SSAE No. 10, par. 1.86c and AT 101.86c)	AO147	___	___	___	___
A statement that the practitioner's responsibility is to express an opinion on the assertion based on his or her examination? (SSAE No. 10, par 1.86d and AT Sec. 101.86d)	AO148	___	___	___	___
A statement that the examination was conducted in accordance with attestation standards established by the AICPA and, accordingly, included procedures that the practitioner considered necessary in the circumstances? (SSAE No. 10, par. 1.86e and AT Sec. 101.86e)	AO149	___	___	___	___
A statement restricting the use of the report to the specified parties, as applicable? (SSAE No. 10, par. 1.86h and AT Sec. 101.86h)	AO150	___	___	___	___
Review Reports—Other Written Assertions					
<input type="checkbox"/> Not applicable for the engagement					
Does the practitioner's report on a review of written assertions contain the following elements:					
A title that includes the word independent? (AT Sec. 100.64a)	AO151	___	___	___	___
An identification of management's assertion? (AT Sec. 100.64b)	AO152	___	___	___	___
A statement that the assertion is the responsibility of management? (AT Sec. 100.64c)	AO153	___	___	___	___
A reference to the attestation standards established by the AICPA? (AT Sec. 100.64d)	AO154	___	___	___	___
A statement that a review is substantially less in scope than an examination and accordingly no opinion is expressed? (AT Sec. 100.64e)	AO155	___	___	___	___

Note: References to AT Secs. 100–600 refer to the attestation guidance prior to the implementation of SSAE No. 10 and the recodification of the associated sections of the AICPA *Professional Standards* dated as of June 1, 2001.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
A statement whether any information came to the practitioner's attention on the basis of the work performed that indicates that the assertions are not presented in all material respects in conformity with established or stated criteria against which they were measured? (AT Sec. 100.64f)	AO156	_____	_____	_____	_____
Is the report dated the date of completion of the inquiry and analytical procedures?	AO157	_____	_____	_____	_____
Effective when the subject matter or assertion is as of or for a period ending on or after June 1, 2001, SSAE No. 10, <i>Attestation Standards: Revision and Recodification</i> , supersedes existing SSAEs Nos. 1–9. For review reports as of or after the effective date, does the practitioner's report on subject matter (or an assertion) include:					
Identification of the subject matter (or assertion) and the responsible party? (SSAE No. 10, pars. 1.89b and .90b and AT Sec. 101.89b and .90b)	AO158	_____	_____	_____	_____
A statement that the subject matter (or assertion) is the responsibility of the responsible party? (SSAE No. 10, pars. 1.89c and .90c; AT Sec. 101.89c and .90c)	AO159	_____	_____	_____	_____
A statement that the review was conducted in accordance with the attestation standards established by the AICPA? (SSAE No. 10, pars. 1.89d and .90d; AT Sec. 101.89d and .90d)	AO160	_____	_____	_____	_____
A statement that a review is substantially less in scope than an examination? (SSAE No. 10, pars. 1.89e and .90e; AT Sec. 101.89e and .90e)	AO161	_____	_____	_____	_____
A statement about whether the practitioner is aware of any material modification that should be made to the subject matter (or assertion)? (SSAE No. 10, pars. 1.89f and 1.90f; AT Sec. 101.89f and .90f)	AO162	_____	_____	_____	_____
A statement restricting the use of the report to the specified parties, as applicable? (SSAE No. 10, pars. 1.89g and .90g and AT Sec. 101.89g and .90g)	AO163	_____	_____	_____	_____
Reports—Pro Forma Financial Information					
<input type="checkbox"/> Not applicable for the engagement					
Were the following conditions met for reporting on an examination or review of pro forma financial information: (AT Sec. 300.07)	AO164	_____	_____	_____	_____
The document containing the pro forma financial statements include complete historical financial statements of the entity for the most recent year or period available? (AT Sec. 300.07a)	AO165	_____	_____	_____	_____
The historical financial statements of the entity on which the pro forma financial statements are based was audited or reviewed? (AT Sec. 300.07b)	AO166	_____	_____	_____	_____
The level of assurance given by the practitioner on the pro forma financial information is limited to the level of assurance provided on the historical financial statements? (AT Sec. 300.07b)	AO167	_____	_____	_____	_____

Note: References to AT Secs. 100–600 refer to the attestation guidance prior to the implementation of SSAE No. 10 and the recodification of the associated sections of the AICPA *Professional Standards* dated as of June 1, 2001.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
The practitioner has an appropriate level of knowledge of the accounting and financial reporting practices of the entity? (AT Sec. 300.07c)	AO168	___	___	___	___
Does the practitioner's report on pro forma financial information include: (AT Sec. 300.12)					
An identification of the pro forma financial information? (AT Sec. 300.12a)	AO169	___	___	___	___
A reference to the applicable historical financial statements and a statement as to whether such financial statements were audited or reviewed and whether the report issued was modified? (AT Sec. 300.12b)	AO170	___	___	___	___
A statement that the engagement was in accordance with the standards established by the AICPA? (AT Sec. 300.12c)	AO171	___	___	___	___
A separate paragraph explaining the objective of pro forma financial information and its limitations? (AT Sec. 300.12d)	AO172	___	___	___	___
In a review of pro forma information, a conclusion as to whether any information came to the practitioner's attention to cause the practitioner to believe that the assumptions do not provide a reasonable basis for presenting the significant effects directly attributable to the transaction or event, whether the related adjustment do not give appropriate effect to those assumptions, and whether the pro forma column reflects the proper application of those adjustments to the historical financial statements? (AT Sec. 300.12e)	AO173	___	___	___	___
In an examination of pro forma information, an opinion as to whether the assumptions provide a reasonable basis for presenting the significant effects directly attributable to the transaction or event, whether the adjustments give appropriate effect to those assumptions, and whether the pro forma column reflects the proper application of those adjustments? (AT Sec. 300.12e)	AO174	___	___	___	___
The disclosure of any restrictions on the scope of the engagement, significant uncertainties about the assumptions or other reservations that would require the practitioner to modify the report? (AT Sec. 300.14)	AO175	___	___	___	___
Was the date of the completion of the examination or review procedures used as the date of the report? (AT Sec. 300.11)	AO176	___	___	___	___
Effective when the presentation of pro forma financial information is as of or for a period ending on or after June 1, 2001, SSAE No. 10, <i>Attestation Standards: Revision and Recodification</i> , supersedes existing SSAEs Nos. 1–9. For an examination report on pro forma financial information as of or after the effective date, does the practitioner's report include:					

Note: References to AT Secs. 100–600 refer to the attestation guidance prior to the implementation of SSAE No. 10 and the recodification of the associated sections of the AICPA *Professional Standards* dated as of June 1, 2001.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
A title that includes the word independent? (SSAE No. 10, par. 4.12a and AT Sec. 401.12a)	AO177	___	___	___	___
An identification of the pro forma financial information? (SSAE No. 10, par. 4.12b and AT Sec. 401.12b)	AO178	___	___	___	___
A reference to the financial statements from which the historical financial information is derived and a statement that such financial statements were audited? (SSAE No. 10, par. 4.12c and AT Sec. 401.12c)	AO179	___	___	___	___
An identification of the responsible party and a statement that the responsible party is responsible for the pro forma financial information? (SSAE No. 10, par. 4.12d and AT Sec. 401.12d)	AO180	___	___	___	___
A statement that the practitioner's responsibility is to express an opinion on the pro forma financial information based on his or her examination? (SSAE No. 10, par. 4.12e and AT Sec. 401.12e)	AO181	___	___	___	___
A statement that the examination of the pro forma financial information was conducted in accordance with attestation standards established by the AICPA and, accordingly, included such procedures as the practitioner considered necessary in the circumstances? (SSAE No. 10, par. 4.12f and AT Sec. 401.12f)	AO182	___	___	___	___
A statement that the practitioner believes that the examination provides a reasonable basis for his or her opinion? (SSAE No. 10, par. 4.12g and AT Sec. 401.12g)	AO183	___	___	___	___
A separate paragraph explaining the objective of pro forma financial information and its limitations? (SSAE No. 10, par. 4.12h and AT Sec. 401.12h)	AO184	___	___	___	___
The practitioner's opinion as to whether management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the transaction (or event), whether the related pro forma adjustments give appropriate effect to those assumptions, and whether the pro forma column reflects the proper application of those adjustments to the historical financial statements? (SSAE No. 10, par. 4.12i and AT Sec. 401.12i)	AO185	___	___	___	___
For a review on pro forma financial information as of or after the effective date of SSAE No. 10, does the practitioner's report include:					
A title that includes the word independent? (SSAE No. 10, par. 4.13a and AT Sec. 401.13a)	AO186	___	___	___	___
An identification of the pro forma financial information? (SSAE No. 10, par. 4.13b and AT Sec. 401.13b)	AO187	___	___	___	___
A reference to the financial statements from which the historical financial information is derived and a statement as to whether such financial statements were audited or reviewed? (SSAE No. 10, par. 4.13c and AT Sec. 401.13c)	AO188	___	___	___	___

Note: References to AT Secs. 100–600 refer to the attestation guidance prior to the implementation of SSAE No. 10 and the recodification of the associated sections of the AICPA *Professional Standards* dated as of June 1, 2001.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
An identification of the responsible party and a statement that the responsible party is responsible for the pro forma financial information? (SSAE No. 10, par. 4.13d and AT Sec. 401.13d)	AO189	___	___	___	___
A statement that a review of the pro forma financial information was conducted in accordance with attestation standards established by the AICPA? (SSAE No. 10, par. 4.13e and AT Sec. 401.13e)	AO190	___	___	___	___
A statement that a review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the pro forma financial information and, accordingly, the practitioner does not express such an opinion? (SSAE No. 10, par. 4.13f and AT Sec. 401.13f)	AO191	___	___	___	___
A separate paragraph explaining the objective of pro forma financial information and its limitations? (SSAE No. 10, par. 4.12g and AT Sec. 401.13g)	AO192	___	___	___	___
The practitioner's conclusion as to whether any information came to the practitioner's attention to cause him or her to believe that management's assumptions do not provide a reasonable basis for presenting the significant effects directly attributable to the transaction (or event), or that the related pro forma adjustments do not give appropriate effect to those assumptions, or that the pro forma column does not reflect the proper application of those adjustments to historical financial statements? (SSAE No. 10, par. 4.13h and AT Sec. 401.13h)	AO193	___	___	___	___
Presentation—Pro Forma Information					
<input type="checkbox"/> Not applicable for the engagement					
Is the pro forma information appropriately labeled to distinguish it from historical financial information? (AT Sec. 300.06)	AO194	___	___	___	___
Is the event or transaction that is reflected in the pro forma financial information, the source of the historical financial information on which it is based, the significant assumptions used in developing the pro forma adjustments and any significant uncertainties about those assumptions described? (AT Sec. 300.06)	AO195	___	___	___	___
Is there a caveat that the pro forma financial information should be read in conjunction with the related historical financial information and that the pro forma financial information is not necessarily indicative of the results that would have been attained if the transaction or event had actually taken place earlier? (AT Sec. 300.06)	AO196	___	___	___	___

II. GENERAL ATTEST PROCEDURES

Note: References to AT Secs. 100–600 refer to the attestation guidance prior to the implementation of SSAE No. 10 and the recodification of the associated sections of the AICPA *Professional Standards* dated as of June 1, 2001.

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No**</u>	<u>Ref.</u>
Were the following conditions met for performing an attestation engagement:					
The assertions were capable of evaluation against reasonable criteria? (AT Secs. 100.16 and 500.11)	AO201	_____	_____	_____	_____
The assertions were capable of reasonably consistent estimation or measurement using the reasonable criteria? (AT Sec. 100.20)	AO202	_____	_____	_____	_____
Were the following considered in planning the engagement:					
The presentation criteria to be used? (AT Sec. 100.34a)	AO203	_____	_____	_____	_____
The anticipated level of attestation risk related to the assertions on which the practitioner was to report? (AT Sec. 100.34b)	AO204	_____	_____	_____	_____
Preliminary judgments about materiality levels for attest purposes? (AT Sec. 100.34c)	AO205	_____	_____	_____	_____
The items within the presentation of assertions that were likely to require revision or adjustment? (AT Sec. 100.34d)	AO206	_____	_____	_____	_____
Conditions that might have required extension or modification of attest procedures? (AT Sec. 100.34e)	AO207	_____	_____	_____	_____
The nature of the report expected to be issued? (AT Sec. 100.34f)	AO208	_____	_____	_____	_____
Proper consideration as to the appropriate types of procedures to accumulate sufficient evidence to provide a reasonable basis for the level of assurance to be expressed? (AT Sec. 100.41)	AO209	_____	_____	_____	_____
If omission or misstatement of individual assertions were found, did the practitioner assess their materiality? (AT Sec. 100.46)	AO210	_____	_____	_____	_____
Did the practitioner establish and document an understanding with the client regarding the services to be performed? (AT Sec. 100.35)	AO211	_____	_____	_____	_____
Examination Procedures—Internal Control Over Financial Reporting					
<input type="checkbox"/> Not applicable for the engagement					
Were the following conditions met for performing an examination (AT Sec. 400.10)—					
Management evaluated and accepted responsibility for the effectiveness of the entity's internal control using reasonable criteria established by a recognized body?	AO212	_____	_____	_____	_____
There was sufficient evidence to support management's evaluation?	AO213	_____	_____	_____	_____
The written assertions about the effectiveness of the entity's internal control was made in a separate report that accompanied the practitioner's report or in a representation letter to the practitioner? (AT Sec. 400.03)	AO214	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

Note: References to AT Secs. 100–600 refer to the attestation guidance prior to the implementation of SSAE No. 10 and the recodification of the associated sections of the AICPA *Professional Standards* dated as of June 1, 2001.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
In planning the attest engagement to examine management’s assertion about the overall effectiveness of internal control, did the practitioner properly consider:					
The appropriate factors in developing the overall strategy for the scope and performance of the engagement? (AT Sec. 400.17)	AO215	___	___	___	___
For entities with multiple locations, the appropriate factors in the selection of the locations tested? (AT Sec. 400.18)	AO216	___	___	___	___
Whether there is an internal audit function? (AU Sec. 322 and AT Sec. 400.19)	AO217	___	___	___	___
Did the practitioner:					
Obtain an understanding of the internal control system? (AT Sec. 400.21)	AO218	___	___	___	___
Evaluate the design effectiveness of the internal controls by obtaining an understanding of the controls within each component of internal control? (AT Sec. 400.22–.25)	AO219	___	___	___	___
Test and evaluate the operating effectiveness of the controls by performing tests of relevant controls to obtain sufficient evidence to support the opinion in the report? (AT Sec. 400.26–.32)	AO220	___	___	___	___
Consider all evidence obtained in concluding on whether management’s assertions regarding the effectiveness of the entity’s internal controls is fairly stated, in all material respects, based on the control criteria? (AT Sec. 400.33)	AO221	___	___	___	___
Communicate reportable conditions to management and identify those reportable conditions that were also considered to be material weaknesses? (AU Sec. 325 and AT Sec. 400.40)	AO222	___	___	___	___
Comply with the requirement not to issue a written representation stating no reportable conditions were noted during an examination? (AT Sec. 400.40)	AO223	___	___	___	___
Did the practitioner obtain written timely and appropriate representations from management and was the representation letter properly dated? (AT Sec. 400.42)	AO224	___	___	___	___
Did the practitioner develop and perform sufficient procedures to limit attestation risk to an appropriately low level? (AT Sec. 100.39)	AO225	___	___	___	___
Examination Procedures—Compliance					
<input type="checkbox"/> Not applicable for the engagement					
Were the following conditions met for performing an examination—					
Management evaluated and accepted responsibility for the compliance with specified requirements and the effectiveness of the entity’s internal control over compliance? (AT Sec. 500.09)	AO226	___	___	___	___
Management made an assertion about the entity’s compliance with specified requirements? (AT Sec. 500.11a)	AO227	___	___	___	___
There was sufficient evidence to support management’s evaluation? (AT Sec. 500.11b)	AO228	___	___	___	___

Note: References to AT Secs. 100–600 refer to the attestation guidance prior to the implementation of SSAE No. 10 and the recodification of the associated sections of the AICPA *Professional Standards* dated as of June 1, 2001.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
The assertions were specific so that the same or similar measurement and disclosure criteria would lead to similar conclusions? (AT Sec. 500.13)	AO229	___	___	___	___
Did the practitioner obtain an understanding of the compliance requirements specified in the assertions about compliance? (AT Sec. 500.39)	AO230	___	___	___	___
Did the practitioner obtain an understanding of the relevant portions of internal control? (AT Sec. 500.44)	AO231	___	___	___	___
If the practitioner identified significant deficiencies in the internal control system over compliance were they communicated as a reportable condition? (AT Sec. 500.46)	AO232	___	___	___	___
Did the practitioner develop and perform sufficient procedures to limit attestation risk to an appropriately low level? (AT Sec. 100.39 and AT Sec. 500.47)	AO233	___	___	___	___
Did the practitioner perform appropriate procedures regarding events subsequent to the end of the period addressed by the assertions and prior to the date of the report? (AT Sec. 500.49–.51)	AO234	___	___	___	___
Did the practitioner consider the following in planning the engagement:					
The components to be tested when the entity has operations in several components? (AT Sec. 500.41)	AO235	___	___	___	___
Performance and reporting guidance in accordance with professional standards if the work of a specialist was used? (AT Sec. 500.42 and AU Sec. 336)	AO236	___	___	___	___
The work of internal auditors in accordance with professional standards? (AT Sec. 500.43 and AU Sec. 322)	AO237	___	___	___	___
Did the practitioner obtain a representation letter from management and was the representation letter properly dated? (AT Sec. 400.42)	AO238	___	___	___	___
Examination Procedures—Other Written Assertions					
<input type="checkbox"/> Not applicable for this engagement					
Did the practitioner develop and perform sufficient procedures and accumulate sufficient evidence to limit attestation risk to an appropriately low level? (AT Sec. 100.43)	AO239	___	___	___	___
Were procedures performed that assess inherent and control risk and reduce detection risk to an appropriately low level?	AO240	___	___	___	___
Do the working papers indicate that—					
The work was adequately planned and supervised although the quantity, type and content of working papers will vary with the circumstances? (AT Sec. 100.78a)	AO241	___	___	___	___
Evidential matter was obtained to provide a reasonable basis for the conclusion or conclusions expressed in the practitioner's report? (AT Sec. 100.78b)	AO242	___	___	___	___

Note: References to AT Secs. 100–600 refer to the attestation guidance prior to the implementation of SSAE No. 10 and the recodification of the associated sections of the AICPA *Professional Standards* dated as of June 1, 2001.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Review Procedures—Other Written Assertions					
<input type="checkbox"/> Not applicable for the engagement					
Did the practitioner develop and perform sufficient procedures (generally limited to inquires and analytical review) to limit attestation risk to a moderate level? (AT Sec. 100.40 and .44)	AO243	___	___	___	___
If inquiry and analytical procedures could not be performed, were other procedures performed that could provide the practitioner with a level of assurance equivalent to that which inquiry and analytical procedures would have provided? (AT Sec. 100.45)	AO244	___	___	___	___
If inquiry and analytical procedures were deemed less efficient than other procedures, was the option selected to perform other procedures that would be more efficient to provide the practitioner with a level of assurance equivalent to that which inquiry and analytical procedures would provide? (AT Sec. 100.45)	AO245	___	___	___	___
If inquiry and analytical procedures yielded evidence indicating that the assertion may be incomplete or inaccurate, were additional procedures performed by the practitioner? (AT Sec. 100.45)	AO246	___	___	___	___
Procedures—Pro Forma Financial Information					
<input type="checkbox"/> Not applicable for the engagement					
Were the computations of pro forma adjustments and the pro forma columns mathematically correct? (AT Sec. 300.10g)	AO247	___	___	___	___
Are pro forma adjustments: (AT Sec. 300.10)					
Appropriately described?	AO248	___	___	___	___
Included for all significant effects directly attributable to the transaction or event?	AO249	___	___	___	___
Consistent with each other and with the data used to develop them?	AO250	___	___	___	___
Are management’s assumptions presented in a sufficiently clear and comprehensive manner? (AT Sec. 300.10)	AO251	___	___	___	___
Did the practitioner obtain appropriate representations from management regarding the pro forma adjustments and assumptions? (AT Sec. 300.10h)	AO252	___	___	___	___

III. WORKING PAPERS

Note: References to AT Secs. 100–600 refer to the attestation guidance prior to the implementation of SSAE No. 10 and the recodification of the associated sections of the AICPA *Professional Standards* dated as of June 1, 2001.

