

PRP Section 4300

Quality Control Policies and Procedures Documentation Questionnaire for a Sole Practitioner With No Personnel¹

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

- SQCS No. 8 defines *unconditional requirements* through the use of the words *must* or *is required* and *presumptively mandatory requirements* through the use of the word *should*.
- SQCS No. 8 identifies the policies and procedures that should address each of the following elements of a firm's system of quality control:
 - Leadership Responsibilities for Quality Within the Firm (the “Tone at the Top”)
 - Relevant Ethical Requirements
 - Acceptance and Continuance of Client Relationships and Specific Engagements
 - Human Resources
 - Engagement Performance
 - Monitoring
- SQCS No. 8 requires a firm to communicate and document its quality control policies and procedures. The extent of the documentation is based on the size, structure, and nature of the firm's practice.
- SQCS No. 8 recognizes the importance of a quality oriented internal culture, requires firms to establish policies that require the firm to assign its management responsibilities so that commercial considerations do not override the quality of work performed, and addresses personnel performance evaluation, compensation, and advancement to demonstrate the firm's overarching commitment to quality.
- SQCS No. 8 provides detailed guidance on independence and requires a written confirmation of compliance with independence requirements from all personnel at least annually.
- SQCS No. 8 provides detailed guidance on client acceptance and continuance, and requires documentation of the resolution of significant issues.
- SQCS No. 8 provides detailed guidance on engagement supervision and review, engagement documentation, and consultation policies and procedures.

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

- SQCS No. 8 requires policies and procedures for addressing and resolving differences of opinions, including a requirement that reports must not be released until the differences of opinions are resolved. Such policies and procedures should enable a member of the engagement team to document that member's disagreement with the conclusions reached after appropriate consultation.
- SQCS No. 8 uses the term *engagement quality control review*, including its objective, and requires firms to establish criteria to determine which engagements are to be subject to an engagement quality control review.
- SQCS No. 8 requires performance of monitoring procedures that are sufficiently comprehensive to enable the firm to assess compliance with all applicable professional standards and regulatory requirements and the firm's quality control policies and procedures. Firms are required to assign responsibility for monitoring to a person of appropriate authority and are required to evaluate deficiencies and communicate recommendation for remedial action.
- SQCS No. 8 requires policies and procedures for dealing appropriately with complaints and allegations of noncompliance with professional standards or with the firm's system of quality control.

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

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

.04 This questionnaire has been developed for sole practitioners with no personnel. Section 4400, *Quality Control Policies and Procedures Documentation Questionnaire for Firms With Two or More Personnel*, is a questionnaire that has been developed for firms with two or more personnel. This questionnaire has been adapted from the requirements of SQCS No. 8 and from the non-authoritative AICPA practice aid, *Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice*. The AICPA practice aid provides illustrative examples of four hypothetical firms (multi-office, single office firm, sole practitioner, and an alternative practice structure firm). Firms should understand the requirements of SQCS No. 8 and consider the practice aid when designing and maintaining the quality control policies and procedures applicable to their firm. The practice aid can be purchased from www.cpa2biz.com.

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

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

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AICPA Peer Review Program

QUALITY CONTROL POLICIES AND PROCEDURES DOCUMENTATION QUESTIONNAIRE FOR A SOLE PRACTITIONER WITH NO PERSONNEL²

Firm	Prepared By	Date
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This questionnaire may not include all the policies and procedures applicable to a firm’s practice. It should be tailored to provide documentation of pertinent policies and procedures applicable to the six elements of quality control. In this questionnaire the terms “firm” and “practitioner” are used interchangeably. Some portions of the questionnaire will require a specific response, whereas a “Yes,” “No,” or “N/A” answer may be appropriate in other instances. Some questions may require a brief description of applicable procedures in place. If necessary, additional documentation should be provided. 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 firm’s practice.

This questionnaire does not address specific requirements of membership in the AICPA Governmental Audit Quality Center or the AICPA Employee Benefit Plan Audit Quality Center. Additionally, there may be other requirements for firms engaged to perform audit services for an issuer to comply with the Public Company Accounting Oversight Board and the Securities and Exchange Commission and for those firms performing engagements subject to *Government Auditing Standards*.

	Yes	No	N/A	Comments
A. Leadership Responsibilities for Quality Within the Firm (“Tone at the Top”)				
<i>Quality control policies and procedures are required to be documented and communicated to personnel, including the message that each individual has a personal responsibility for quality and to be familiar with and to comply with these policies and procedures.</i>				
1. Does the firm have a written quality control document in effect for the peer review year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
a. If “yes,” submit a copy of the firm’s quality control document in effect for the peer review year to your team captain. Completion of this questionnaire may not be required if the quality control document comprehensively describes the policies and procedures established and maintained for each element of quality control as contemplated by SQCS No. 8. However, under certain circumstances, the team captain may still request that this questionnaire be completed (and the quality control document attached).				
b. If “no,” will this questionnaire provide the primary documentation of the firm’s policies and procedures for its system of quality control?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
If “yes,” indicate date of adoption (cannot be prior to the date of the completion of this questionnaire) _____				

² The term *personnel* is defined in SQCS No. 8 as all individuals who perform professional services for which the firm is responsible, whether or not they are CPAs (including leased and per diem employees who devote at least 25 percent of their time at the reviewed firm in performing audits, reviews, compilations, or attestation engagements, or those individuals who have the partner or manager level responsibility for the overall supervision or review of such engagements).

	Yes	No	N/A	Comments
<p>Considering the date of adoption, was this questionnaire in effect for the peer review year?</p> <p>If "no", also attach previously completed questionnaire(s) that were effective for the peer review year, if any. This could be the questionnaire completed for the firm's last peer review, which the firm should be maintaining as documentation of their system of quality control.</p> <p>If "no," where are policies and procedures documented?</p> <p>_____</p> <p>_____</p> <p>_____</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<p>2. Has the practitioner developed or adopted other quality control materials? If "yes," describe those materials: _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<p>3. Describe how the practitioner stresses the importance of obtaining feedback on its system of quality control from per diem personnel. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				_____
<p><i>Quality control policies and procedures support an internal culture based on the recognition that quality is essential in performing engagements.</i></p>				
<p>4. Describe how the practitioner accepts ultimate responsibility for the firm's system of quality control. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				_____
<p>5. Describe how the practitioner continually evaluates client relationships and specific engagements so that commercial considerations do not override the quality of the work performed. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				_____

	Yes	No	N/A	Comments
6. Does the practitioner review professional literature about requirements for a system of quality control and devote sufficient and appropriate resources for the development, communication, and support of the firm’s quality control policies and procedures?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7. Describe how the practitioner reviews and updates the quality control policies, procedures, and documentation on an annual basis. _____ _____ _____ _____ _____				
B. Relevant Ethical Requirements				
<i>Quality control policies and procedures provide the firm with reasonable assurance that the firm and its personnel comply with relevant ethical requirements when discharging professional responsibilities. Relevant ethical requirements include independence, integrity, and objectivity. These requirements include regulations, interpretations, and rules of the AICPA, state CPA societies, state boards of accountancy, state statutes, the U.S. Government Accountability Office, and any other applicable regulators.</i>				
1. Describe how the practitioner documents and communicates its policies and procedures for relevant ethical requirements to its per diem personnel. _____ _____ _____ _____ _____				
2. Does the practitioner have access to current guidance materials regarding the applicable independence, integrity, and objectivity requirements? a. If “yes,” describe the source of such material (such as access through computer software databases containing professional and regulatory literature, by a subscription to the AICPA <i>Professional Standards</i> loose-leaf service or other services pertaining to the firm’s practice, or other means). _____ _____ _____ _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Yes	No	N/A	Comments
6. In situations where the firm is not independent, are services for those clients limited to compilation and other non-attest services, and are all compilation reports modified to disclose the firm’s lack of independence?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<i>The firm, when acting as principal auditor, confirms the independence of another firm performing parts of an engagement.</i>				
7. 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?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
a. If “yes,” are written confirmations obtained regarding the other firm’s independence with respect to audit engagements and either written or oral confirmations obtained for review or attestation engagements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
i. If “yes,” describe the form and content of the confirmation. _____				
ii. If “no,” describe how the practitioner determines and documents independence. _____	<input type="checkbox"/>		<input type="checkbox"/>	
<i>Before a member [ET sec. 92 par. .20] or his or her firm performs non-attest services for accounting and auditing clients,* the member should determine that the requirements described in, Ethics Interpretation No. 101-3, “Performance of Nonattest Services,” under Rule 101, Independence (AICPA, Professional Standards, vol. 2, ET sec. 101 par. .05), have been met. In cases where the requirements have not been met with respect to non-attest services rendered during the period of the professional engagement or the period covered by the financial statements, <u>independence would be impaired.</u></i>				
8. Does the firm provide non-attest services to accounting and auditing clients?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
a. If “yes,” did the firm meet all the requirements of Interpretation No. 101-3 for each accounting and auditing client for which non-attest services were performed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