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No**</u>	<u>Ref.</u>
Do the working papers indicate that—					
The work was adequately planned and supervised although the quantity, type, and content of working papers will vary with the circumstances? (AT Sec. 100.78a)	AO301	_____	_____	_____	_____
Evidential matter was obtained to provide a reasonable basis for the conclusions expressed in the practitioner's report? (AT Sec. 100.78b)	AO302	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

IV. FUNCTIONAL AREAS⁺

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No**</u>	<u>Ref.</u>
Independence, Integrity, and Objectivity (QC Sec. 20.09 and .10)					
If anything has been noted that may indicate a lack of independence, integrity, and objectivity, was the matter identified and appropriately resolved by the firm and its effects appropriately considered? (ET Sec. 101)	AO401	_____	_____	_____	_____
Have personnel been appropriately advised of the need to observe independence, integrity, and objectivity requirements concerning the client and any related nonclient parent, investor, investee, subsidiary, or affiliate?	AO402	_____	_____	_____	_____
Was appropriate assurance of independence obtained from other firms engaged to perform a portion of the attest service?	AO403	_____	_____	_____	_____
Were the fees (billed/unbilled) for prior years' services paid prior to issuance of the report for the current engagement? (ET Sec. 191.103 and .104)	AO404	_____	_____	_____	_____
For SEC clients, if the fees (billed/unbilled) for prior years' services were not paid prior to the commencement of the current engagement, were the SEC's rules for unpaid professional fees adhered to?	AO405	_____	_____	_____	_____
Personnel Management (QC Sec. 20.11–.13)					
Were scheduling and staffing requirements identified on a timely basis and approved by appropriate personnel?	AO406	_____	_____	_____	_____
Does it appear engagement personnel possessed an appropriate mix of experience or expertise and technical training in relation to the complexity or other requirements of the engagement and the involvement of supervisory personnel?	AO407	_____	_____	_____	_____
Does it appear that the practitioner in charge of the engagement possessed the following knowledge, skills, and abilities (competencies) to fulfill their responsibilities on the engagement:					
An understanding of the role of the firm's system of quality control and the AICPA's <i>Code of Professional Conduct</i> ?	AO408	_____	_____	_____	_____
An understanding of the performance, supervision, and reporting aspects of the engagement?	AO409	_____	_____	_____	_____
An understanding of the applicable accounting, auditing, or attestation professional standards including those standards directly related to the industry in which a client operates?	AO410	_____	_____	_____	_____

⁺ The AICPA's *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice* provides guidance on how to develop and implement a system of quality control for a firm's accounting and auditing practice in compliance with the requirements of Statements on Quality Control Standards Nos. 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice* (QC Sec. 20), as amended, 3, *Monitoring a CPA Firm's Accounting and Auditing Practice* (QC Sec. 30), and 5, *The Personnel Management Element of a Firm's System of Quality Control—Competencies Required by a Practitioner-in-charge of an Attest Engagement* (QC Sec. 40).

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
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?	AO411	_____	_____	_____	_____
Skills that indicate sound professional judgment?	AO412	_____	_____	_____	_____
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?	AO413	_____	_____	_____	_____
Does it appear that the practitioner-in-charge of the engagement possessed the knowledge, skills and abilities (competencies) to fulfill his/her responsibilities on the engagement as noted in par. 8 of QC 40?	AO414	_____	_____	_____	_____
Did the personnel assigned to this engagement appear to be familiar with the applicable professional pronouncements (FASB, GASB, AICPA, SEC, etc.)?	AO415	_____	_____	_____	_____
If required by firm policy, was the staff on this engagement appropriately evaluated?	AO416	_____	_____	_____	_____
Acceptance and Continuance of Clients and Engagements (QC Sec. 20.14–.16)					
Does it appear that the firm's guidelines for acceptance and continuance of client relationships, including performing specific engagements for the client, were complied with?	AO417	_____	_____	_____	_____
Engagement Performance (QC Sec. 20.17–.19)					
Were appropriate and knowledgeable engagement and supervisory personnel involved in the planning process?	AO418	_____	_____	_____	_____
Does it appear that planning was adequately documented in the working papers, including any changes in the original plan?	AO419	_____	_____	_____	_____
Did the owner (or manager) approve the overall plan as the final planning step and convey approval or modifications to the engagement staff?	AO420	_____	_____	_____	_____
Does it appear that hours charged by the owner and manager were adequate and appropriately timed to provide for planning and supervision as the job progressed?	AO421	_____	_____	_____	_____
Were all forms, checklists, or questionnaires, if any, required by firm policy for the following areas adequately completed and modified, where appropriate, for the engagement:					
Planning?	AO422	_____	_____	_____	_____
Work program?	AO423	_____	_____	_____	_____
Working paper and written assertion reviews?	AO424	_____	_____	_____	_____
If standardized forms, etc., were not used for any of the above areas, is there adequate documentation of these areas?	AO425	_____	_____	_____	_____
Were the firm's guidelines for the form and content of working papers complied with?	AO426	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If required by firm policy, was an appropriate pre-issuance review made of the working papers, report, and written assertions by a person whose position in the firm is commensurate with that responsibility, to determine that the work performed was complete and conformed to professional standards and firm policy and was that review documented?	AO427	___	___	___	___
Were any circumstances noted where the firm consulted or should have consulted regarding an engagement matter (i.e., a complex, unusual, or a technical issue) with individuals within the firm, an external party or by researching in applicable professional literature, based on the firm’s policies and procedures or where the complexity or nature of the issue warranted consultation?					
___ No (skip to question AO433)					
___ Yes (respond to questions AO428 to AO432)					
If an individual was consulted (internally or externally), was the consultation done on a timely basis and, does it appear they were aware of all relevant facts and circumstances?	AO428	___	___	___	___
If professional literature was researched, does it appear the research was thorough and the sources consulted were complete, correct and up-to-date?	AO429	___	___	___	___
Does it appear the person(s) consulted (internally or externally) and/or the individual(s) performing the research had an appropriate level of knowledge, competence, judgment and (if applicable) authority?	AO430	___	___	___	___
Based on the facts and circumstances, were the firm’s conclusions reasonable and consistent with professional standards?	AO431	___	___	___	___
Is the firm’s report, the financial statements, or other information affected by the matter consistent with the results of the consultation?	AO432	___	___	___	___
If the engagement records indicated a difference of opinion between the engagement personnel and/or specialist or other consultant was the difference resolved in accordance with firm policy and was the basis of the resolution appropriately documented?	AO433	___	___	___	___

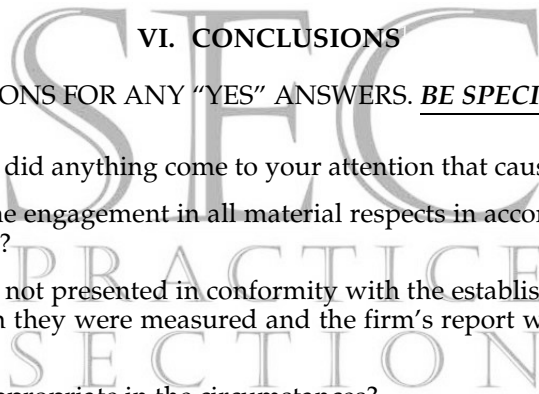
V. EXPLANATION OF "NO" ANSWERS AND OTHER COMMENTS

The following pages are provided for your comments on all "no" answers for which an MFC form was not generated or to expand upon any of the "yes" answers. All "no" answers must be thoroughly explained and reviewed with the engagement owner.

<i>Page Number</i>	<i>Question Number</i>	<i>Explanatory Comments</i>	<i>Disposition of Comments*</i>
SEC PRACTICE SECTION			

* The nature of the disposition of comments may vary, such as:

- Note "resolved" and the manner of resolution.
- Note "not significant" to indicate a "no" answer is appropriate, but that the manner is not significant enough to warrant the preparation of an MFC form.



VI. CONCLUSIONS

EXPLAIN BELOW THE REASONS FOR ANY "YES" ANSWERS. BE SPECIFIC.

Based on the work performed, did anything come to your attention that caused you to believe that:

The firm did not perform the engagement in all material respects in accordance with professional standards?

YES* ___ NO ___

The written assertions were not presented in conformity with the established or stated criteria against which they were measured and the firm's report was not appropriately modified?

YES* ___ NO ___

The firm's report was not appropriate in the circumstances?

YES* ___ NO ___

The documentation on this engagement does not support the firm's report on the written assertions?

YES* ___ NO ___

The firm did not comply with its policies and procedures on this engagement in all material respects?

YES* ___ NO ___

[The next page is 22,001.]

* If this question is answered "yes," see additional guidance contained in Section 3100.51-.53 of the *Standards for Performing and Reporting on Peer Reviews* in the AICPA *Peer Review Program Manual* or Section 2000.83-.89 in the *SEC Practice Section Reference Manual*.

SEC
PRACTICE
SECTION

PRM
22000

Engagement Checklist
Supplements

Section 22,000

Engagement Checklist Supplements

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 - 22,060 Supplemental Checklist for Review of Common Interest Realty Associations
 - 22,070 Supplemental Checklist for Review of Engagements of Health Care Organizations
 - 22,080 Supplemental Checklist for Review of Audits of HUD Engagements
-

[The next page is 22,011.]

SEC
PRACTICE
SECTION

Section 22,010

Supplemental Checklist for Review of Banks and Savings Institutions Audit Engagements

Instructions for Use of the Supplemental Checklist for Review of Banks and Savings Institutions Audit Engagements

This supplemental checklist was developed for use by reviewers of banks and savings institutions audit engagements. It should be used in conjunction with the *General Audit Engagement Checklist* (audit checklist) and other guidance materials issued to implement the peer review program of the AICPA and the SEC Practice Section. The instructions to Sections I and III of the audit checklist should be used when completing the applicable sections of this supplement. Questions regarding these instructions or any other materials should be directed to AICPA Practice Monitoring at (201) 938-3030.

The questions in this checklist emphasize reporting matters and general procedures ordinarily performed by an independent auditor in the audit of financial statements of banks and savings institutions. All "No" answers must be thoroughly explained in Section VI of the audit checklist.

This checklist is not intended to be an all-inclusive document containing all disclosure and audit procedures related to the financial statements of banks and savings institutions. It is a summarization of commonly addressed key areas and related concepts or procedures. Therefore, it should be used in conjunction with various reference materials dealing with reporting, disclosure, and audit procedure issues in order to sufficiently evaluate banks and savings institutions engagements. These additional materials include the AICPA Financial Accounting and Reporting Practice Aids *Checklist and Illustrative Financial Statements for Banks and Savings Institutions* or other similarly comprehensive disclosure materials and the AICPA Audit and Accounting Guide *Banks and Savings Institutions*, as issued in 1996 and subsequently updated for changes to conform to revised professional standards.

This is part of a series of supplemental checklists which the Institute has developed to facilitate the reviews of engagements within specialized industries. If you have any comments concerning this supplemental checklist, please forward them to AICPA Practice Monitoring.

Explanation of References:

AAGB	AICPA Audit and Accounting Guide <i>Banks and Savings Institutions</i> (reflects guidance contained in authoritative pronouncements through May 1, 2000.)
AC	Reference to section number in <i>FASB Accounting Standards Current Text</i>
AT	Reference to section number for Statement on Standards for Attestation Engagements in <i>AICPA Professional Standards</i> (vol. 1)
AU	Reference to section number for Statement on Auditing Standards in <i>AICPA Professional Standards</i> (vol. 1)
CFR	Code of Federal Regulations
EITF	Emerging Issues Task Force Consensus
ET	<i>Code of Professional Conduct</i> in <i>AICPA Professional Standards</i> (vol. 2)
FAS	Financial Accounting Standards Board pronouncements
FDI ACT	Federal Deposit Insurance Act
SOP	AICPA Statement of Position
SX	Securities and Exchange Commission Regulation S-X

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¹ Refer to AICPA Financial Reporting Practice Aids *Checklists and Illustrative Financial Statements for Banks and Savings Institutions* or other similarly comprehensive materials; the AICPA Audit and Accounting Guide *Banks and Savings Institutions* (see instructions on page 22,011).

² Reviewers should refer to the instructions for the applicable section included in the *General Audit Engagement Checklist*.

³ Refer to AICPA Audit and Accounting Guide *Banks and Savings Institutions* (see instructions on page 22,011).

I. REPORT AND FINANCIAL STATEMENTS

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Financial Statements and Notes					
Is the presentation appropriate and is the disclosure adequate regarding:					
Cash and Cash Equivalents? (AAGB, Ch. 4, pars. 4.06–4.08)	B101	___	___	___	___
Loans by category (AAGB, Ch. 6, par. 6.18 and 6.48–6.49):					
Commercial, industrial, and agricultural?	B102	___	___	___	___
Consumer?	B103	___	___	___	___
Residential real estate?	B104	___	___	___	___
Lease financing?	B105	___	___	___	___
Trade financing?	B106	___	___	___	___
Commercial real estate and construction?	B107	___	___	___	___
Foreign?	B108	___	___	___	___
Allowance for loan and credit losses? (AAGB, Ch. 7, pars. 7.26–.33)	B109	___	___	___	___
Loans on nonaccrual basis, and the effect of such loans on income? (AAGB, Ch. 6, par. 6.47 and .50)	B110	___	___	___	___
Domestic and foreign deposits (separately shown and disclosing interest or non-interest-bearing portions, amounts and maturities of certificates of deposit of \$100,000 or greater, large concentrations and related parties)? (AAGB, Ch. 4, par. 4.06 and Ch. 11, par. 11.32)	B111	___	___	___	___
Federal fund purchases, securities sold under repurchase agreements and other short-term borrowings (presented at gross amounts including collateral policy)? (AAGB, Ch. 12, pars. 12.23–.33)	B112	___	___	___	___
Exclusion of trust assets? (AAGB, Ch. 17, par. 17.12)	B113	___	___	___	___
Are repurchase agreements presented gross, except where a right of offset exists and the conditions described in FASB Interpretation 41, Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements, have been met? (AAGB, Ch. 12, par. 12.30)	B114	___	___	___	___
Trading assets and related futures contracts? (AAGB, Ch. 15, pars. 15.82–.94)	B115	___	___	___	___
Mortgage loans and mortgage-backed securities held for sale? (AC, Sec. Mo4.129–.130 and AAGB, Ch. 8, pars. 8.30–.33)	B116	___	___	___	___
Investment securities that are held to maturity or available for sale (disclosed separately) at the aggregate amortized cost, gross unrealized gains, gross unrealized losses, and fair value? (AAGB, Ch. 5, pars. 5.102–.107)	B117	___	___	___	___