* A member who performs a compilation engagement for a client should modify the compilation report to indicate a lack of independence if the member does not meet all of the conditions set out in Ethics Interpretation No. 101-3, “Performance of Nonattest Services,” under Rule 101, Independence (AICPA, Professional Standards, vol. 2, ET sec. 101 par. .05), when providing a non-attest service to that client (see Statement on Standards for Accounting and Review Services [SSARS] No. 19, *Compilation and Review Engagements* [AICPA, Professional Standards, vol. 2, AR sec. 80]), for compilation engagements performed on financial statements for periods ending before December 15, 2010, see SSARS No. 1, *Compilation and Review of Financial Statements* (AICPA, Professional Standards, vol. 2), which was superseded by SSARS No. 19.

	Yes	No	N/A	Comments
Describe where and how this is documented. _____ _____ _____ _____				
b. Did the firm establish an understanding, including appropriate documentation of the understanding, of each client regarding the following:				
i. Objectives of the engagement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
ii. Services to be performed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
iii. Client's acceptance of its responsibilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
iv. Member's responsibilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
v. Any limitations of the engagement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<i>If the firm is a member of a network [ET sec. 92 par. .21], the firm should determine that the requirements described in Ethics Interpretation No. 101-17, "Networks and Network Firms," under Rule 101, "Independence" (AICPA, Professional Standards, ET sec. 101, par. .19), have been met.</i>				
9. Is the firm a network firm [ET sec. 92 par. .22]?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
a. If "Yes," answer the following:				
i. Did the firm meet all the requirements of Ethics Interpretation No. 101-17?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
ii. Describe how the firm monitors its independence with respect to financial statement audits, reviews, and other attest engagements performed by other members of the network. _____ _____ _____ _____ _____				_____ _____ _____ _____ _____ _____ _____ _____ _____ _____
10. Describe the procedures the practitioner performs in evaluating other possible threats to independence and objectivity and appropriate actions taken to eliminate those threats or reduce them to an acceptable level by applying safeguards (accumulate and consider relevant information, consult AICPA Ethics Hotline, consider withdrawing from the engagement, and so on). _____ _____ _____ _____ _____				_____ _____ _____ _____ _____ _____ _____ _____ _____ _____

	Yes	No	N/A	Comments
11. Describe the firm’s policies and procedures for ensuring that the firm is maintaining the appropriate firm license(s), including those for states other than where its main office is domiciled, including whether the following is true:				
a. The firm is licensed under the same name(s) under which it practices.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
b. The firm license(s) was effective during the peer review year and through the earlier of reviewed engagements’ issuance dates or the date of peer review fieldwork.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
c. The firm has considered variations in licensing bodies’ rules and regulations and how they impact the firm’s need to be licensed in that state.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
d. The firm has appropriately addressed any restrictions on practice imposed by the licensing bodies.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

C. Acceptance and Continuance of Client Relationships and Specific Engagements

Quality control policies and procedures for acceptance and continuance of client relationships and specific engagements provide the firm with reasonable assurance that the firm will undertake or continue relationships and engagements only where it has considered the integrity of the client, is competent to perform the engagement, can comply with the legal and ethical requirements, and has reached an understanding with the client regarding the services to be performed.