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Loan commitments and unused lines of credit for short-term financing? (AAGB, Ch. 6, pars. 6.71–.73)	B118	_____	_____	_____	_____
Real estate acquired in settlement of loans and the related valuation allowance? (AAGB, Ch. 9, pars. 9.08–.11)	B119	_____	_____	_____	_____
“Other” assets or liabilities that individually exceed 30 percent of stockholders’ equity (separately stated), if applicable? (Reg. S-X 9-03.10)	B120	_____	_____	_____	_____
Have significant categories of borrowing been presented as separate line items in the liability section of the balance sheet? (AAGB, Ch. 13, pars. 13.27 and .32)	B121	_____	_____	_____	_____
For institutions that have not adopted SFAS No. 133—					
For financial instruments with off-balance-sheet risks of accounting loss and off-balance-sheet credit risk (i.e., outstanding loan commitments written, standby and commercial letters of credit written, financial guarantees written, recourse obligations on receivables sold, etc.) have the following been disclosed (AC Sec. F25.103):					
The face or contract amount? The nature and terms of the instrument (including credit and market risk, cash requirements of those instruments and related accounting policy)? (AC Sec. F25.112)	B122	_____	_____	_____	_____
For instruments with off-balance-sheet credit risk; the potential loss for failure to perform completely, and policies and information regarding collateral requirements? (AC Sec. F25.113 and AAGB, Ch. 6, par. 6.78)	B123	_____	_____	_____	_____
For group concentrations of credit risk of all financial instruments; information about the shared activity, region, or other characteristics; exposure to loss for the group; policies regarding the requirement and the nature of existing collateral for the group? (AC Sec. F25.115)	B124	_____	_____	_____	_____
For institutions that have adopted SFAS No. 133, has the institutions disclosed all significant concentrations of credit risk arising from all financial instruments including:					
Information about the (shared) activity, region, or economic characteristic that identifies the concentration?	B125	_____	_____	_____	_____
Maximum amount of loss due to credit risk that, based on the gross fair value of the financial instrument the institution would incur if parties to the financial instruments that make up the concentration failed completely to perform according to the terms of the contracts and the collateral or other security, if any, for the amount due proved to be of no value to the entity?	B126	_____	_____	_____	_____
The institution’s policy requiring collateral or other security to support financial instruments subject to credit risk, and information about the entity’s access to that collateral?	B127	_____	_____	_____	_____
The institution’s policy for entering into master netting agreements to mitigate the credit risk of financial instruments and description of the associated terms, including the extent to which they would reduce the institution’s maximum amount of loss due to credit risk? (AC F25.116A)	B128	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Has the client disclosed all significant regulatory supervisory agreements, orders or other regulatory actions? (AAGB, Ch. 2, pars. 2.51-.58)	B129	_____	_____	_____	_____
Did the engagement team consider the adequacy of disclosure of related party transactions, including (AU Sec. 334, AC Sec. R36 and Reg. S-X 9-03.7e):					
Loans to insiders and affiliates?	B130	_____	_____	_____	_____
Fees or commissions paid to officers and directors, or their affiliates?	B131	_____	_____	_____	_____
Were financial instruments for which it is not practicable to estimate a fair value disclosed (AC Sec. F25.115C):					
Fair value of the financial instrument?	B132	_____	_____	_____	_____
Method(s) and significant assumptions used to estimate the fair value?	B133	_____	_____	_____	_____
For financial instruments where it is not practicable to estimate a fair value, was the following disclosed (AC Sec. F25.115J):					
Information pertinent to estimating the fair value of that financial instrument or class of financial instruments, such as the carrying amount, effective interest rate, and maturity?	B134	_____	_____	_____	_____
The reasons why it is not practicable to estimate fair value?	B135	_____	_____	_____	_____
If FAS No. 133 has not yet been adopted and, therefore, if FAS No. 119 was applicable to this engagement, have the following been disclosed regarding derivative financial instruments by category of financial instrument (i.e., futures, forward, swap, option contracts, etc.)? (AC Sec. F25.115I, Appendix E):					
Has the entity a) segregated the fair value of derivative financial instruments from the fair value of nonderivative financial instruments and b) not netted other derivative or nonderivative financial instruments except to the extent offsetting is permitted? (AC Sec. F25.115I, Appendix E)	B136	_____	_____	_____	_____
The face or contract amount? Nature and terms of the instrument (including credit and market risk, cash requirements and related accounting policy?) (AC Sec. F25.115L, Appendix E)	B137	_____	_____	_____	_____
Purposes for which derivative financial instruments are held or issued (Trading versus Other)? (AC Sec. F25.115M, Appendix E)	B138	_____	_____	_____	_____
If held or issued for trading, the average fair value and related end-of-period fair value? (Net gains or losses disaggregated by class, business activity, risk, etc.)? (AC Sec. F25.115N, Appendix E)	B139	_____	_____	_____	_____
If held for purposes other than trading, a description of the objectives and strategies for reaching the objectives? Description of how each class of derivative financial instrument is reported and related policies? (AC Sec. F25.115O, Appendix E)	B140	_____	_____	_____	_____
If applicable, has the institution complied with the reporting provisions of the Federal Deposit Insurance Act? (FDI Act Section 36 as Implemented by 12 CFR 363 and AAGB, Appendix D):					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Has an attestation report been issued on management's assertion about the effectiveness of the institution's internal control structure over financial reporting? (12 CFR 363.3(b))	B141	_____	_____	_____	_____
With respect to impaired loans, if they were applicable to this engagement, have the following been disclosed:					
The recorded investment in impaired loans and the total allowance for credit losses related to impaired loans? (AC Sec. I08.118)	B142	_____	_____	_____	_____
The activity in the allowance for credit losses account, including the balance in the allowance for credit losses account at the beginning and end of each period, additions charged to operations, direct write-downs charged against the allowance, and recoveries of amounts previously charged off? (AC Sec. I08.118A)	B143	_____	_____	_____	_____
The appropriate income recognition policies and related disclosures? (AC Sec. I08.115)	B144	_____	_____	_____	_____
For restructured loans, the impact of the multiple loan structures on the impaired loan disclosures? (EITF 96-22)	B145	_____	_____	_____	_____
Were fair value disclosures appropriately presented for debt and equity securities? (FAS No. 115)	B146	_____	_____	_____	_____
Have the following been disclosed regarding an impairment loss for assets to be held and used:					
Description of the impaired assets, facts and circumstances leading to the impairment, including amount of loss and method of fair market value determination and if applicable, the business segments affected? (AC Sec. I08.133)	B147	_____	_____	_____	_____
Has the method used in determining lower or cost of market of mortgage loans been disclosed? (AC Sec. Mo4.130)?	B148	_____	_____	_____	_____
Have the following been disclosed for the servicing of financial instruments? (AC Sec. F35.102):					
Amounts of servicing assets or liabilities recognized and amortized during the period?	B149	_____	_____	_____	_____
Fair value of recognized servicing assets and liabilities for which it is practicable to estimate that value and the method and significant assumptions used to estimate the fair value?	B150	_____	_____	_____	_____
Risk characteristics of the underlying financial assets used to stratify recognized servicing assets for purposes of measuring impairment?	B151	_____	_____	_____	_____
Activity in any valuation allowance account?	B152	_____	_____	_____	_____
For fiscal years ending after December 15, 2000, has the institution disclosed the following—(AC Sec. F39.110a)					
For collateral:					
If the entity has pledged any of its assets as collateral that are not reclassified and separately reported in the statement of financial position, the carrying amount and classification of those assets as of the date of the latest statement of financial position presented?	B153	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the entity has accepted collateral that it is permitted by contract or custom to sell or repledge, the fair value as of the date of each statement of financial position presented of that collateral and of the portion of that collateral that it has sold or repledged, and information about the sources and uses of that collateral? (FAS No. 140, par. 17a(2) and a(3))	B154	___	___	___	___
For fiscal years ending after December 15, 2000, has the institution disclosed the following—					
If the institution has securitized, as a sales transaction, financial assets during any period presented, have the following been disclosed for each major asset type (AC Sec. F39.110c):					
Its accounting policies, including methodology, for initially measuring retained interest, if any, used in determining fair value?	B155	___	___	___	___
The characteristics of securitizations and the amount of associated gain or loss from sale?	B156	___	___	___	___
The key assumptions used in measuring the fair value of any retained interests at the time of securitization (and continuing retained interest, if any)?	B157	___	___	___	___
Cash flows between the securitization special purpose entity and the transferor, unless reported elsewhere in the financial statements or notes?	B158	___	___	___	___
If the institution has retained interests in securitized financial assets at the date of the latest statement of financial position presented, for each major asset type (AC Sec. F39.110d):					
Its accounting policies for subsequently measuring those retained interests, including the methodology?	B159	___	___	___	___
The key assumptions used in subsequently measuring the fair value of those interests?	B160	___	___	___	___
A sensitivity analysis or stress test showing the hypothetical effect on the fair value of any continuing retained interest of two or more unfavorable variations from the expected levels for each key assumption that is reported and a description of the objectives, methodology, and limitations of such sensitivity analysis?	B161	___	___	___	___
For securitized assets and any other financial assets managed with securitized assets:					
The total principal amount outstanding, the amount of principal that has been derecognized, and the portion of the principal that continues to be recognized?	B162	___	___	___	___
Delinquencies at the end of the period?	B163	___	___	___	___
Credit losses, net of recoveries, during the period?	B164	___	___	___	___
Has the institution disclosed the regulatory capital requirements as well as any noncompliance noted? (AAGB, Ch. 2, pars. 2.51 and 2.52)	B165	___	___	___	___

II. WORKING PAPER AREAS — BANKS AND SAVINGS INSTITUTIONS

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
General					
<input type="checkbox"/> Not a key area					
Do the engagement planning and audit working papers consider:					
Fraud? (AAGB, Ch. 3, par. 3.43)	B301	___	___	___	___
Insider abuse? (AAGB, Ch. 3, par. 3.45)	B302	___	___	___	___
Results of inquiries?	B303	___	___	___	___
Meeting minutes?	B304	___	___	___	___
Changes in the economy and industry?	B305	___	___	___	___
Understanding of regulatory examinations and review of their findings and actions?	B306	___	___	___	___
(AU Secs. 316 and 317)	B307	___	___	___	___
Did the independent auditor consider matters affecting the industry, such as regulatory requirements, such as required capitalization? (AU Sec. 311 and AAGB, Ch. 1, pars. 1.07 and .13)	B308	___	___	___	___
Did the independent auditor review reports of significant examinations and related communications between examiners and the financial institution and, when appropriate, make inquiries of the examiners? (AAGB, Ch. 2, pars. 2.12–.16)	B309	___	___	___	___
Did the independent auditor's evaluation of the client's ability to remain a going concern consider the effects of provisions of the FDI Act that affect the client's liquidity including limitations on:					
Acceptance of brokered deposits?	B310	___	___	___	___
The availability of borrowings through the Federal Reserve discount window?	B311	___	___	___	___
Exposure to the client posed by transactions with correspondent banks and related interbank liabilities?	B312	___	___	___	___
Was the independent auditor aware that loans from the client would be in violation of ET Sec. 101-1A? (Note to reviewer: ET Sec. 101-1A does not permit exceptions based on materiality.)	B313	___	___	___	___
Do the working papers indicate that events of noncompliance or expected noncompliance with regulatory requirements—including capital standards—were considered in the auditor's evaluation of the client's ability to continue as a going concern? (AU Sec. 341 and AAGB, Ch. 2, pars. 2.51 and .52)	B314	___	___	___	___
If the client uses service bureaus for processing significant information (for example, mortgage servicing, general ledger and trial balances, loan deposit or credit card transactions or investment information), do the working papers indicate that the engagement team considered the effect on the internal control structure and the assessment of control risk? (AU Sec. 324)	B315	___	___	___	___

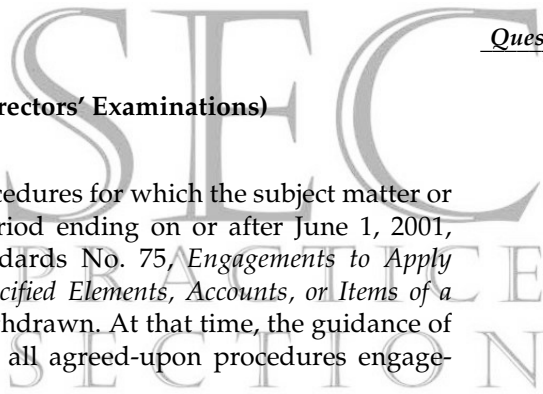
* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Do the working papers indicate that the audit team considered the client's classification of investment securities according to the client's intent for those securities, and given any turnover in the investment portfolio? (AAGB, Ch. 5, pars. 5.123-.126)	B316	_____	_____	_____	_____
Do the working papers indicate that the auditor considered the client's evaluation of impairments in the value of investment securities where such impairments are considered "other than temporary?" (SEC Staff Accounting Bulletin No. 59 for publicly-held depository institutions, AU Sec. 332 and AAGB, Ch. 5, pars. 5.132-.133)	B317	_____	_____	_____	_____
Was the examination engagement, relative to management's assertion about the effectiveness of the institution's internal control structure over financial reporting, conducted in accordance with Statements on Standards for Attestation Engagements?	B318	_____	_____	_____	_____
Has the firm filed with the FDIC two copies of its peer review report, letter of comments, and letter of response as well as an annual list of FDIC clients within 15 days of receiving notification that its peer review report has been accepted? (Note to reviewer: This and other requirements of 12 CFR 363 generally apply to institutions with over \$500 million in assets.) (Appendix A to 12 CFR 363)	B319	_____	_____	_____	_____
If the client-auditor relationship with an FDIC insured depository institution has subsequently ceased, has a notice of termination been properly filed within 15 days with the FDIC? (Note to reviewer: This and other requirements of 12 CFR 363 generally apply to institutions with over \$500 million in assets.)	B320	_____	_____	_____	_____
Do the representations obtained from management also include those items specific to banks and savings institutions? (AAGB, Ch. 3, pars. 3.66 and .67)	B321	_____	_____	_____	_____
Loans (AAGB, Chs. 6-8)					
<input type="checkbox"/> Not a key area					
Did the loan evaluation consider or include:					
Lending policies and procedures, including control over loan file documentation and maintenance?	B322	_____	_____	_____	_____
The qualifications of the loan officers?	B323	_____	_____	_____	_____
The effectiveness of the internal audit and loan review programs?	B324	_____	_____	_____	_____
The results of prior years' examinations and industry statistics?	B325	_____	_____	_____	_____
Loan loss experience and charge-off policy?	B326	_____	_____	_____	_____
The relative degrees of risk inherent by type of loan: considering, for example, if loans are unsecured, associated with depressed areas or industries, highly concentrated and exposed to political, geographic or economic risks?	B327	_____	_____	_____	_____
Participations purchased or sold?	B328	_____	_____	_____	_____
Consider current collateral values?	B329	_____	_____	_____	_____
Classification of loans as substandard, doubtful, or loss?	B330	_____	_____	_____	_____
Application of cash payments from troubled loans?	B331	_____	_____	_____	_____
Related party transactions?	B332	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
The extent to which loan renewals and extensions are used to maintain loans on a current basis?	B333	_____	_____	_____	_____
Appraisals obtained on foreclosed real estate, including the qualifications, independence and findings of the appraisers?	B334	_____	_____	_____	_____
The use of watch lists, delinquency reports and other sources of potential problems including troubled debt restructurings?	B335	_____	_____	_____	_____
Did the work include the review of individual loan files including borrowers' financial statements, evidence of collateral and cash flow information?	B336	_____	_____	_____	_____
Did the work include a determination of whether or not the entity had entered into acquisition, development or construction (ADC) arrangements and that such arrangements were appropriately accounted for? (Practice Bulletin 1 and EITF 86-21)	B337	_____	_____	_____	_____
In the loan area has the audit team given consideration to:					
Testing executed notes, loan applications, financial statements of borrowers, chattels and recording of chattels, other credit information and approvals?	B338	_____	_____	_____	_____
Providing evidence of the institution's compliance with the requirements of AC Sec. L20 (FAS No. 91)—Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases, in the engagement working papers?	B339	_____	_____	_____	_____
Confirmation with customers?	B340	_____	_____	_____	_____
Proper accounting recognition of unearned income, interest income, points, recognition of acquisition and other fees and requirements of AC Sec. L20 (FAS No. 91)?	B341	_____	_____	_____	_____
Were audit procedures performed to test accrued interest receivable, unearned discount and interest income on sample groups of loans? (AAGB, Ch. 6, pars. 6.107 and .116)	B342	_____	_____	_____	_____
Were appropriate substantive procedures performed to test loan-related financial statement amount categories? (AAGB, Ch. 6, pars. 6.104–.122)	B343	_____	_____	_____	_____
If negative confirmation requests were used in confirmation of cash, accounts receivable, investments, loans, deposit account balances or other assets or liabilities, do the working papers indicate that (AU Sec. 330):					
The combined assessed level of inherent and control risk is low?	B344	_____	_____	_____	_____
A large number of small balances is involved?	B345	_____	_____	_____	_____
and,					
The auditor has no reason to believe that the recipients of the requests are unlikely to give them consideration?	B346	_____	_____	_____	_____
and,					
Did the engagement team consider performing other substantive procedures to supplement the use of negative confirmations?	B347	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Related to servicing rights, do the working papers document that the engagement team evaluated management's estimates of historical and future prepayments? (AU Sec. 342 and AAGB, Ch. 8, par. 8.41)	B348	_____	_____	_____	_____
If the client has transferred receivables with recourse, did the obligations recorded under the recourse provisions include all probable credit losses? (EITF 92-2 and AC Sec. F38.167)	B349	_____	_____	_____	_____
Was an appropriate evaluation of the adequacy of the allowance for loan losses and the selection of loans to be evaluated, documented and then performed? (AAGB, Ch. 7, pars. 7.34-.38 and .40-.47)	B350	_____	_____	_____	_____
Based on the assessment of control risk, do the substantive tests of loans appear reasonable? (AU Sec. 319)	B351	_____	_____	_____	_____
Real Estate and Other Assets (AAGB, Chs. 9 and 10)					
<input type="checkbox"/> Not a key area					
If real estate or other assets acquired through foreclosure are significant to the client, were:					
Carrying values properly recorded, classified, and disclosed in the financial statements? (SOP 92-3 [TPA Sec. 10,510])	B352	_____	_____	_____	_____
Continuing carrying values assessed?	B353	_____	_____	_____	_____
Loans restructured by the client properly recorded under the principles of AC Sec. D22?	B354	_____	_____	_____	_____
Were sales of foreclosed real estate and other assets financed by the institution tested for proper accounting treatment? (SOP 92-3 [TPA Sec. 10,510], and FAS No. 66)	B355	_____	_____	_____	_____
Based on the assessment of control risk, do the substantive tests of real estate and other assets appear reasonable? (AU Sec. 319)	B356	_____	_____	_____	_____
Deposits (AAGB, Ch. 11)					
<input type="checkbox"/> Not a key area					
Were appropriate audit procedures performed to test the underlying balances of the subsidiary deposit records with the general ledger control accounts? (AAGB, Ch. 11, par. 11.41)	B357	_____	_____	_____	_____
Were deposit accounts confirmed and appropriate follow-up steps taken, including second requests and alternative procedures? (AU Sec. 330 and AAGB, Ch. 11, pars. 11.42 and .43)	B358	_____	_____	_____	_____
Was accrued interest payable, interest expense and service charge income tested in connection with the audit of deposits? (AAGB, Ch. 11, par. 11.44)	B359	_____	_____	_____	_____
Were appropriate substantive procedures performed to test deposit-related financial statement amount categories? (AAGB, Ch. 11, par. 11.45)	B360	_____	_____	_____	_____
Based on the assessment of control risk, do the substantive tests of deposit accounts appear reasonable? (AU Sec. 319)	B361	_____	_____	_____	_____



Ques. N/A Yes No Ref.

Agreed-Upon Procedures (Directors' Examinations)

Not a key area

Effective for agreed-upon procedures for which the subject matter or assertion is as of or for a period ending on or after June 1, 2001, Statement on Auditing Standards No. 75, *Engagements to Apply Agreed-Upon Procedures to Specified Elements, Accounts, or Items of a Financial Statement*, will be withdrawn. At that time, the guidance of AT Section 201 will apply to all agreed-upon procedures engagements.

Procedures are limited in an agreed-upon procedures examination; therefore, were the following considered:

Clearly setting forth in the engagement letter the nature and extent of procedures?

B362 _____ _____ _____ _____

Federal and state regulations and requirements in the determination of the engagement scope?

B363 _____ _____ _____ _____

Compliance with the provisions of the following, if the engagement consisted of performing certain agreed-upon procedures:

AU Sec. 622 for procedures on specified elements, accounts, or items of a financial statement? (AAGB, App. A, par. A-41)

B364 _____ _____ _____ _____

AT Sec. 400 for procedures related to internal controls over financial reporting? (AAGB, App. A, par. A-40)

B365 _____ _____ _____ _____

AT Sec. 500 for procedures related to compliance with laws and regulations? (AAGB, App. A, par. A-39)

B366 _____ _____ _____ _____

AT Sec. 600 for procedures related to reporting on the subject matter of an assertion?

B367 _____ _____ _____ _____

Trust Services and Activities (AAGB, Ch. 17)

Not a key area

Were the audit procedures directed to uncover the existence of contingent liabilities arising from trust department operations and the bank's fiduciary responsibilities? (AAGB, Ch. 17, par. 11.19)

B368 _____ _____ _____ _____

[The next page is 22,025.]

SEC
PRACTICE
SECTION

Section 22,020

Supplemental Checklist for Review of A-133 Single Audit Act Engagements

Instructions for Use of the Supplemental Checklist for Review of A-133 Single Audit Act Engagements

This checklist was developed for use by reviewers of audits of entities receiving federal government awards or grants that require audits under the *Single Audit Amendments Act of 1996* and the Office of Management and Budget (OMB) 1997 revision of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This checklist should be used in conjunction with the Section 20,500, *Governmental Audit Engagement Checklist* or the Section 20,600, *Not-for-Profit Audit Engagement Checklist*. In some circumstances it may also be used to supplement the Section 20,400, *General Audit Engagement Checklist*.

The questions in this checklist have been derived in part from the *Uniform Quality Control Review Guide for A-133 Audits*, 1999 Edition, prepared by the President's Council on Integrity & Efficiency, for use by federal government cognizant agencies when conducting quality control reviews of single audits. Reviewers may also wish to refer to the U.S. General Accounting Office's *Government Auditing Standards* (1994 Revision, amended through Amendment No. 2) (the "Yellow Book"), the AICPA Statement of Position (SOP) 98-3, *Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards*, as issued in 1998 and subsequently updated for changes to conform to revised AICPA *Professional Standards*, and the AICPA Practice Aid, *Auditing Recipients of Federal Awards: Practical Guidance for Applying OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

SOP 98-3 is only available in the AICPA *Technical Practice Aids* at Section 11,320 and in the AICPA Audit Guides, *Audits of State and Local Governmental Units* in Appendix M and *Not-for-Profit Organizations* in Appendix D.

Reviewers of audits of governmental entities' or not-for-profit organizations' HUD projects should not complete the *Supplemental Checklist for Review of Audits of HUD Engagements*, but instead should complete this checklist.

Reviewers should adapt this checklist to fit specific engagements.

All "no" answers must be thoroughly explained in the Section provided in the applicable audit checklist.

These materials should be used in conjunction with other guidance materials issued to implement the peer review program of the AICPA and the SEC Practice Section. Questions regarding these instructions or any other materials should be directed to AICPA Practice Monitoring at (201) 938-3030.

Explanation of References:

A-133	Office of Management and Budget (OMB) Circular No. A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> (SOP 98-3, Appendix B)
AU	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
GAS	<i>Government Auditing Standards</i> (1994 Revision, amended through Amendment No. 2), United States General Accounting Office
SOP	AICPA Statement of Position (SOPs may be found in AICPA <i>Technical Practice Aids</i> (TPA))

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I. GOVERNMENT AUDITING STANDARDS

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Does the auditor's (firm's) understanding with the client include:					
Providing the firm's most recent (within the last three years) external quality control review report to the client? (GAS pars. 3.33 and 3.36)	GA101	_____	_____	_____	_____
Arrangements for access to the working papers by other auditors and oversight officials as applicable? (GAS pars. 4.36, .38 and A-133.515(b))	GA102	_____	_____	_____	_____
Does the auditor (firm) have policies for the safe custody and retention of working papers? (GAS par. 6.65 and A-133.515(b))	GA103	_____	_____	_____	_____
Does the auditor's report on financial statements include reference to generally accepted auditing standards and to the standards for financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States? (GAS par. 5.11)	GA104	_____	_____	_____	_____
When reporting separately on compliance with laws and regulations and internal control over financial reporting, did the auditor disclose in the auditor's report on the financial statements 1) the issuance of that additional report, 2) that the additional report is an integral part of a GAS audit, and 3) in considering the results of the audit, the separate report should be read along with the auditor's report on the financial statements? (GAS, pars. 5.16–5.16.1)	GA105	_____	_____	_____	_____
If certain information is prohibited from general disclosure, did the auditor's report state the nature of the information omitted and the requirement that makes the omission necessary? (GAS par. 5.29)	GA106	_____	_____	_____	_____
Did the auditor's report on compliance and on internal control over financial reporting based upon an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> to include all required elements as follows (GAS 5.17, SOP 98-3, par. 10.39 [TPA Sec. 11,320-10.39]):					
A reference to the auditor's report on the entity's financial statements and, if applicable, a description of any departures from the standard report? (SOP 98-3, par. 10.39a [TPA Sec. 11,320-10.39a])	GA107	_____	_____	_____	_____
A statement that the auditor has performed tests of the entity's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts? (SOP 98-3, par. 10.39c [TPA Sec. 11,320-10.39c])	GA108	_____	_____	_____	_____
A statement that the objective of an audit is not to provide an opinion on compliance with laws and regulations, etc.? (SOP 98-3, par. 10.39d [TPA Sec. 11,320-10.39d])	GA109	_____	_____	_____	_____
A statement indicating whether the auditor's tests disclosed instances of noncompliance required to be reported under <i>Government Auditing Standards</i> , and a description of the noncompliance, or reference to a schedule of findings? (SOP 98-3, par. 10.39e [TPA Sec. 11,320-10.39e])	GA110	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages at the end of the checklist to which this supplement relates.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If applicable, a statement that certain immaterial instances of non-compliance were communicated to management in a separate letter? (SOP 98-3, par. 10.39f [TPA Sec. 11,320-10.39f])	GA111	___	___	___	___
If applicable, a statement that reportable conditions were noted and the definition of a reportable condition? (SOP 98-3, par. 10.39h [TPA Sec. 11,320-10.39h])	GA112	___	___	___	___
Appropriate language when no reportable conditions were noted? (AU Sec. 325.17 prohibits issuing a written report stating that no reportable conditions were noted.) (SOP 98-3, par. 10.39i [TPA Sec. 11,320-10.39i])	GA113	___	___	___	___
The definition of a material weakness? (SOP 98-3, par. 10.39k [TPA Sec. 11,320-10.39k])	GA114	___	___	___	___
If applicable, a statement that other matters involving the internal control over financial reporting were communicated to management in a separate letter? (SOP 98-3, par. 10.39m [TPA Sec. 11,320-10.39m])	GA115	___	___	___	___
A statement indicating the report is intended solely for the information and use of specified bodies and, if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified bodies? (SOP 98-3, par. 10.39n and AU Sec. 532 [TPA Sec. 11,320-10.39n])	GA116	___	___	___	___
When illegal acts involve funds received from other governmental entities, did the auditors assure themselves that the audited entity notified the proper official of those entities within a reasonable time? (GAS pars. 5.21–.24 and SOP 98-3, pars. 10.23 and .24 [TPA Sec. 11,320-10.23 and .24])	GA117	___	___	___	___
If the entity did not, or was unable to do so because the top official was involved, has the auditor reported these acts to the officials of those other governmental entities, and to the appropriate oversight body? (GAS pars. 5.21–.24 and SOP 98-3, pars. 10.23–.25 [TPA Sec. 11,320-10.23–.25])	GA118	___	___	___	___
If appropriate, was the scope section of the reports properly modified to disclose that an applicable government auditing standard was not followed, the reasons therefore and the known effect of not following the standard on the audit results? (GAS par. 5.12)	GA119	___	___	___	___
When appropriate, did the auditor report fraud, abuse, or illegal acts, or indications of such acts? (GAS pars. 5.21–.25 and SOP 98-3, pars. 10.23 and .24 [TPA Sec. 11,320-10.23 and .24])	GA120	___	___	___	___
Did the report(s) disclose the status of all known, but uncorrected significant or material findings and recommendations from prior audits that affect current audit objectives? (GAS par. 4.10 and SOP 98-3, par. 10.62 [TPA Sec. 11,320-10.62])	GA121	___	___	___	___
Did the auditor document communication of those nonreportable conditions in internal control not included in the required reports? (GAS par. 5.20 and SOP 98-3, par. 10.29 [TPA Sec. 11,320-10.29])	GA122	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Were findings presented in accordance with the guidance in the <i>Government Auditing Standards</i> ? (GAS pars. 5.21–5.28 and SOP 98-3, par. 10.39 [TPA Sec. 11,320-10.39])	GA123	_____	_____	_____	_____
Do the working papers contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor's significant conclusions and judgements? (GAS par. 4.35 and SOP 98-3, pars. 3.20–.22 [TPA Sec. 11,320-3.20–.22])	GA124	_____	_____	_____	_____
Are appropriate personnel in compliance with the Yellow Book continuing professional education (CPE) requirements? (GAS par. 4.35 and SOP 98-3, pars. 3.10 and .11 [TPA Sec. 11,320-3.10–.11])	GA125	_____	_____	_____	_____
Is the audit firm in compliance with the external quality control review requirements of the Yellow Book? (GAS par. 4.35 and SOP 98-3, pars. 3.12 and .13 [TPA Sec. 11,320-3.12–.13])	GA126	_____	_____	_____	_____
Was appropriate assurance of independence considered on three levels: personal, external and organizational, and did the auditor maintain an independent attitude and appearance? (GAS pars. 3.11–.25)	GA127	_____	_____	_____	_____
Did the auditor (firm) meet the licensing requirements of the jurisdiction where the entity is located? (GAS par. 3.10(e)(2))	GA128	_____	_____	_____	_____
Did the auditor obtain written representations from management regarding the completeness of management's identification of laws and regulations that have a material effect on the financial statements and compliance with the requirements of federal awards programs? (AU Sec. 801.07(c) and SOP 98-3, pars. 4.40 and 6.68–.70 [TPA Sec. 11,320-4.40 and 6.68–.70])	GA129	_____	_____	_____	_____
Did the auditor communicate the following information related to the conduct and reporting of the audit to the audit committee or to individuals with whom they have contracted for the audit:					
Auditor's responsibilities and certain other matters (GAS par. 5.7a and SOP 98-3, par. 10.16a [TPA Sec. 11,320-10.16a])?	GA130	_____	_____	_____	_____
Nature of any additional testing of internal controls and compliance required by laws and regulations? (GAS par. 5.7b)	GA131	_____	_____	_____	_____
During the planning phase of the audit, did the auditor document in the work papers the basis for assessing control risk at the maximum level for assertions related to material account balances, transaction classes and disclosure components in the financial statements when such assertions are significantly dependent on computerized information systems? (GAS par. 4.21.3-4)	GA132	_____	_____	_____	_____
Did the auditor document the consideration that the planned audit procedures were designed to achieve audit objectives and reduce audit risk to an acceptable level? (GAS, Ch. 4, par. 4.21.4)	GA133	_____	_____	_____	_____
Document in the work papers specific communication with the auditee and the audit committee regarding the nature and extent of planned testing and reporting on compliance and internal control work to be performed under <i>Government Auditing Standards</i> ? (GAS, Ch. 4, pars. 4.6.3–4.6.9)	GA134	_____	_____	_____	_____

II. SINGLE AUDIT REQUIREMENTS

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Determination of Major Programs					
Were written management representations obtained concerning material federal awards covering the following areas (SOP 98-3, pars. 6.68 and .69 [TPA Sec. 11,320-6.68-.69]):					
Identification and completeness of the list of federal award programs?	SA101	___	___	___	___
Compliance with federal requirements?	SA102	___	___	___	___
Identification of known instances of noncompliance?	SA103	___	___	___	___
If the auditor did not use a risk-based approach to determining major federal programs as allowed for first-year audits (A-133.520(i) and SOP 98-3, par. 7.20 [TPA Sec. 11,320-7.20]):					
Was deviation from a risk-based approach acceptable?	SA104	___	___	___	___
Did the audit of major programs include at least 50 percent (25 percent for a low-risk entity) of the total federal awards expended as required by the percentage-of-coverage rule?	SA105	___	___	___	___
Did the auditor identify, and label as Type A programs, the federal programs with expenditures of federal awards during the audit period exceeding the larger of (A-133.520(b) and SOP 98-3, par. 7.5 [TPA Sec. 11,320-7.5]):					
\$300,000 or 3 percent of total federal awards expended (when total federal awards expended were between \$300,000 and \$100 million)?	SA106	___	___	___	___
\$3 million or .3 percent of total federal awards expended (when total federal awards expended were between \$100 million and \$10 billion)?	SA107	___	___	___	___
\$30 million or .15 percent of total federal awards expended (when total federal awards expended exceeded \$10 billion)?	SA108	___	___	___	___
Were the remaining programs labeled as Type B? (A-133.520 and SOP 98-3, par. 7.6 [TPA Sec. 11,320-7.6])	SA109	___	___	___	___
When identifying Type A programs, were noncash awards, including loans or loan guarantees, which significantly affect the number or size of Type A programs considered as Type A, and their values excluded in determining other Type A programs? (A-133.520(b)(3) and SOP 98-3, par. 7.7 [TPA Sec. 11,320-7.7])	SA110	___	___	___	___
Did the auditor perform and document procedures to identify low-risk Type A programs? (A-133.520(c)(1) and SOP 98-3, pars. 7.10-.12 [TPA Sec. 11,320-7.10-.12])	SA111	___	___	___	___
Were all Type A programs that were identified as low-risk (A-133.520(c)(1) and SOP 98-3, pars. 7.10-.12 [TPA Sec. 11,320-7.10-.12]):					
Audited as a major program in at least one of the two most recent audit periods?	SA112	___	___	___	___
Free of audit findings under A-133.510(a)(1), (2), or (5) in the last audit period?	SA113	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If there were audit findings under A-133.510(a)(3), (4), (6) or (7), did the working papers document the basis for the auditor's judgment that such findings did not preclude a Type A program from being low risk?	SA114	_____	_____	_____	_____
Based on a documented risk assessment showing that the auditor applied professional judgment and considered the criteria in A-133.525(c), .525(d)(1), (2) and (3), the results of audit follow-up, and any changes in personnel or systems? (A-133.520(c)(1))	SA115	_____	_____	_____	_____
Did the auditor consider the criteria in A-133 when performing the risk assessments on Type B programs? (A-133.520(d) and SOP 98-3, par. 7.14 [TPA Sec. 11,320-7.14])	SA116	_____	_____	_____	_____
At a minimum, did the auditor audit all of the following as major programs (A-133.215(c) and .520(e) and SOP 98-3, par 7.17 [TPA Sec. 11,320-7.17]):					
All Type A programs not identified as low risk?	SA117	_____	_____	_____	_____
At least one half of the Type B programs identified as high risk, or at least one high-risk Type B program was audited for each low-risk Type A program? [The auditor is not required to audit more high-risk Type B programs than the number of Type A programs identified as low-risk.]	SA118	_____	_____	_____	_____
Programs to be audited as major based on a federal agency request?	SA119	_____	_____	_____	_____
Such additional programs as may be necessary to comply with the percentage-of-coverage rule requiring audits of programs of at least 50 percent (25 percent for a low-risk entity) of the total federal awards expended? (A-133.520(f) and SOP 98-3, par. 7.24 [TPA Sec. 11,320-7.24])	SA120	_____	_____	_____	_____
If the entity was considered a low-risk entity, did the working papers evidence that the auditor determined that the following conditions were met for each of the preceding 2 years (A-133.530 and SOP 98-3, par. 7.25 [TPA Sec. 11,320-7.25]):					
Annual single audits were performed on the entity being audited or if a biennial audit, prior approval was obtained from cognizant or oversight agency [<i>Note</i> : An entity does not meet the criteria for a low risk entity if it was included in the single audit of a different entity for either of the prior two year's audits.]	SA121	_____	_____	_____	_____
The auditor's opinions on the financial statements and the Schedule of Expenditures of Federal Awards were unqualified or qualifications were waived by the cognizant or oversight agency?	SA122	_____	_____	_____	_____
There were no deficiencies in internal control which were identified as material weaknesses under the requirements of <i>Government Auditing Standards</i> or findings were waived by the cognizant or oversight agency?	SA123	_____	_____	_____	_____
None of the federal programs had audit findings from any of the following in either of the preceding two years (or, in the case of biennial audits, preceding two audit periods) in which they were classified as Type A programs:					
Internal control deficiencies which were identified as material weaknesses?	SA124	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Noncompliance with the provisions of laws, regulations, contracts, or grant agreements which have a material effect on the Type A program?	SA125	___	___	___	___
Known or likely questioned costs that exceed five percent of the total federal awards expended for a Type A program during the year?	SA126	___	___	___	___
Did the auditor document in the working papers their risk analysis used to determine major programs? (A-133.520(g))	SA127	___	___	___	___
Schedule of Expenditures of Federal Awards					
Do the working papers evidence that the auditor:					
Performed procedures to determine that the Schedule of Expenditures of Federal Awards is presented fairly in all material respects in relation to the entity's financial statements taken as a whole? (SOP 98-3, par. 5.1 [TPA Sec. 11,320-5.1])	SA128	___	___	___	___
Assessed the appropriateness and completeness of the entity's identification of federal programs included in the Schedule? (SOP 98-3, par. 5.4 [TPA Sec. 11,320-5.4])	SA129	___	___	___	___
Considered whether a reportable condition existed if the entity was unable to identify federally funded expenditures separately? (SOP 98-3, par. 5.4 [TPA Sec. 11,320-5.4])	SA130	___	___	___	___
Determined that the entity properly disclosed the basis of accounting and the significant accounting policies used in preparing the Schedule? (SOP 98-3, par. 5.5 [TPA Sec. 11,320-5.5])	SA131	___	___	___	___
Determined that the entity was able to reconcile amounts presented in the Schedule to amounts in the financial statements? (SOP 98-3, par. 5.5 [TPA Sec. 11,320-5.5])	SA132	___	___	___	___
Does the Schedule of Expenditures of Federal Awards:					
List individual federal programs by federal agency and for a cluster, list individual federal programs within a cluster of programs? (A-133.310(b)(1) and SOP 98-3, par. 5.6 [TPA Sec. 11,320-5.6])	SA133	___	___	___	___
Include, for federal awards received as a subrecipient, the name of the pass-through entity and the identifying number assigned by the pass-through entity? (A-133.310(b)(2) and SOP 98-3, par. 5.6 [TPA Sec. 11,320-5.6])	SA134	___	___	___	___
Provide the total federal awards expended for each individual federal program and the CFDA number or other identifying number when the CFDA number is not available? (A-133.310(b)(3) and SOP 98-3 par. 5.6 [TPA Sec. 11,320-5.6])	SA135	___	___	___	___
Include, in either the Schedule or a note to the Schedule, the value of federal awards expended in the form of noncash assistance, the amount of insurance in effect during the year, and loan guarantees outstanding at year end? (A-133.310(b)(6) and SOP 98-3, par. 5.6 [TPA Sec. 11,320-5.6])	SA136	___	___	___	___
Audits of Major Programs					
Did the auditor, in designing audit tests and developing an opinion on major program compliance, apply the concept of materiality in relation to each major program? (SOP 98-3, pars. 3.45, 6.14 and, .15 [TPA Sec. 11,320-3.45, 6.14, and .15])	SA137	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Did the auditor consider noncompliance, both individually and when aggregated, in determining whether to express a qualified or adverse opinion on compliance? (SOP 98-3, pars. 3.38 and 6.15)	SA138	_____	_____	_____	_____
Did the auditor document an understanding of the five components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring) for each of the fourteen compliance requirements that are material to the major program, sufficient to plan the audit to support a low assessed level of control risk? (A-133.500(c)(1) and SOP 98-3, pars. 8.7 and 8.9-.11)	SA139	_____	_____	_____	_____
Did the auditor ascertain the principal compliance requirements, including referring to the applicable Compliance Supplement sections, to determine the nature and extent of compliance requirements to test? (SOP 98-3, pars. 6.23, 6.24, and 8.12)	SA140	_____	_____	_____	_____
Did the auditor plan the testing of internal controls over major programs to support a low assessed level of control risk for the assertions relevant to each material compliance requirement for the major program? (A-133.500(c)(2)(i) and SOP 98-3, par. 8.16)	SA141	_____	_____	_____	_____
Did the auditor perform the planned testing of internal control? (A-133.500(c)(2)(ii) and SOP 98-3, par. 8.16)	SA142	_____	_____	_____	_____
In the judgment of the reviewer, was the nature and extent of the documented tests of controls sufficient to enable the auditor to reach a conclusion on the effectiveness of the internal control over compliance for preventing or detecting noncompliance relevant to the material compliance requirements for major programs? (SOP 98-3, par. 8.10)	SA143	_____	_____	_____	_____
If the auditor omitted testing of controls for any material requirement because the auditor concluded that the internal control over compliance was likely to be ineffective, did the report or workpapers include both of the following (A-133.500(c)(3) and SOP 98-3, pars. 8.20, .21 and 8.24):					
A reportable condition as part of the audit findings?	SA144	_____	_____	_____	_____
Control risk assessed at the maximum and a consideration of whether additional tests were required?	SA145	_____	_____	_____	_____
Do the working papers evidence that the auditor's determination of whether a deficiency in internal control was a reportable condition, was made in relation to a type of compliance requirement for a major program or an audit objective identified in the Compliance Supplement? (A-133.510(a)(1) and SOP 98-3, par. 8.26)	SA146	_____	_____	_____	_____
Were all reportable conditions in the internal control over major programs reported as audit findings? (A-133.510(a)(1) and SOP 98-3, par. 10.63a)	SA147	_____	_____	_____	_____
Did the auditor identify all direct and material compliance requirements for the major program? (A-133.500(d)(3) and SOP 98-3, pars. 6.20, .21, and 6.27-.30)	SA148	_____	_____	_____	_____
If not, in the reviewer's judgment, was the lack of coverage justified? (A-133.500(d)(3) and SOP 98-3, pars. 6.20, .21, and 6.27-.30)	SA149	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Do the working papers adequately document the work performed and the conclusions reached? (AU 339.05)	SA150	___	___	___	___
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance					
Does the report on compliance with requirements applicable to each major program contain the required elements, including:					
A statement that the auditor has audited the compliance of the entity with the types of compliance requirements applicable to each of its major programs? (SOP 98-3, par. 10.46a)	SA151	___	___	___	___
A statement that the audit was conducted in accordance with generally accepted auditing standards, <i>Government Auditing Standards</i> and Circular A-133? (SOP 98-3, par. 10.46d)	SA152	___	___	___	___
If instances of noncompliance were noted that resulted in an opinion modification, a reference to a description of the related findings in the accompanying Schedule of Findings and Questioned Costs? (SOP 98-3, par. 10.46i)	SA153	___	___	___	___
An opinion on whether the entity complied, in all material respects, with the types of compliance requirements that are applicable to each of its major programs? (SOP 98-3, par. 10.46j)	SA154	___	___	___	___
If applicable, a statement that instances of noncompliance that are required to be reported in accordance with Circular A-133 were disclosed? (SOP 98-3, par. 10.46k)	SA155	___	___	___	___
If applicable, a reference to a description of reportable conditions noted in the accompanying Schedule of Findings and Questioned Costs, including the reference number of the findings (SOP 98-3, par. 10.46o)	SA156	___	___	___	___
If there are reportable conditions, a statement about whether the auditor believes any of the reportable conditions are material weaknesses and if there are any, a reference to a description of the material weaknesses? (SOP 98-3, par. 10.46r)	SA157	___	___	___	___
Does the auditor's report on financial statements include a statement indicating the report is intended solely for the information and use of the specified bodies and, if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified bodies? (AU Sec. 532)	SA158	___	___	___	___
Schedule of Findings and Questioned Costs					
Does the Schedule of Findings and Questioned Costs include a summary of audit results section, including the following elements:					
Identification of the entity's major programs? (A-133.505(d) and SOP 98-3, par. 10.56a)	SA159	___	___	___	___
Dollar threshold used to distinguish between type A and B programs? (A-133 .505(d)(viii) and SOP 98-3, par. 10.56a)	SA160	___	___	___	___
Whether the entity qualified as a low-risk entity? (A-133.505(d)(ix) and SOP 98-3, par. 10.56a)	SA161	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Are the federal findings presented in sufficient detail as to:					
Federal program and specific federal award identification including the CFDA title and number, federal award number and year, etc. (A-133.510(b)(2) and SOP 98-3, par. 10.64a)	SA162	___	___	___	___
The criteria or specific requirement upon which the audit finding is based? (A-133.510(b)(2) and SOP 98-3, par. 10.64b)	SA163	___	___	___	___
The condition found, including facts that support the deficiency identified in the audit finding? (A-133.510(b)(3) and SOP 98-3 par. 10.64c)	SA164	___	___	___	___
Identification of questioned costs and how they were computed? (A-133.510(b)(4) and SOP 98-3, par. 10.64d)	SA165	___	___	___	___
Recommendations to prevent future occurrences of the deficiency identified in the audit finding? (A-133.510(b)(7) and SOP 98-3, par. 10.64g)	SA166	___	___	___	___
Views of the responsible officials of the entity when there is a disagreement with the audit findings? (A-133.510(b)(8) and SOP 98-3, par. 10.64h)	SA167	___	___	___	___
Did the auditor report all findings and questioned costs identified in the audit working papers which met any of the following conditions (A-133.510(a)(2-7) and SOP 98-3, pars. 10.63(a-g)):					
Deficiencies in internal controls over major programs that the auditor considers reportable conditions?	SA168	___	___	___	___
Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program?	SA169	___	___	___	___
Known questioned costs when the known or likely questioned costs exceed \$10,000 for a type of compliance requirement for a major program?	SA170	___	___	___	___
Known questioned costs, which exceed \$10,000 for a federal program which is not audited as a major program?	SA171	___	___	___	___
Known fraud affecting a federal award unless the fraud was already reported in accordance with government auditing standards?	SA172	___	___	___	___
Instances where the results of audit follow-up procedures disclosed that the Summary Schedule of Prior Audit Findings prepared by the entity materially misrepresents the status of any prior audit finding?	SA173	___	___	___	___
Was the nature and extent of audit testing adequate to meet the audit objectives for all material compliance requirements and do the results support the auditor's compliance opinion each major program? (A-133.500(d)(4) and SOP 98-3, pars. 6.36-47)	SA174	___	___	___	___
Did the auditor follow-up on prior audit findings and determine whether the Summary Schedule of Prior Audit Findings was reasonable and included the following (A-133.500e and SOP 98-3, par. 10.69):					
For fully corrected audit findings, a description of the audit finding and that corrective action was taken?	SA175	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
For audit findings not corrected or partially corrected, report as a current year audit finding including a description of the audit finding and of the planned corrective action and any partial corrective action taken?	SA176	_____	_____	_____	_____
For corrective actions taken which differed significantly from that previously reported, the reason for the change?	SA177	_____	_____	_____	_____
For audit findings which are no longer valid or don't warrant further action (audit findings which do not warrant further action are those for which two years have passed since the audit report in which the finding was reported, the federal agency is not currently following up with the entity in reference to that finding and a management decision was not issued), a description of the audit finding and the reason why it is no longer valid or further action is not warranted?	SA178	_____	_____	_____	_____
Other					
Did the auditor consider the potential projected effect of noncompliance individually and in the aggregate in forming the auditor's opinions on the financial statements, Schedule of Expenditures of Federal Awards, and compliance ? (AU Secs. 801.20 and 350.26 and SOP 98-3, pars. 6.53, 6.55, and 10.42)	SA179	_____	_____	_____	_____
Did the auditor properly complete the appropriate portions of the Data Collection Form? (A-133.320(b)(3) and SOP 98-3, par. 10.72)	SA180	_____	_____	_____	_____
Has the auditor reported on the Schedule of Expenditures of Federal Awards? (SOP 98-3, pars. 10.35-.37)	SA181	_____	_____	_____	_____
For program-specific audits (SOP 98-3, pars. 11.4-.7):					
Was a funding agency audit guide used?	SA182	_____	_____	_____	_____
If not, was the audit conducted as if it were a major program?	SA183	_____	_____	_____	_____