1. Does the practitioner obtain and evaluate relevant information such as the following before accepting or continuing a client relationship:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
a. The nature and purpose of the services to be provided to the client and management’s understanding thereof	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
b. The identity of the client’s principal owners, key management, related parties, and those charged with governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
c. The nature of the client’s operations, including its business practices, from sources such as annual reports, interim financial statements, reports to and from regulators, income tax returns, and credit reports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
d. Information obtained from third parties (bankers, factors, attorneys, credit services, and others who have business relationships with the entity)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Yes	No	N/A	Comments
e. Information concerning the attitude of the client's principal owners, key management, and those charged with governance toward such matters as aggressive interpretation of accounting standards and internal control over financial reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
f. The risk of providing services in highly specialized or regulated industries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
g. Engagements that require an inordinate amount of time to complete relative to the available resources of the firm	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
h. Communicating with the predecessor accountant or auditor when required by professional standards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
i. Conducting background checks of the business, its officers, and so on	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
j. The risk of providing services to significant clients or to other clients for which the firm's objectivity or the appearance of independence may be impaired	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
k. The need for additional firm and individual licenses for states other than where the firm's main office is domiciled or for states other than where an individual primarily practices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
l. Describe where and how a-k are documented. _____ _____ _____ _____				
2. Does the practitioner document the necessary communications with predecessor accountants and auditors, including inquiries regarding the nature of any disagreements and other events, and whether evidence of "opinion shopping" exists?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
a. If "yes," where is the documentation maintained? _____ _____ _____ _____				
b. If "no," describe how the practitioner complies with paragraph .13 of AU-C section 300, <i>Planning an Audit</i> (AICPA, <i>Professional Standards</i>). _____ _____ _____ _____ _____				

	Yes	No	N/A	Comments
<p><i>The firm evaluates whether the engagement can be completed with professional competence; undertakes only those engagements for which the firm has the capabilities, resources, and professional competence to complete; and evaluates, at the end of specific periods or upon occurrence of certain events, whether the relationship should be continued.</i></p>				
<p>3. Does the practitioner evaluate whether he or she has obtained or can reasonably expect to obtain the knowledge and expertise necessary to perform the engagement, including relevant regulatory or reporting requirements, prior to accepting the engagement?</p> <p>a. If “yes,” describe how this decision is reached and where it is documented. _____ _____ _____ _____ _____</p> <p>b. If “no,” describe how the practitioner determines that he or she can perform the engagement. _____ _____ _____ _____ _____</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>4. Does the practitioner consider conditions that require evaluation of a specific client or engagement, obtain relevant information to determine whether the relationship should be continued, and establish a specific time period to make that evaluation?</p> <p>a. If “yes,” do the conditions include the following:</p> <p>i. Significant changes in the client such as a major change in senior client personnel, ownership, advisors, nature of its business, or financial stability of the client</p> <p>ii. Changes in the nature or scope of the engagement, including requests for additional services</p> <p>iii. Changes in the composition of the firm, such as the loss of and inability to replace key personnel who are particularly knowledgeable about a specialized industry</p> <p>iv. The decision to discontinue services to clients in a particular industry</p> <p>v. The existence of conditions that would have caused the practitioner to reject the client or engagement had such conditions existed at the time of the initial acceptance</p> <p>vi. The client’s delinquency in paying fees</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Yes	No	N/A	Comments
vii. Engagements for entities in highly specialized or regulated industries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
viii. Engagements where there may be substantial doubt about the entity's ability to continue as a going concern	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ix. Engagements for entities in the development stage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
x. Engagements in which the client has ignored prior recommendations, such as those that address deficiencies in internal control	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
xi. Describe where and how i-x are documented. _____ _____ _____ _____ _____				
b. If "no," describe how the practitioner obtains assurance that he or she is not continuing a relationship which should be discontinued. _____ _____ _____ _____ _____				
5. Did the practitioner consider discontinuing any audit and accounting client relationships during the year under review but decide to continue? If "yes," explain. _____ _____ _____ _____ _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<i>The firm obtains an understanding with the client regarding the services to be performed.</i>				
6. Does the practitioner document his or her 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 "no," describe how the practitioner obtains assurance that his or her understanding is in agreement with the client's understanding of the work to be performed. _____ _____ _____ _____ _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Yes	No	N/A	Comments
7. Describe the firm’s procedures for withdrawal from an engagement or from both the engagement and the client relationship. _____ _____ _____ _____ _____ _____				

D. Human Resources

Quality control policies and procedures for human resources provide the firm with reasonable assurance that it has sufficient personnel with the capabilities, competence, and commitment to ethical principles necessary to perform its engagements in accordance with professional standards and regulatory and legal requirements, and to enable the firm to issue reports that are appropriate in the circumstances.

Per diem personnel who are hired must have integrity and possess the characteristics that enable them to perform competently.

1. If the practitioner hires per diem personnel, has hiring criteria been established for such factors as education, certification or licensure, and experience that per diem personnel must meet to be hired? a. If “yes,” describe the criteria and how the practitioner evaluates personal characteristics such as integrity, competence, and motivation of per diem personnel. _____ _____ _____ _____ _____ _____ b. If “no,” describe how the practitioner determines that the per diem personnel are appropriate for the position they are hired to fill. _____ _____ _____ _____ _____ _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
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	Yes	No	N/A	Comments
<i>Personnel assigned to engagements (practitioner and per diem personnel) possess the knowledge, skills, and abilities required in the circumstances and the nature and extent of supervision needed.</i>				
2. Describe how the practitioner ensures that per diem 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. _____ _____ _____ _____				
3. Does the practitioner possess the knowledge, skills, and abilities (competencies) necessary to fulfill engagement responsibilities for the firm’s accounting, auditing, or attestation engagements? Do such competencies for the practitioner include the following:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
a. An understanding of the role of the firm’s system of quality control and the AICPA’s Code of Professional Conduct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
b. An understanding of the performance, supervision, and reporting aspects of the engagement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
c. An understanding of the applicable accounting, auditing, or attestation professional standards including those standards directly related to the industry in which a client operates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
d. An understanding of the industry in which a client operates, including the industry’s organization and operating characteristics, to identify the areas of high or unusual risk associated with an engagement and to evaluate the reasonableness of industry specific estimates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
e. Skills that indicate sound professional judgment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
f. An understanding of how the organization is dependent on or enabled by information technologies, and the manner in which information systems are used to record and maintain financial information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
4. Describe the firm’s policies and procedures for ensuring that the practitioner and any per diems are maintaining the appropriate individual licenses, including for states other than where the individual primarily practices public accounting. _____ _____ _____ _____ _____				

Personnel participate in general and industry specific continuing professional education (CPE) and professional development activities that enable them to satisfy responsibilities and fulfill applicable continuing professional education requirements of the AICPA, state CPA societies, state board of accountancy, and other regulators.

5. Do personnel (the practitioner and per diem personnel) assigned to audit and accounting engagements take courses related to those engagements?
- a. Provide an approximation of the type of CPE taken.
- i. Self-study courses _____%
 - ii. State society or AICPA programs _____%
 - iii. Other programs _____%
- b. Describe how the practitioner determines the appropriate mix of CPE related to accounting and auditing assignments, including specialized industries. _____
- _____
- _____
- _____
- _____

6. Is the practitioner 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), and *Government Auditing Standards*—the Yellow Book (if applicable)? If “no,” explain instances of non-compliance and the firm’s plans for correcting the situation. _____
- _____
- _____
- _____
- _____

7. Does the practitioner receive professional publications that keep the firm’s personnel abreast of changes in accounting and auditing standards and any client industry specific pronouncements? If “yes,” please describe. If “no,” describe how you keep current with changes. _____
- _____
- _____
- _____
- _____

Yes	No	N/A	Comments
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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

ii. ensuring the reliability of the QCM.				

iii. ensuring the suitability of the QCM for the firm’s practice.				

	Yes	No	N/A	Comments
2. Does the firm use third-party QCM (for example, an audit and accounting manual, standardized forms, checklists, templates, practice aids, tools, questionnaires and the like) to assist with engagement performance? If yes,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
a. have you provided the review team with a list of all providers or sources of QCM used by the firm?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
b. are such QCM used as an integral part of the firm’s system of quality control?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
c. are the provider’s QCM used for a specified purpose (for example, sampling or risk assessment templates) or a specific industry (for example, homeowners’ associations)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
d. describe the firm’s quality control policies and procedures for the following:				
i. adopting, updating and modifying the third party QCM.				

ii. ensuring the reliability of the QCM.				

iii. ensuring the suitability of the QCM for the firm’s practice.				