[The next page is 22,041.]

SEC
PRACTICE
SECTION

Section 22,040

Supplemental Checklist for Review of Construction Contractor Engagements

Instructions for Use of the Supplemental Checklist for Review of Construction Contractor Engagements

This supplemental checklist was developed for use by reviewers of construction contractor engagements. It should be used in conjunction with the *General Audit Engagement Checklist* (audit checklist) or, where appropriate, the *General Compilation Engagement Checklist* (compilation checklist) or the *General Review Engagement Checklist* (review checklist) and other guidance materials issued to implement the peer review program. The instructions to sections I and III of the audit checklist, or sections I and III of the compilation or review checklist, should be used when completing the applicable sections of this supplement. Questions regarding these instructions, or any other materials should be directed to AICPA Practice Monitoring at (201) 938-3030.

The questions in this checklist emphasize reporting matters and general procedures ordinarily performed by an independent auditor/accountant in an audit, review, or compilation of the financial statements of construction contractors. However, when completing section II, "Working Paper Areas", some questions may not apply to compilation or review engagements. Care should be taken to tailor the questions to fit the level of service being reviewed. All "No" answers must be thoroughly explained in Section VI of the audit checklist or Section V of the compilation checklist, or Section IV of the review checklist.

This checklist is not intended to be an all-inclusive document containing all disclosures and audit procedures related to construction contractors. It is a summarization of commonly addressed key areas and related concepts or procedures. Therefore, it should be used in conjunction with various reference materials dealing with reporting, disclosure, and procedural issues in order to sufficiently evaluate construction contractor engagements. These additional materials include the AICPA Financial Reporting Practice Aid *Checklist and Illustrative Financial Statements for Construction Contractors*, or other similarly comprehensive disclosure materials, and the AICPA Audit and Accounting Guide *Construction Contractors*, as issued in 1981 and subsequently updated for changes to conform to revised professional standards.

This is part of a series of supplemental checklists which the Institute is developing to facilitate the reviews of engagements within specialized industries. If you have any comments concerning this supplemental checklist, please forward them to AICPA Practice Monitoring.

Explanation of References:

CC	AICPA Audit and Accounting Guide <i>Construction Contractors</i> (reflects guidance contained in authoritative pronouncements through May 1, 2000)
SOP	AICPA Statement of Position
TPA	Technical Practice Aid

Supplemental Checklist for Review of Construction Contractor Engagements

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¹ Refer to—the AICPA Financial Reporting Practice Aid *Checklist Supplement and Illustrative Financial Statements for Construction Contractors*, or other similarly comprehensive materials, and the AICPA Audit and Accounting Guide *Construction Contractors* (see instructions on page 22,041).

² Reviewers should refer to the instructions for the applicable section included in the *General Audit Engagement Checklist* or the appropriate section of the compilation or review checklist.

³ Refer to—the AICPA Audit and Accounting Guide *Construction Contractors* and AICPA Statement of Position 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts* (see instructions on page 22,041).

I. REPORT AND FINANCIAL STATEMENTS

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Financial Statements and Notes					
Is the presentation appropriate and is the disclosure adequate regarding the following:					
General					
The method of measuring extent of progress toward completion of contracts when the percentage-of-completion method is used? (SOP 81-1, par. 45 [TPA Sec. 10,330.45], and CC, Ch. 6, par. 6.21c, 1)	CN101	___	___	___	___
The reasons for selecting the completed-contract method if that method is used? (SOP 81-1, pars. 31 and 32 [TPA Sec. 10,330.31 and .32], and CC, Ch. 6, par. 6.21c, 2)	CN102	___	___	___	___
The specific criteria used to determine when a contract is substantially complete when the completed-contract method is used? (SOP 81-1, par. 52)	CN103	___	___	___	___
Policies relating to combining and segmenting contracts, if applicable? (SOP 81-1, pars. 39–42)	CN104	___	___	___	___
Method of reporting affiliated entities? (CC, Ch. 6, par. 6.21a)	CN105	___	___	___	___
The range of contract durations if the operating cycle exceeds one year? (CC, Ch. 6, par. 6.21b)	CN106	___	___	___	___
Method of reporting joint venture investments along with other joint venture disclosures? (CC, Ch. 6, par. 6.21d)	CN107	___	___	___	___
Unapproved change orders, claims, or similar items subject to uncertainty concerning their determination or ultimate realization (CC, Ch. 6, par. 6.21e, 1):					
The aggregate amount included in contract costs?	CN108	___	___	___	___
A description of the nature and status of the principal items comprising such aggregate amounts?	CN109	___	___	___	___
The basis on which such items are recorded?	CN110	___	___	___	___
The policy of deferral and the amounts involved for costs deferred either in anticipation of future sales (precontract costs) or as a result of an unapproved change order? (CC, Ch. 6, par. 6.21f)	CN111	___	___	___	___
The amount of progress payments netted against contract costs at the date of the balance sheet? (CC, Ch. 6, par. 6.21e, 2)	CN112	___	___	___	___
The effect of significant revisions of estimates where the effect is material? (SOP 81-1, par. 84)	CN113	___	___	___	___
The use of certain significant estimates pertaining to amounts reported for long-term contracts? (SOP 94-6, pars. 12–19)	CN114	___	___	___	___
If the contractor elects to present backlog information, does it appear reasonable? (CC, Ch. 6, par. 6.23)	CN115	___	___	___	___

* The N/A column should be used when the item either does not exist or is not material.

** All “no” answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of the checklist if no MFC was generated noting the page number in the Ref. column.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the contractor elects to present supplemental information accompanying the basic financial statements such as contracts in progress and/or completed contracts, does it appear reasonable? (CC, Appendix G)	CN116	___	___	___	___
Consideration of any state statutes and government prequalification reporting requirements affecting construction contractors? (CC, Ch. 11, pars. 11.14 and 11.15)	CN117	___	___	___	___
Provision for losses on a contract where it is material in amount, or unusual or infrequent in nature. Are such losses shown separately as a component of cost included in the computation of gross profit? (SOP 81-1, par. 88)	CN118	___	___	___	___
Balance Sheet					
Was a classified balance sheet properly considered and, if so, were the appropriate contract-related items correctly classified? (CC, Ch. 6, pars. 6.01–6.28)	CN119	___	___	___	___
Was information on revenue and costs arising from claims disclosed as a contingent asset? (SOP 81-1, pars. 65–67)	CN120	___	___	___	___
For unapproved change orders, claims, or similar items subject to uncertainty concerning their determination or ultimate realization whether billed or unbilled (CC, Ch. 6, par. 6.24):					
The amount included in receivables?	CN121	___	___	___	___
A description of the nature and status of the principal items comprising such amounts?	CN122	___	___	___	___
Amounts expected to be collected after one year?	CN123	___	___	___	___
Has disclosure been made of the prerequisites for billings, of amounts representing the recognized sales value of performance under contracts in which the amounts had not been billed and were not billable to customers at the balance-sheet date, including amounts to be collected after one year? (CC, Ch. 6, par. 6.25)	CN124	___	___	___	___
If receivables include amounts maturing after one year, has the following been disclosed (CC, Ch. 6, par. 6.27):					
The amount maturing after one year and, if practicable, the amounts maturing in each year?	CN125	___	___	___	___
Interest rates on major receivable items, or on classes of receivables maturing after one year, or an indication of the average interest rate or the range of rates on all receivables?	CN126	___	___	___	___
Are amounts billed but not paid by customers under retainage provisions in contracts included in receivables properly classified? (CC, Ch. 6, par. 6.28)	CN127	___	___	___	___
If costs and estimated earnings exceed billings in some contracts, and billings exceed costs and estimated earnings on others, are the contracts segregated so that figures on the asset side include only those on which costs and estimated earnings exceed billings, and those on the liability side include only those on which billings exceed costs and estimated earnings? (CC, Ch. 6, par. 6.18)	CN128	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Are billings and related costs and estimated earnings presented separately either by short extension of the amounts on the balance sheet or in the notes to the financial statements? (CC, Ch. 6, par. 6.18)	CN129	—	—	—	—
Are billings in excess of costs and estimated earnings classified as a current liability, except to the extent billings exceed total estimated costs at completion of the contract plus contract profits earned to date, in which case are they classified as deferred income? (CC, Ch. 6, par. 6.13)	CN130	—	—	—	—

II. WORKING PAPER AREAS—CONSTRUCTION CONTRACTORS⁴

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
<input type="checkbox"/>	Contract Costs, Revenues, and Income				
Is each contract a profit center for revenue recognition, cost accumulation, and income measurement, or are contracts properly combined or segmented? (SOP 81-1, pars. 34–42 [TPA Sec. 10,330.34–.42])	CN301	___	___	___	___
When accounting for contract costs and revenues, have the appropriate procedures been performed regarding (SOP 81-1, pars. 68–81 [TPA Sec. 10,330.68–.81]; CC, Ch. 10, pars. 10.29–.50):					
Proper accounting recognition of accumulated contract costs?	CN302	___	___	___	___
Back charges?	CN303	___	___	___	___
Estimated costs to complete?	CN304	___	___	___	___
Proper evaluation of the acceptability of the method of income recognition?	CN305	___	___	___	___
Reasonableness of the amount and timing of income recognized?	CN306	___	___	___	___
Did the work include examining a representative sample of the contractor's outstanding contracts and evaluating the contractor's internal accounting control? (CC, Ch. 9, pars. 9.03–.14)	CN307	___	___	___	___
<input type="checkbox"/>	Contracts Receivable				
Did the contracts receivable evaluation consider or include (CC, Ch. 10, par. 10.07):					
Unbilled receivables?	CN308	___	___	___	___
Retentions?	CN309	___	___	___	___
Unapproved change orders, extras, and claims?	CN310	___	___	___	___
Contract scope changes?	CN311	___	___	___	___
Contract guarantees and cancellation or postponement provisions?	CN312	___	___	___	___
Collectibility?	CN313	___	___	___	___
<input type="checkbox"/>	Other				
Was an appropriate evaluation of the provision for anticipated losses on contracts made? (SOP 81-1, pars. 85–89 [TPA Sec. 10,330.85–.89])	CN314	___	___	___	___
Did the work include an analysis of gross profit margins? (CC, Ch. 10, pars. 10.54 and .55)	CN315	___	___	___	___

⁴ Some questions in this section may not apply to compilation or review engagements. Care should be taken to tailor the questions to fit the level of service being reviewed.

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of the checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Were procedures performed and results documented, as applicable, with respect to the accounting recognition and reporting of:					
Change orders and claims? (SOP 81-1, pars. 61–63, 65–67 [TPA Sec. 10,330.61–.63 and .65–.67])	CN316	_____	_____	_____	_____
Investments in construction joint ventures? (CC, Ch. 3, pars. 3.01–.27)	CN317	_____	_____	_____	_____
Revisions, if any, in revenue, cost or profit estimates? (SOP 81-1, pars. 82 and 83 [TPA Sec. 10,330.82 and .83])	CN318	_____	_____	_____	_____
Is the distinction between long-term and short-term construction contracts appropriate? (TPA Sec. 6700.01)	CN319	_____	_____	_____	_____

[The next page is 22,061.]

SEC
PRACTICE
SECTION

Section 22,060

Supplemental Checklist for Review of Common Interest Realty Associations

Instructions for Use of the Supplemental Checklist for Review of Common Interest Realty Associations

This supplemental checklist was developed for use by reviewers of Common Interest Realty Associations (CIRAs) audit engagements.¹ It should be used in conjunction with either the *Not-for-Profit Audit Engagement Checklist* or, if the entity does not use fund reporting, the *General Audit Engagement Checklist* (audit checklists) and other guidance materials issued to implement the peer review program. The instructions to Sections I and III of the audit checklists should be used when completing the applicable sections of this supplement. Questions regarding these instructions or any other materials should be directed to AICPA Practice Monitoring at (201) 938-3030.

The questions in this checklist emphasize reporting matters and general procedures ordinarily performed by an independent auditor in the examination of financial statements of CIRAs.¹ It is not intended to be an all-inclusive document containing all disclosure and audit procedures related to CIRAs. It is a summarization of commonly addressed key areas and related concepts or procedures. All “No” answers must be thoroughly explained in Section VI of the audit checklists.

This checklist should be used in conjunction with various reference materials dealing with reporting, disclosure, and procedural issues in order to sufficiently evaluate CIRA engagements. These additional materials include the AICPA Financial Reporting Practice Aid *Checklists and Illustrative Financial Statements for Common Interest Realty Associations*, or other similarly comprehensive disclosure materials, and the AICPA Audit and Accounting Guide *Common Interest Realty Associations*, as issued in 1991 and subsequently updated for changes to conform to revised professional standards.

This is part of a series of supplemental checklists which the Institute intends to develop to facilitate the reviews of engagements within specialized industries. If you have any comments concerning this supplemental checklist, please forward them to AICPA Practice Monitoring.

Explanation of References:

AU	References to section number in AICPA <i>Professional Standards</i> (vol. 1)
CIRA	AICPA Audit and Accounting Guide <i>Common Interest Realty Associations</i> (reflects guidance contained in authoritative pronouncements through May 1, 2000)
SOP	AICPA Statement of Position

¹ Reviewers of CIRA review and compilation engagements may find Section I of this supplemental checklist useful in addition to the *General Compilation Engagement Checklist*, and the *General Review Checklist*. Reviewers should also refer to Chapter 8 on Review and Compilation Engagements in the AICPA Audit and Accounting Guide *Common Interest Realty Associations* and SOP 93-5 *Reporting on Required Supplementary Information Accompanying Compiled or Reviewed Financial Statements of Common Interest Realty Associations* (TPA Sec. 11,270).

Supplemental Checklist for Review of Common Interest Realty Associations Audit Engagements

Contents

<i>Section</i>	<i>Page</i>
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II. Working Paper Areas—CIRAs ³ (Supplement to Section III of the <i>Not-for-Profit Audit Engagement Checklist</i> or <i>General Audit Engagement Checklist</i>) ²	
General	22,066
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Future Major Repairs and Replacements	22,067

¹ Reviewers of CIRA review and compilation engagements may find Section I of this supplemental checklist useful in addition to the *General Compilation Engagement Checklist*, and the *General Review Checklist*. Reviewers should also refer to Chapter 8 on Review and Compilation Engagements in the AICPA Audit and Accounting Guide *Common Interest Realty Associations* and SOP 93-5 *Reporting on Required Supplementary Information Accompanying Compiled or Reviewed Financial Statements of Common Interest Realty Associations* (TPA Sec. 11,270).

² Reviewers should refer to the instructions for the applicable section included in the *Not-for-Profit Audit Engagement Checklist* or the *General Audit Engagement Checklist*.

³ Refer to the AICPA Audit and Accounting Guide *Common Interest Realty Associations* (see instructions on page 22,061).

I. REPORT AND FINANCIAL STATEMENTS

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Auditor's Report					
Does the audit report disclaim an opinion on required supplemental information when presented with audited financial statements in auditor-submitted documents, unless the auditor has been engaged to examine and express an opinion on it? (AU Sec. 551.15 and CIRA, Ch. 7, par. 7.38)	CR101	___	___	___	___
Does the audit report include an explanatory paragraph if the required supplementary information is omitted, the auditor was unable to complete certain stated procedures, the auditor is unable to remove substantial doubts about whether the supplementary information conforms to prescribed guidelines, or the auditor has concluded that the measurement or presentation of the supplementary information departs materially from prescribed guidelines? (CIRA, Ch. 7, par. 7.39)	CR102	___	___	___	___
Does the report disclaim an opinion on expired budget information accompanying the financial statements in auditor-submitted documents? (AU Sec. 551.11 and CIRA, Ch. 7, par. 7.22)	CR103	___	___	___	___
If the financial statements include budget information for prospective periods, does the report indicate the auditors' responsibilities in accordance with the Statement on Standards for Accountants' Services on Prospective Financial Information, <i>Financial Forecasts and Projections</i> ? (CIRA, Ch. 7, pars. 7.22 and .23)	CR104	___	___	___	___
If the disclosure about a CIRA's funding for major repairs and replacements is absent or inadequate, did the auditor modify or consider modifying the report? (CIRA, Ch. 4, par. 4.28 and Ch. 7, pars. 7.34-37)	CR105	___	___	___	___
Financial Statements and Notes					
Is the presentation appropriate and are the disclosures adequate regarding:					
General					
In the CIRA's use of fund reporting, are resources for particular purposes (major repairs and replacements for CIRAs) classified into funds associated with specified activities or objectives? (CIRA, Ch. 4, par. 4.01)	CR201	___	___	___	___
Is a statement of cash flows presented when a balance sheet and a statement of revenues and expenses are presented? (CIRA, Ch. 4, par. 4.18)	CR202	___	___	___	___
If the CIRA does not use fund reporting and assesses for major repairs and replacements, is there an appropriation of retained earnings for such assessments? (CIRA, Ch. 4, par. 4.02, fn. 6 and Ch. 9, par. 9.12)	CR203	___	___	___	___
Are periodic assessments for funding major repairs and replacements in the replacement fund presented in the periods in which they are assessed? (CIRA, Ch. 4, par. 4.13)	CR204	___	___	___	___

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of the checklist if no MFC was generated noting the page number in the Ref. column.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Is the CIRA's legal form disclosed and that of the entity for which it provides services and areas it controls? (CIRA, Ch. 4, par. 4.22)	CR205	___	___	___	___
Are the number of units disclosed, including units owned by the developer? (CIRA, Ch. 4, par. 4.22)	CR206	___	___	___	___
Are services and subsidies provided by the developer disclosed? (CIRA, Ch. 4, par. 4.22)	CR207	___	___	___	___
Is the CIRA's income tax filing status disclosed and its liability for income taxes? (CIRA, Ch. 4, par. 4.22, Ch. 6, Ch. 9, pars. 9.18-.24)	CR208	___	___	___	___
Are tax credits and carryovers disclosed, including phase-out rules in future reporting periods? (CIRA, Ch. 4, par. 4.22)	CR209	___	___	___	___
Is the proposed and actual use for funds collected in special assessments disclosed? (CIRA, Ch. 4, par. 4.22)	CR210	___	___	___	___
Are interfund receivables and payables presented as applicable? (CIRA, Ch. 4, pars. 4.08 and .09)	CR211	___	___	___	___

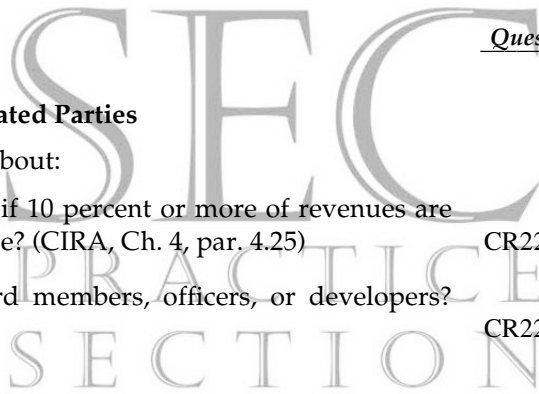
Future Major Repairs and Replacements

(CIRA, Ch. 4, par. 4.27)

Are the requirements to accumulate funds for future major repairs and replacements disclosed?	CR212	___	___	___	___
Is a description of the CIRA's funding policy and compliance with that policy provided?	CR213	___	___	___	___
Do the notes include a statement that funds are being accumulated based on estimated future (or current) costs, that actual expenditures may vary from these estimates, and that the variations may be material?	CR214	___	___	___	___
Do the financial statements or notes disclose the amounts assessed for major repairs and replacements in the current period?	CR215	___	___	___	___
Do the notes include a statement indicating whether a study was conducted to estimate the remaining useful lives and the costs of future major repairs and replacements?	CR216	___	___	___	___
If the CIRA's policy is to fund future major repairs and replacements by special assessments or borrowings, is there a statement disclosing such policy?	CR217	___	___	___	___

Common Property (CIRA, Ch. 2, pars. 2.12-.14)

The accounting policy for recognition and measurement of common property?	CR218	___	___	___	___
A description of the common property capitalized in the CIRA's balance sheet?	CR219	___	___	___	___
A description of the common property to which the CIRA has title, or other evidence of ownership, that is not capitalized in the CIRA's balance sheet?	CR220	___	___	___	___
The CIRA's responsibility to preserve and maintain the common property?	CR221	___	___	___	___
Terms and conditions of existing land or recreation leases?	CR222	___	___	___	___
Restrictions on the use or disposition of common property?	CR223	___	___	___	___



Ques. N/A Yes No Ref.

Related Parties

Do notes include disclosures about:

Revenue from each source if 10 percent or more of revenues are derived from any one source? (CIRA, Ch. 4, par. 4.25)

CR224 _____ _____ _____ _____

Services provided by board members, officers, or developers? (CIRA, Ch. 4, par. 4.24)

CR225 _____ _____ _____ _____

Supplementary Information on Future Major Repairs and Replacements (CIRA, Ch. 4, par. 4.31)

Are the specific components of common property identified, and are the remaining useful lives presented?

CR226 _____ _____ _____ _____

Are estimated current or future replacement costs presented?

CR227 _____ _____ _____ _____

Are the methods used to determine the estimated costs described?

CR228 _____ _____ _____ _____

Is the basis for the calculations disclosed, including assumptions about interest and inflation rates?

CR229 _____ _____ _____ _____

Are the dates and sources of studies disclosed?

CR230 _____ _____ _____ _____

Is the amount of fund balance for each component presented to the extent designated by the board?

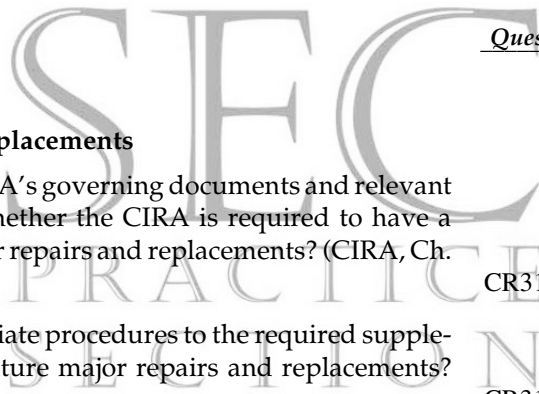
CR231 _____ _____ _____ _____

II. WORKING PAPER AREAS—CIRAs

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
<input type="checkbox"/>					
General					
Did the auditor consider the effects if a managing agent provides the CIRA with bookkeeping and accounting services? (CIRA, Ch. 7, par. 7.08 and AU Sec. 324)	CR300	___	___	___	___
If the audit is for the CIRA's first period of operations, did the auditor:					
Review closing documents to evaluate the recording of initial capital contributions collected from unit owners by the developer on behalf of the CIRA? (CIRA, Ch. 7, par. 7.19)	CR301	___	___	___	___
Consider whether the developer has fulfilled its obligation to pay assessments on unsold units or to fund operating deficits? (CIRA, Ch. 7, par. 7.19)	CR302	___	___	___	___
Consider whether or not the CIRA has been paying for developer related expenses? (CIRA, Ch. 7, par. 7.19)	CR303	___	___	___	___
Determine that assets received from the developer are reported in accordance with the capitalization policy for common property? (CIRA, Ch. 7, par. 7.19)	CR304	___	___	___	___
Consider the CIRA's budgeting procedures in obtaining an understanding of the internal control structure and assessing control risk? (CIRA, Ch. 7, par. 7.21)	CR305	___	___	___	___
Did the auditor consider any special or legal reporting requirements by the state? (CIRA, Ch. 1, par. 1.11)	CR306	___	___	___	___
<input type="checkbox"/>					
Assessments (CIRA, Ch. 7, par. 7.24)					
Did the auditor compare reported assessments with budgeted amounts and test whether amounts assessed to owners were consistent with the budget?	CR307	___	___	___	___
<input type="checkbox"/>					
Investments (CIRA, Ch. 7, par. 7.26)					
Did the auditor verify that investments conform to the CIRA's legal requirements and its governing documents?	CR308	___	___	___	___
<input type="checkbox"/>					
Insurance (CIRA, Ch. 7, par. 7.28)					
Did the auditor consider whether a CIRA's insurance coverage complies with requirements of state statutes on the governing documents?	CR309	___	___	___	___

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of the checklist if no MFC was generated noting the page number in the Ref. column.



□

Future Major Repairs and Replacements

Did the auditor review the CIRA's governing documents and relevant state statutes to determine whether the CIRA is required to have a funding policy for future major repairs and replacements? (CIRA, Ch. 7, par. 7.29)

<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
CR310	---	---	---	---

Did the auditor apply appropriate procedures to the required supplementary information about future major repairs and replacements? (CIRA, Ch. 7, par. 7.31)

CR311	---	---	---	---
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[The next page is 22,071.]

SEC
PRACTICE
SECTION

Section 22,070

Supplemental Checklist for Review of Engagements of Health Care Organizations

Instructions for Use of the Supplemental Checklist for Review of Engagements of Health Care Organizations

This supplemental checklist was developed for use by reviewers of engagements of health care organizations. It should be used in conjunction with the *Not-for-Profit Audit Engagement Checklist* or, where appropriate, the *General Audit Engagement Checklist* if the entity is a for-profit health care provider, the *Governmental Audit Engagement Checklist* for governmental health care providers, the *General Review Engagement Checklist* or *General Compilation Engagement Checklist* if applicable. In addition, the reviewer should complete Section III of the *Not-for-Profit Audit Engagement Checklist* if the entity is contractually required to submit reports prepared in accordance with OMB Circular A-133. The instructions to Sections I and IV of the audit checklist, or Sections I and III of the compilation or review checklist, should be used when completing the applicable sections of this supplement. Questions regarding these instructions or any other materials should be directed to AICPA Practice Monitoring at (201) 938-3030.

The questions in this checklist emphasize reporting matters and general procedures ordinarily performed by an independent auditor/accountant in the preparation of the financial statements of health care organizations. Some of the questions are example presentation and disclosures or auditing procedures contained in the AICPA Audit and Accounting Guide *Health Care Organizations* (the Guide), as issued in 1996 and subsequently updated for changes to conform to revised professional standards. It is not expected that all of the questions in this checklist will be applicable to every engagement. In some instances, the audit objectives described in the Guide may be accomplished by the performance of procedures not included in this checklist. Therefore, reviewers should use judgment and refer to the Guide as necessary when responding to questions. Also, Section II, "Working Paper Areas," contains questions that may not apply to compilation or review engagements. Care should be taken to tailor the questions to fit the level of service being reviewed. All "No" answers must be thoroughly explained in Section VI of the audit checklist or Section V of the compilation checklist or Section IV of the review checklist.

The reviewer should also consider the applicability of GASB Statement No. 29, as amended by GASB No. 34 (*The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities*) after determining whether the not-for-profit organization is subject to government or non-government GAAP hierarchy.

This checklist is not intended to be an all-inclusive document containing all disclosure and audit procedures related to health care organizations. It is a summarization of commonly addressed key areas and related concepts or procedures. Therefore, it should be used in conjunction with various reference materials dealing with reporting, disclosure and procedural issues in order to sufficiently evaluate engagements of health care organizations. These additional materials include the Guide.

This is part of a series of supplemental checklists which the Institute develops to facilitate the reviews of engagements within specialized industries. If you have any comments concerning this supplemental checklist, please forward them to AICPA Practice Monitoring.

Explanation of References:

FAS	Statement of Financial Accounting Standards
GASB	Codification of Governmental Accounting and Financial Reporting Standards
HCO	AICPA Audit and Accounting Guide <i>Health Care Organizations</i> (reflects guidance contained in authoritative pronouncements through May 1, 2000)
SOP	AICPA Statement of Position

**Supplemental Checklist for Review of
Engagements of Health Care Organizations
Contents**

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II. Working Paper Areas—Health Care Organizations ¹ (Supplement to Section IV of the <i>Not-for-Profit Audit Engagement Checklist</i>) ² Investments Receivables Property and Equipment, Supplies and Other Assets Current Liabilities, Tax Considerations, and Long-Term Obligations Commitments and Contingencies Net Assets (Equity) Revenue, Expenses, Gains, and Losses Reporting Entity and Related Organizations Continuing Care Retirement Communities Providers of Pre-paid Health Care Services	22,076 22,076 22,077 22,077 22,077 22,078 22,078 22,078 22,079 22,079

¹ Refer to the AICPA Audit and Accounting Guide *Health Care Organizations*.

² Reviewers should refer to the instructions for the applicable section included in the *Not-for-Profit Audit Engagement Checklist* or the appropriate section of the compilation or review checklist.

I. REPORT AND FINANCIAL STATEMENTS

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Financial Statements and Notes					
Are the presentations appropriate and disclosures adequate regarding:					
Donor-imposed restrictions on investment principal and income? (HCO, Ch. 4, pars. 4.08 and .09)	HC101	___	___	___	___
For non-profit HCO's, unrealized gains and losses on other than trading securities? (HCO, Ch. 4, pars. 4.06-.10)	HC102	___	___	___	___
The method of revenue recognition and recording unrestricted and restricted donations and investment income of both unrestricted and restricted funds? (HCO, Ch. 10, pars. 10.04-.10)	HC103	___	___	___	___
Involvement in any investment pools? (HCO, Ch. 4, par. 4.12)	HC104	___	___	___	___
The receipt of donated property and equipment, both restricted and unrestricted? (HCO, Ch. 10, par. 10.09)	HC105	___	___	___	___
Donated property at fair value at the date of donation? (HCO, Ch. 10, par. 10.09)	HC106	___	___	___	___
Separately reporting property and equipment not used for health care operations? (HCO, Ch. 6, par. 6.07)	HC107	___	___	___	___
Separately reporting amounts due from third party payors from patient accounts receivable? (HCO, Ch. 5, par. 5.17)	HC108	___	___	___	___
The nature of any relationship between the entity and lessors, bailors or other owners of property? (HCO, Ch. 6, par. 6.10)	HC109	___	___	___	___
The tax-exempt status, if applicable, and tax contingencies? (HCO, Ch. 7, par. 7.11)	HC110	___	___	___	___
Medical malpractice insurance? (HCO, Ch. 8, pars. 8.05-.12)	HC111	___	___	___	___
Contracts with physicians, specialists, related parties, and others? (HCO, Ch. 11)	HC112	___	___	___	___
Related entities, investees and affiliates? (HCO, Ch. 11, pars. 11.05-.18)	HC113	___	___	___	___
Management's policy for providing charity care and the level of charity care provided? (HCO, Ch. 10, par. 10.21)	HC114	___	___	___	___
Charity Care which should be excluded from net patient service revenue and receivables? (HCO, Ch. 10, par. 10.21)	HC115	___	___	___	___
Significant contractual arrangements with third party payors? (HCO, Ch. 5, par. 5.17 and Exhibit 5.1)	HC116	___	___	___	___
Pending claims, appeals or settlements regarding third-party payors? (HCO, Ch. 5, par. 5.17 and Exhibit 5.1)	HC117	___	___	___	___

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of the checklist if no MFC was generated noting the page number in the Ref. column.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
The identification and explanation of the estimated amounts that are payable or receivable regarding contractual adjustments and third-party settlements? (HCO, Ch. 10, par. 10.20)	HC118	___	___	___	___
The effects of material changes in estimates of amounts due to or from third-party payors? (HCO, Ch. 5, par 5.07)	HC119	___	___	___	___
Classification of revenue, expenses, and gains and losses? (HCO, Ch. 10, pars. 10.17–.23)	HC120	___	___	___	___
Separately disclosing expenses by functional classification if not reported as such on the face of the financial statements? (HCO, Ch. 10, par. 10.22)	HC121	___	___	___	___
Continuing care retirement communities:					
Refundable advance fees? (HCO, Ch. 14, pars. 14.22–23)	HC122	___	___	___	___
Fees refundable to residents only from reoccupancy proceeds of a contract holder's unit? (HCO, Ch. 14, par. 14.25)	HC123	___	___	___	___
Nonrefundable advance fees? (HCO, Ch.14, pars. 14.23 and .26)	HC124	___	___	___	___
Obligation to provide future services and use of facilities to current residents? (HCO, Ch. 14, par. 14.31)	HC125	___	___	___	___
Costs of acquiring initial continuing care contracts? (HCO, Ch. 14, par. 14.33)	HC126	___	___	___	___
Other? (HCO, Ch. 14, par. 14.35)	HC127	___	___	___	___
Estimated risk pool settlements arising from managed-care contracts? (HCO, Ch. 8, par. 8.41)	HC128	___	___	___	___
For providers of pre-paid health services:					
The basis of providing health care costs and significant business and contractual arrangements with hospitals, physicians, and other associated entities? (HCO, Ch. 13, pars. 13.02–.04)	HC129	___	___	___	___
Loss contracts? (HCO, Ch. 13, par. 13.06)	HC130	___	___	___	___
Stop-loss insurance? (HCO, Ch.13, par. 13.08)	HC131	___	___	___	___
Contract acquisition costs? (HCO, Ch. 13, par. 13.10)	HC132	___	___	___	___
Separately disclosing capitation revenues? (HCO, Ch. 10, par. 10.20)	HC133	___	___	___	___

II. WORKING PAPER AREAS—HEALTH CARE ORGANIZATIONS³

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
<input type="checkbox"/>					
Investments (HCO, Ch. 4)					
Did the auditor review board, investment committee, or other committee minutes for evidence of donated securities?	HC301	___	___	___	___
Do the working papers indicate that donated securities were properly reported at fair market value at the date of the gift and in the proper net asset category?	HC302	___	___	___	___
Did the auditor review documentation related to donor restrictions and that compliance was tested for such restrictions?	HC303	___	___	___	___
Do the working papers indicate that restricted funds are pooled only in accordance with donor, grantor, or other restrictions?	HC304	___	___	___	___
Did the auditor verify that income and gains or losses from investment pools are distributed equitably among the participating funds?	HC305	___	___	___	___
<input type="checkbox"/>					
Receivables (HCO, Ch. 5)					
Did the auditor verify that the entity has a policy to distinguish bad-debt expense from charity care? (HCO, Ch. 10, par. 10.03)	HC306	___	___	___	___
If the entity was reimbursed under prospective payment system, did the auditor verify that retrospective adjustments were appropriately considered in determining contractual allowances to related receivables? (HCO, Ch. 5, pars. 5.04, .05, and .09)	HC307	___	___	___	___
If third-party programs have provisions limiting the amounts of reimbursable costs, did the auditor consider their effect on third-party accruals? (HCO, Ch. 5, Exhibit 5.1)	HC308	___	___	___	___
Did the auditor verify that there is appropriate information and analysis to support each significant third-party payment settlement, and collectibility? (HCO, Ch. 5, Exhibit 5.1)	HC309	___	___	___	___
Was a determination made with respect to uncollectible accounts, including reviews of such accounts and appropriate aging by major payor? (HCO, Ch. 5, Exhibit 5.1)	HC310	___	___	___	___
Did the auditor obtain a general understanding of the various contractual arrangements with third-party payors? (HCO, Ch. 5, Exhibit 5.1)	HC311	___	___	___	___
Did the auditor verify that receivables reported in the financial statements are at net realizable value? (HCO, Ch. 5, par. 5.17 and Exhibit 5.1)	HC312	___	___	___	___
Are interfund receivables eliminated when displaying total assets and liabilities? (HCO, Ch. 5, par. 5.23)	HC313	___	___	___	___

³ Some questions in this section may not apply to compilation and review engagements. Care should be taken to tailor the questions to fit the level of service being reviewed.

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of the checklist if no MFC was generated noting the page number in the Ref. column.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the entity was reimbursed under capitation arrangements, did the auditor verify that patient accounts receivable relating to services rendered under these agreements have been eliminated and that revenue is excluded from patient service revenue, if material? (HCO, Ch. 10, par. 10.20)	HC314	_____	_____	_____	_____
Did the auditor obtain written representations from management regarding third party revenues and related receivables as required by SOP 00-1? (HCO, Ch. 2, par. 2.53)	HC315	_____	_____	_____	_____
If confirmations determined to be impractical or ineffective, was that fact properly documented and alternative procedures applied? (HCO, Ch. 5, par. 5.30)	HC316	_____	_____	_____	_____

Property and Equipment, Supplies and Other Assets

Did the auditor verify that donated property was reported at fair market value at the date of donation? (HCO, Ch. 10, par. 10.09)	HC317	_____	_____	_____	_____
For purposes of cost reimbursement and revenue recognition, did the auditor verify that the entity received appropriate health care planning agency or other regulatory agency approvals, if required, for property and equipment additions? (HCO, Ch. 6, par. 6.14 and Exhibit 6.1)	HC318	_____	_____	_____	_____

Current Liabilities, Tax Considerations, and Long-Term Obligations (HCO, Ch. 7)

Did the auditor verify that all liabilities related to contracts with physicians, specialists, related parties and others are properly reported? (HCO, Ch. 11, Exhibit 11.1)	HC319	_____	_____	_____	_____
Did the auditor appropriately consider the need to record accruals for malpractice claims incurred but not reported where the entity is insured under claims-made policies or policies with large deductibles, or is self-insured? (HCO, Ch. 8, pars. 8.03–.22)	HC320	_____	_____	_____	_____
Did the auditor verify that the not-for-profit entity obtained a determination of its tax exempt status? (HCO, Ch. 7, Exhibit 7.1)	HC321	_____	_____	_____	_____
Was a determination made regarding possible transactions that would affect both the entity’s tax status and tax liability? (HCO, Ch. 7, pars. 7.05–.08)	HC322	_____	_____	_____	_____

Commitments and Contingencies

Was a review of the amount of insurance coverage, type of coverage and deductible provisions performed to determine the level of risk that is retained by the entity? (HCO, Ch. 8, Exhibit 8.1)	HC323	_____	_____	_____	_____
Did the auditor obtain an understanding on the accuracy and completeness of the incident reporting and monitoring system? (HCO, Ch. 8)	HC324	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Did the auditor send letters of inquiry to malpractice insurance carriers and legal counsel? (HCO, Ch. 8, pars. 8.43–46, and Exhibit 8.1)	HC325	___	___	___	___
Did the auditor review estimates and historical loss experience? (HCO, Ch. 8, Exhibit 8.1)	HC326	___	___	___	___
<input type="checkbox"/>					
Net Assets (Equity) (HCO, Ch. 9)					
Did the auditor examine documentation of contributions of assets for evidence of restrictions? (HCO, Ch. 9, par. 9.08, Exhibit 9.1)	HC327	___	___	___	___
<input type="checkbox"/>					
Revenue, Expenses, Gains, and Losses (HCO, Ch. 10)					
Was current period revenue and expenses compared with prior period and budgets, and were any unusual variances investigated? (HCO, Ch. 10, Exhibit 10.1)	HC328	___	___	___	___
Did the auditor verify that revenue from health care services is reported net of contractual adjustments and other adjustments? (HCO, Ch. 10, Exhibit 10.1)	HC329	___	___	___	___
Did the auditor give adequate consideration to revenue cutoff? (HCO, Ch. 10, Exhibit 10.1)	HC330	___	___	___	___
Did the auditor verify that unrestricted gifts, donations, and bequests were properly reported? (HCO, Ch. 10, pars. 10.07–.10)	HC331	___	___	___	___
Did the auditor review donor correspondence (and/or board meeting minutes) to determine the presence or absence of donor restrictions? (HCO, Ch. 9, Exhibit 9.1)	HC332	___	___	___	___
For revenue related estimates, did the auditor:					
Review and test the process used by management to develop accounting estimates? (SOP 00-1, par. 25a [TPA Sec. 11,360.25a])	HC333	___	___	___	___
Develop an independent expectation of the estimate to corroborate the reasonableness of management's estimate? (SOP 00-1, par. 25b [TPA Sec. 11,360.25b])	HC334	___	___	___	___
Review subsequent events or transaction occurring prior to completion of fieldwork? (SOP 00-1, par. 25c [TPA Sec. 11,360.25c])	HC335	___	___	___	___
<input type="checkbox"/>					
Reporting Entity and Related Organizations (HCO, Ch. 11)					
Did the auditor perform procedures to ensure that the reporting entity is appropriately accounting for transactions with investees, affiliates, and other related entities? (HCO, Ch. 11, par. 11.29, Exhibit 11.1)	HC336	___	___	___	___
For not-for-profit HCOs, did the auditor consider the entity's reporting of interests in the net assets of financially interrelated fund raising foundations? (FAS No. 136, pars. 13–16)	HC337	___	___	___	___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
<input type="checkbox"/>					
Continuing Care Retirement Communities (HCO, Ch. 14)					
Did the auditor verify that the estimated amount of advance fees expected to be refunded to current residents under the terms of the contracts was accounted for as a liability? (HCO, Ch. 14, par. 14.36, Exhibit 14.3)					
	HC338	___	___	___	___
Did the auditor verify that the fees that will be paid to current residents or their designees, only to the extent of the proceeds of reoccupancy of a contract holder's unit, are accounted for as deferred revenue? (HCO, Ch. 14, par. 14.25)					
	HC339	___	___	___	___
Were nonrefundable advance fees accounted for as deferred revenue? (HCO, Ch. 14, par. 14.26)					
	HC340	___	___	___	___
Was an annual calculation made regarding the obligation to provide future services and use of facilities to current residents? (HCO, Ch. 14, par. 14.29)					
	HC341	___	___	___	___
Did the auditor verify that the costs of acquiring initial continuing-care contracts that are expected to be recovered from future contract revenues were capitalized? (HCO, Ch. 14, par. 14.33)					
	HC342	___	___	___	___
Did the auditor verify that deferred revenue and the obligation to provide future services to, and use of facilities by, current residents of continuing care retirement communities are recognized and properly reported? (HCO, Ch. 14, par. 14.36, Exhibit 14.3)					
	HC343	___	___	___	___
<input type="checkbox"/>					
Providers of Pre-paid Health Care Services (HCO, Ch. 13)					
Did the auditor verify that health care costs are accrued as the services are rendered, including estimates of the costs of services rendered but not yet reported? (HCO, Ch. 13, par. 13.02)					
	HC344	___	___	___	___
If the provider of prepaid health care services is obligated to render services to specific members beyond the premium period due to provisions in the contract or regulatory requirements, did the auditor verify that those costs were accrued currently? (HCO, Ch. 13, par. 13.02)					
	HC345	___	___	___	___
Did the auditor review if amounts payable to hospitals, physicians, or other health care providers under risk retention, bonus, or similar programs are accrued during the contract period? (HCO, Ch. 13, par. 13.03)					
	HC346	___	___	___	___
Did the auditor appropriately consider the need to record an accrual for any estimated losses related to long-term contracts to provide services? (HCO, Ch. 13, pars. 13.05 and .06; FAS No. 5)					
	HC 347	___	___	___	___

[The next page is 22,081.]

SEC
PRACTICE
SECTION

Section 22,080

Supplemental Checklist for Review of Audits of HUD Engagements

Instructions for Use of the Supplemental Checklist for Review of Audits of HUD Engagements

This supplemental checklist was developed for use by reviewers of HUD engagements performed in accordance with the Consolidated Audit Guide for Audits of HUD Programs. It should be used in conjunction with the *Checklist for Review of Audit Engagements* (audit checklist) (Sec. 20,200 and, where applicable the *Agreed Upon Engagements Checklist* (Sec. 20,900)).

The instructions to sections I and III of the audit checklist should be used when completing the applicable sections of this supplement. The questions in this checklist emphasize reporting matters and general procedures ordinarily performed by an independent auditor in the audit of financial statements of HUD Programs. All "No" answers must be thoroughly explained in the Section provided in the applicable audit checklist.

This checklist reflects guidance issued by HUD and is not intended to be an all-inclusive document containing all disclosures and audit procedures related to HUD Programs. It is a summarization of commonly addressed key areas and related concepts or procedures. Therefore, it should be used in conjunction with various reference materials dealing with reporting, disclosure and audit procedures issues in order to sufficiently evaluate HUD engagements. These additional materials include the Consolidated Audit Guide for Audits of HUD Programs IG 2000.04 Rev-2, August 1997 (the HUD Audit Guide). Peer reviewers should be alert to the Uniform Financial Reporting Standards for HUD Housing Programs published in the Federal Register on September 1, 1998. These regulations relate to the implementation of uniform financial reporting standards for HUD housing programs. Peer reviewers should visit the following HUD website to obtain useful information about any new HUD financial reporting requirements: <http://www.hud.gov/reac/>.

HUD is revising its accounting handbook (Handbook 4370.2) and consolidated audit guide (Handbook 2000.04 REV-2) to conform to these new reporting requirements, but the timing of these revisions is uncertain. In the meantime, HUD has indicated that the new requirements take precedence over the handbooks.

In accordance with HUD regulations implementing the 1997 revision of OMB Circular A-133, not-for-profit organizations and state and local government entities receiving HUD assistance are required to complete project-specific audits because each project is deemed to be a separate entity. These audits are subject to OMB Circular A-133 and related guidance. Accordingly, peer reviewers of audits of any such organizations or entities should not complete this supplement, but should complete the *Supplemental Checklist for Review of A-133 Single Audit Act Engagements* (Sec. 22,020).

Questions regarding these instructions or any other materials should be directed to AICPA Practice Monitoring at (201) 938-3030.

Explanation of References:

AU	<i>AICPA Professional Standards</i> (vol. 1)
GAO	<i>Government Auditing Standards</i> (revised through Amendment No. 2), United States General Accounting Office (The Yellow Book)
HUD	Handbook IG 2000.04 Rev-2—Consolidated Audit Guide for Audits of HUD Programs (1997)
ASLGU	AICPA Audit and Accounting Guide: Audits of State and Local Governmental Units (as issued in 1994 and subsequently updated for changes to conform to revised professional standards)

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¹ Reviewers should refer to the instructions for the applicable section included in the *Checklist for Review of Audit Engagements*, *Governmental Audit Engagement Checklist*, *Not-for-Profit Audit Engagement Checklist*, or the *Agreed-Upon Engagements Checklist*, as applicable.

I. REPORTS AND FINANCIAL STATEMENTS

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
General					
<p>The auditor's report on compliance should include an opinion on the auditee's compliance with specific requirements applicable to each of its major programs. The term "major programs" as defined by the Consolidated Audit Guide for Audits of HUD Programs means an individual assistance program or a group of programs in a category of Federal Financial Assistance which exceeds \$300,000 during the applicable year. A project which has an outstanding HUD-insured or guaranteed loan balance exceeding \$300,000 as of the reporting date shall be considered a major program. A mortgagee or loan correspondent which originates and/or services an aggregate of FHA-insured loans exceeding \$300,000 during the period under audit is considered a major program. In addition, a Government National Mortgage Association (Ginnie Mae) Issuer with a remaining principal balance exceeding \$300,000 as of the reporting date is considered a major program. (HUD, Ch. 1, par. 1-3)</p>					
Does the audit report cover clearly indicate the HUD-assisted activities and period(s) which was (were) audited? (HUD, Ch. 2, par. 2-1)	H101	_____	_____	_____	_____
Did the auditor include in the audit report or an accompanying transmittal letter:					
The auditor's Federal Employer ID Number?	H102	_____	_____	_____	_____
Identification of the name, office address, and telephone of the Audit Partner?	H103	_____	_____	_____	_____
Does the auditor's report on the financial statements and required supplemental schedules (HUD, Ch. 2-1A and Example A):					
Include reference to GAAS and to Government Auditing Standards issued by the Comptroller General of the United States? (ASLGU, Appendix A, Example A-1, fn 2, and GAO, Ch. 5, par. 5.11)	H104	_____	_____	_____	_____
Describe or make reference to separate reports that describe the scope of the auditor's testing of compliance with laws and regulations, and of internal controls? (GAO, Ch. 5, pars. 5.15-5.17)	H105	_____	_____	_____	_____
Include a separate paragraph or a separate report on accompanying supplemental information required by HUD? (AU Secs. 551 and 558, and HUD, Ch. 2)	H106	_____	_____	_____	_____
Do the auditor's reports use language that conforms with professional standards including reference to GAAS, Government Auditing Standards issued by the Comptroller General of the United States, and the Consolidated Audit Guide for Audits of HUD Programs (the HUD Audit Guide), issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General? [GAO, Ch. 5, par. 5.11 and HUD, Ch. 2.]	H107	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Did the auditor promptly prepare a separate written report and submit it to the HUD District Inspector General for Audit concerning illegal acts or fraud that have occurred or are likely to occur and include all questioned costs as the result of the acts? (HUD, Ch. 1, par. 1-5 and GAO, Ch. 5, pars. 5.21-5.25)	H108	_____	_____	_____	_____
If appropriate, was the scope section of the reports properly modified to disclose that an applicable government auditing standard was not followed, the reasons therefore, and the known effect of not following the standard on the results of the audit? (GAO, Ch. 5, par. 5.12)	H109	_____	_____	_____	_____
During the planning phase of the audit, did the auditor document in the work papers the basis for assessing control risk at the maximum level for assertions related to material account balances, transaction classes and disclosure components in the financial statements when such assertions are significantly dependent on computerized information systems? (GAO, Ch. 4, par. 4.21.4)	H110	_____	_____	_____	_____
Did the auditor document the consideration that the planned audit procedures were designed to achieve audit objectives and reduce audit risk to an acceptable level? (GAO, Ch. 4, par. 4.21.4)	H111	_____	_____	_____	_____
Did the auditor document in the work papers specific communication with the entity and the audit committee regarding the scope of compliance and internal control work to be performed under <i>Government Auditing Standards</i> ? (GAO, Ch. 4, pars. 4.6.3-4.6.9)	H112	_____	_____	_____	_____
When reporting separately on compliance with laws and regulations and internal control over financial reporting, did the auditor disclose in the auditor’s report the following: 1) the issuance of those additional reports, 2) that those additional reports are an integral part of a GAGAS audit, and 3) in considering the results of the audit, the separate reports should be read along with the auditor’s report on the financial statements? (GAO, Ch. 5, pars. 5.16-5.16.1)	H113	_____	_____	_____	_____
For some engagements more than one chapter may apply, in particular Chapters 3 and 4, with results reported in a single audit report.					

Program Specific Requirements

A. Chapter 3, Section 8 Audit Guidance—Reporting Requirements

Did the auditor’s report on Section 8 programs include the following reports and were the reports worded in accordance with professional standards (HUD Ch. 3, par. 3-4 and Ch. 2, Examples A through E as revised to conform with the 1994 Revision of the Yellow Book):

Combined report on Internal Controls as it relates to both financial reporting and administering HUD-assisted programs? (HUD, Ch. 2, Example B)

H114 _____

Opinion on compliance with specific requirements applicable to each major HUD program? (HUD, Ch. 2, Example C)

H115 _____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Report on Compliance with Specific Requirements applicable to nonmajor HUD program transactions? (HUD, Ch. 2, Example D)	H116	___	___	___	___
A report on Compliance with Specific Requirements applicable to Fair Housing and non-discrimination? (HUD, Ch. 2, Example E)	H117	___	___	___	___
Report on Compliance with Laws and Regulations, based upon an audit of the financial statements performed in accordance with Government Auditing Standards? (HUD, Ch. 2, par. 2-1)	H118	___	___	___	___
<hr/>					
<p><i>Note:</i> It is expected that specific compliance requirements identified in the HUD Audit Guide will cover those laws and regulations that, if not complied with, could have a direct and material effect on the financial statements. In such cases, the compliance reports listed in Ch. 2 of the guide are the only reports necessary for reporting on the auditee's compliance with laws and regulations. However, if the auditor, as part of the audit of the financial statements, considered laws and regulations in addition to those noted in the guide, for which noncompliance could have a direct and material effect on the financial statements, as required by SAS No. 54, the auditor should also issue the compliance report in accordance with Government Auditing Standards (1994 Revision) Ch. 5, pars. 5.15 and 5.18-5.25.</p>					
<hr/>					
Schedule of Findings and Questioned Costs? (HUD, Ch. 2, Example F as revised to conform with the 1994 Revision of the Yellow Book and SOP 98-3, App. E.)	H119	___	___	___	___
The Auditor's Comments on Audit Resolution Matters relating to HUD Programs? (HUD, Ch. 2, Example G as revised to conform with the 1994 Revision of the Yellow Book and SOP 98-3, App. E.)	H120	___	___	___	___

□

B. Chapter 4, Insured and Coinsured Multifamily Projects, HUD-Held Mortgages, Section 236 Subsidized Projects, Section 232 Nursing Homes and Similar Facilities, and Section 242 Hospitals
Audit Guidance and Sample Financial Statements—
Reporting Requirements

Note: Any unallowable distribution from a project with an insured, coinsured, or HUD-held multi-family mortgage must be noted as an instance of noncompliance regardless of materiality.

Did the auditor's report on Insured and Coinsured Multifamily Projects, HUD-Held Mortgages, Section 236 Subsidized Projects, Section 232 Nursing Homes and Similar Facilities, and Section 242 Hospitals, include the following reports, and were the reports worded in accordance with professional standards (HUD, Ch. 4, pars. 4-4A and 4B and Ch. 2, Examples A through E as revised to conform with the 1994 Revision of the Yellow Book.):

Combined report on Internal Controls as it relates to both financial reporting and administering HUD-assisted programs? (HUD, Ch. 2, Example B)

H121 ___ ___ ___ ___

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Opinion on compliance with specific requirements applicable to each major HUD program? (HUD, Ch. 2, Example C)	H122	_____	_____	_____	_____
A report on Compliance with Specific Requirements applicable to nonmajor HUD program transactions? (HUD, Ch. 2, Example D)	H123	_____	_____	_____	_____
A report on Compliance with Specific Requirements applicable to Fair Housing and Non-Discrimination? (HUD, Ch. 2, Example E)	H124	_____	_____	_____	_____
Report on Compliance with Laws and Regulations, based upon an audit of the financial statements performed in accordance with Government Auditing Standards? (HUD, Ch. 2, par. 2-1)	H125	_____	_____	_____	_____
[See note following H118.]					
Schedule of Findings and Questioned Costs? (HUD, Ch. 2, Example F as revised to conform with the 1994 Revision of the Yellow Book.)	H126	_____	_____	_____	_____
The Auditor's Comments on Audit Resolution Matters relating to the HUD Programs? (HUD, Ch. 2, Example G as revised to conform with the 1994 Revision of the Yellow Book.)	H127	_____	_____	_____	_____
In October 2000, the U.S. Department of Housing and Urban Development announced reporting and auditing requirement changes for the annual audited financial statement submissions associated with HUD assisted multifamily projects. Effective for project fiscal years ending on December 31, 2000, the independent auditor must perform an attestation engagement under SSAE No. 4, <i>Agreed Upon Procedures Engagements</i> , on the submitted annual audited financial statements. In accordance with this reporting change:					
Has the auditor compared the data prepared for electronic submission in the multifamily Financial Assessment Subsystem to the hard copy annual audited financial statements?	H128	_____	_____	_____	_____
<input type="checkbox"/>					
<u>C. Chapter 5, Insured Development Cost Certification Audit</u>					
<u>Guidance—Reporting Requirements</u>					
Did the auditor's report on Insured Development Cost Certification include the following reports, worded in accordance with professional standards (HUD, Ch. 5, pars. 5-4 and 5-6):					
A Report on the Balance Sheet and Operating Statement and the Mortgage Certificate of Actual Cost (Form HUD 92330)?	H129	_____	_____	_____	_____
A Report on the Consideration of the Mortgagor's Internal Controls?	H130	_____	_____	_____	_____
A Report on the Mortgagor's Compliance with Specific Requirements?	H131	_____	_____	_____	_____
<input type="checkbox"/>					
<u>D. Chapter 6, Ginnie Mae Issuers of Mortgage-Backed Securities—Reporting Requirements</u>					
Did the auditor's report on Ginnie Mae issuers of mortgage-backed securities include the following reports, worded in accordance with professional standards (HUD, Ch. 6, par. 6-4 and Ch. 2, Examples A through D as revised to conform with the 1994 Revision of the Yellow Book.):					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Combined report on Internal Controls as it relates to both financial reporting and administering HUD-assisted programs? (HUD, Ch. 2, Example B)	H132	_____	_____	_____	_____
Opinion on compliance with specific requirements applicable to each major HUD program? (HUD, Ch. 2, Example C)	H133	_____	_____	_____	_____
A Report on Compliance with Specific Requirements applicable to nonmajor HUD program transactions? (HUD, Ch. 2, Example D)	H134	_____	_____	_____	_____
<input type="checkbox"/> <u>E. Chapter 7, HUD-Approved Title II Nonsupervised Mortgagees and Loan Correspondents Audit Guidance—Reporting Requirements</u>					

Note: For entities subject to Ch. 7 of the HUD Audit Guide, all instances of noncompliance identified by the auditor must be reported as findings, even in those cases where corrective action was taken by the entity after the end of the fiscal year.

Did the auditor's report on Title II nonsupervised mortgagees and loan correspondents include the following reports, worded in accordance with professional standards (HUD, Ch. 7, par. 7-4):

A Report on the Computation of the Mortgagee's Adjusted Net Worth?

H135 _____

A Report on Internal Controls and Compliance with specific requirements that have a direct and material effect on HUD-insured loans?

H136 _____

An opinion on the Compliance with Specific Requirements applicable to each major HUD-assisted program, or a Report on Compliance with Specific Requirements applicable to nonmajor HUD-assisted program transactions?

H137 _____

F. Chapter 8, HUD-Approved Title I Nonsupervised Lenders and
Loan Correspondents Audit Guidance—Reporting Requirements

Did the auditor's report for Title I lenders and loan correspondents include the following reports, worded in accordance with professional standards (HUD, Ch. 8, par. 8-4):

A Report on Internal Controls and Compliance with specific requirements that have a direct and material effect on HUD-insured loans?

H138 _____

An opinion on the Compliance with Specific Requirements applicable to each major HUD-assisted program, or a Report on Compliance with Specific Requirements applicable to nonmajor HUD-assisted program transactions?

H139 _____

II. WORKING PAPER AREAS—HUD ENGAGEMENTS

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
General					
Were appropriate personnel in compliance with the 1994 Yellow Book CPE requirements and related interpretations?	H201	___	___	___	___
Did the firm meet the independence and quality control requirements of the Yellow Book? (GAO, Ch. 3)	H202	___	___	___	___
Did the firm provide a copy of its most recent peer review report to the client? (GAO, Ch. 3, par. 3.36)	H203	___	___	___	___
Does the engagement letter required by HUD specify the following:					
<ul style="list-style-type: none"> that the audit was to be performed in accordance with GAAS, the <i>Government Auditing Standards</i>, and the Consolidated Audit Guide for Audits of HUD Programs? (HUD, Ch. 1, par. 1-6) 	H204	___	___	___	___
<ul style="list-style-type: none"> that the scope of the audit and contents of the financial report to be issued will meet the requirements of the Consolidated Audit Guide for Audits of HUD Programs? (HUD, Ch. 1, par. 1-6) 	H205	___	___	___	___
<ul style="list-style-type: none"> that the Secretary of HUD, the HUD Inspector General and GAO or their representatives have access to the working papers and upon request, photocopies will be provided to them? (HUD, Ch. 1, par. 1-6) 	H206	___	___	___	___
For HUD-insured and multifamily mortgagors, that the auditor considered whether the firm performs manual or automated book-keeping services and/or maintains official accounting records? If the auditor was not independent because of the above, did the auditor resign from the engagement? (HUD, Ch. 1, par. 1-2)	H207	___	___	___	___
If the auditee is a Non-Profit Organization which owns a HUD-assisted project, were procedures and reports relating to the specific HUD engagement performed and reported on in accordance with OMB Circular A-133 and related guidance? (HUD, Ch. 1, par. 1-1)	H209	___	___	___	___
Did the auditor’s working papers:					
Contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor’s significant conclusions and judgments? (GAO, Ch. 4, par. 4.35)	H210	___	___	___	___
Contain documentation of <u>meeting out of state licensing requirements</u> , if necessary? (HUD, Ch. 1, par. 1-2)	H211	___	___	___	___

* The N/A column should be used when the item either does not exist or is not material.

** All “no” answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Indicate that the client considered and identified all major and nonmajor programs?	H212	_____	_____	_____	_____
Note: The working papers should clearly demonstrate the auditor's understanding and assessment of control risks related to the internal control policies and procedures established for HUD-assisted activities. Tests of controls may be omitted only in areas when the internal control policies and procedures are likely to be ineffective in preventing or detecting noncompliance, in which case a reportable condition or material weakness should be reported.					
In the event that the auditor decided to omit the test of controls, did he/she document the reasons for this omission? (HUD, Ch. 1, par. 1-6)	H213	_____	_____	_____	_____
Tests of controls were performed to evaluate effectiveness of design and operation of internal control policies and procedures in preventing or detecting material noncompliance with the requirements of HUD programs <u>regardless</u> of whether the auditor assesses internal control risk <u>below</u> the maximum? In instances where controls were not tested, was the report properly modified? (HUD, Ch. 1, par. 1-7)	H214	_____	_____	_____	_____
Did the auditor obtain a representation letter from management that (AU Sec. 801.07c):					
<ul style="list-style-type: none"> represented that they identified all laws and regulations that have a direct and material effect on the determination of financial statement amounts and the requirements of each HUD program? (HUD, Ch. 1, par. 1-6) 	H215	_____	_____	_____	_____
<ul style="list-style-type: none"> represented that management is responsible for the organization's compliance with the laws and regulations applicable to the organization and the requirements of each HUD program and that they have complied with them? (HUD, Ch. 1, par. 1-6) 	H216	_____	_____	_____	_____
Did the auditor review the client's Corrective Action Plan as well as review and consider findings from audits conducted by HUD-OIG and other HUD program reviews, and, where applicable, in formulating an Audit Resolution Matters report? (HUD, Ch. 2-1f and Examples G and H)	H217	_____	_____	_____	_____

Program Specific Requirements

The specific requirements for the following programs are contained in separate chapters of the HUD Audit Guide:

- Chapter 3, Section 8 Audit Guidance
- Chapter 4, Insured and Coinsured Multi-family Projects, HUD-Held Mortgages, Section 236 Subsidized Projects, Section 232 Nursing Homes and Similar Facilities, and Section 242 Hospitals Audit Guidance and Sample Financial Statements
- Chapter 5, Insured Development Cost Certification Audit Guidance

- Chapter 6, Ginnie Mae Issuers of Mortgage-Backed Securities Audit Guidance
- Chapter 7, HUD-Approved Title II Nonsupervised Mortgagees and Loan Correspondents Audit Guidance
- Chapter 8, HUD-Approved Title I Nonsupervised Lenders and Loan Correspondents Audit Guidance

Note: The HUD Audit Guide (the “guide”) is not intended to be a complete manual of procedures, nor is the guide intended to supplant the auditor’s judgment of audit work required. Suggested audit procedures contained in the guide may not cover all circumstances or conditions encountered in a particular audit. The auditor should use professional judgment to tailor the procedures so that the audit objective may be achieved. However, all applicable compliance requirements in the guide must be addressed by the auditor (HUD Ch. 1, par. 1–1).

Do the working papers indicate that all appropriate procedures have been performed, and that appropriate conclusions have been drawn? (The auditor should justify why he/she did not test a particular compliance requirement.)

H218 _____

A. Chapter 3, Section 8 Audit Guidance—Working Paper Areas

Have specific compliance requirements been tested in accordance with the procedures in the HUD Audit Guide, or have alternative procedures been justified (HUD Ch. 3, par. 3–5):

- | | | | | | |
|---|------|-------|-------|-------|-------|
| Fair Housing and Non-Discrimination? | H219 | _____ | _____ | _____ | _____ |
| Management, Maintenance, and Replacement Reserve? | H220 | _____ | _____ | _____ | _____ |
| Federal Financial Reports? | H221 | _____ | _____ | _____ | _____ |
| Application, Eligibility, and Reexamination of Tenants? | H222 | _____ | _____ | _____ | _____ |
| Security Deposits? | H223 | _____ | _____ | _____ | _____ |

B. Chapter 4, Insured and Coinsured Multifamily Projects, HUD-Held Mortgages, Section 236 Subsidized Projects, Section 232 Nursing Homes and Similar Facilities, and Section 242 Hospitals, Audit Guidance and Sample Financial Statements—Working Paper Areas

Have specific compliance requirements been tested in accordance with the procedures in the HUD Audit Guide, or have alternative procedures been justified:

- | | | | | | |
|--------------------------------------|------|-------|-------|-------|-------|
| Federal Financial Reports? | H224 | _____ | _____ | _____ | _____ |
| Fair Housing and Non-Discrimination? | H225 | _____ | _____ | _____ | _____ |
| Mortgage Status? | H226 | _____ | _____ | _____ | _____ |

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Replacement Reserve?	H227	___	___	___	___
Residual Receipts?	H228	___	___	___	___
Security Deposits?	H229	___	___	___	___
Cash Receipts and Disbursements?	H230	___	___	___	___
Distributions to Owners?	H231	___	___	___	___
Tenant Application, Eligibility, and Recertification?	H232	___	___	___	___
Management Functions?	H233	___	___	___	___

C. Chapter 5, Insured Development Cost Certification
Audit Guidance—Working Paper Areas

Have specific compliance requirements been tested in accordance with the procedures in the HUD Audit Guide, or have alternative procedures been justified:

Federal Financial Reports?	H234	___	___	___	___
Accounting System?	H235	___	___	___	___
Cut-Off Timing and Eligibility of Costs?	H236	___	___	___	___
Identity of Interest?	H237	___	___	___	___

D. Chapter 6, Ginnie Mae Issuers of Mortgage-Backed
Securities Audit Guidance—Working Paper Areas

Have specific compliance requirements been tested in accordance with the procedures in the HUD Audit Guide, or have alternative procedures been justified:

Federal Financial Reports?	H238	___	___	___	___
Eligibility to Issue Mortgage-Backed Securities?	H239	___	___	___	___
Review of Custodial Documents?	H240	___	___	___	___
Issuer's Administration of Pooled Mortgages?	H241	___	___	___	___
Review of Monthly Accounting Reports and Quarterly Submissions?	H242	___	___	___	___
Securities Marketing and Trading Practices?	H243	___	___	___	___
Ginnie Mae Adjusted Net Worth?	H244	___	___	___	___

E. Chapter 7, HUD-Approved Title II Nonsupervised Mortgagees
and Loan Correspondents Audit Guidance—Working Paper Areas

Have specific compliance requirements been tested in accordance with the procedures in the HUD Audit Guide, or have alternative procedures been justified:



	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Quality Control Plan?	H245	___	___	___	___
Branch Office Operations?	H246	___	___	___	___
Loan Origination?	H247	___	___	___	___
Loan Settlement?	H248	___	___	___	___
Loan Servicing?	H249	___	___	___	___
Escrow Accounts?	H250	___	___	___	___
Section 235 Assistance Payments?	H251	___	___	___	___
Kickbacks?	H252	___	___	___	___
Federal Financial and Activity Reports?	H253	___	___	___	___
Mortgagee Approval Requirements?	H254	___	___	___	___

□

F. Chapter 8, HUD-Approved Title I Nonsupervised Lenders and Loan Correspondents Audit Guidance—Working Paper Areas

Have specific compliance requirements been tested in accordance with the procedures in the HUD Audit Guide, or have alternative procedures been justified:

Branch Office Operations?	H255	___	___	___	___
Loan Origination?	H256	___	___	___	___
Loan Disbursement?	H257	___	___	___	___
Loan Servicing?	H258	___	___	___	___
Eligible Fees and Charges?	H259	___	___	___	___
Federal Financial Reports?	H260	___	___	___	___
Financial Approval Requirements?	H261	___	___	___	___
Quality Control Plan?	H262	___	___	___	___

Did the auditor address the required supplemental data as listed in the HUD Audit Guide including test of compliance with the Adjusted Net Worth requirement, Ch. 6, par. 6-4; Ch. 7, par. 7-6; and Ch. 8, par. 8-6 and Insurance requirement Ch. 6, par. 6-4?

H263	___	___	___	___
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Has the statement of cash flows been presented using the direct method (HUD Handbook 4370.2, pars. 3-4 and HUD Handbook 4370.6, pars. 2-6)? If the indirect method is used, is a schedule of cash receipts and disbursements included in supplemental information?

H264	___	___	___	___
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SEC
PRACTICE
SECTION