e. have the specific third party QCM used by the firm undergone a QCM review (been “peer reviewed”) (copies of current QCM review reports and acceptance letters can be obtained either from the AICPA website at http://www.aicpa.org/InterestAreas/PeerReview/Community/NationalPRC/Pages/QCMReviewResults.aspx or from the reviewed provider)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
i. If “Yes,” have you furnished a copy of the provider’s QCM review report to the team captain or, if the provider has elected to have its QCM review documents posted to the AICPA’s website, directed the team captain toward the website?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ii. If “No”, identify the QCM used by the firm that have not undergone a QCM review.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Yes	No	N/A	Comments
<i>The engagement is planned to meet professional, regulatory, and firm requirements.</i>				
3. Do the firm’s policies and procedures for planning include the following:				
a. Developing or updating background information on the client and the engagement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
b. Developing a proposed written work program tailored to the specific engagements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
c. Considering the economic conditions affecting the client and its industry and their potential effect on the conduct of the engagement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
d. Considering risks, including fraud, and how they may affect the procedures to be performed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
e. Obtaining an understanding of the engagement by use of an engagement letter or documentation in the working papers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
f. Reviewing prior financial statements and accountant’s or auditor’s report, or both	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<i>The engagement is performed, supervised, documented, and reported (or communicated) in accordance with the requirements of professional standards, applicable regulators, and the firm.</i>				
4. Does the practitioner use purchased practice aids to assist the firm in documenting the work performed on engagements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
a. If “yes,” describe what you use. _____ _____				
b. If “no,” describe the form of documentation used, including other checklists and how they have been developed and updated in order to determine that appropriate work has been performed to justify the firm’s conclusions. _____ _____ _____ _____				
5. Does the firm require documentation of the following:				
a. Understanding of the entity and its environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
b. Consideration of internal control structure in planning and performing the engagement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
c. Assessment of control risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Yes	No	N/A	Comments
d. Consideration of audit risk and materiality when planning and performing an audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
e. Audit sampling techniques	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
f. Consideration of fraud in the financial statement audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
g. Conduct of, and degree of reliance placed on, analytical procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
If “no” to any of the preceding, describe how the firm determines that appropriate procedures were performed.				

6. Does the practitioner review reports, financial statements, and working papers and complete and document the assembly of final engagement files on a timely basis?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7. Does the firm use other accounting firms for audit or accounting engagements? If “yes,” describe the form in which instructions are given to the other firms and the extent to which their work is reviewed, or indicate where their procedures for the supervision and control of that work are found. _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

8. Does the practitioner assume ultimate responsibility for each engagement (certain standards may require owner responsibility)? If “no,” describe who is responsible for the final approval for issuing the accountant’s or auditor’s report, or both. _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

9. Describe the firm’s policies and procedures for maintaining confidentiality, safe custody, integrity, accessibility, and retrievability of engagement documentation. _____				

	Yes	No	N/A	Comments
c. Whether generally accepted accounting principles or generally accepted auditing standards in the area				
i. are based on authoritative pronouncements that are subject to varying interpretations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ii. are based on varied interpretations of prevailing practice	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
iii. have yet to be developed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
iv. are under active consideration by an authoritative body	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
v. have not previously been interpreted by the firm (for example, in connection with another engagement)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
13. Does the practitioner consult with outside parties, such as the AICPA Technical Hotline or another CPA qualified in the area, when a technical question arises? If “no,” describe how technical questions are resolved. _____ _____ _____ _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
14. Does the practitioner document consultations, including all of the relevant facts, circumstances, and references to professional literature and how they will be implemented? a. If “yes,” describe where this documentation is maintained. _____ _____ _____ _____ _____ b. If “no,” describe how you justify conclusions. _____ _____ _____ _____ _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
15. Describe how and where the practitioner evaluates and documents issues of professional judgment when differences of opinion arise with per diem personnel, with those consulted, or with an external reviewer and resolve the matter before releasing the report. _____ _____ _____ _____ _____				

	Yes	No	N/A	Comments
vi. That matters are resolved before reports are released that might have come to the attention of the engagement quality control reviewer that would cause the reviewer to believe that the significant judgments the practitioner made and the conclusions reached were not appropriate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
vii. Describe how the review is documented. _____ _____ _____ _____				
F. Monitoring				
<i>Quality control policies and procedures for monitoring provide the firm with reasonable assurance that the policies and procedures related to the system of quality control are relevant, adequate, operating effectively, and complied with in practice.</i>				
<i>The firm considers and evaluates, on an ongoing basis, the appropriateness of the design and effectiveness of the operation of its quality control policies and procedures.</i>				
1. Does the practitioner revise the firm’s policies and procedures that are ineffective due to changes in professional standards?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2. Describe how the practitioner improves the firm’s compliance with its policies and procedures, as needed. _____ _____ _____ _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<i>The firm considers and evaluates, on an ongoing basis, the appropriateness of its guidance materials and any practice aids.</i>				
3. Describe the practitioner’s quality control policies and procedures to monitor that the firm’s guidance, and quality control materials (QCM) (for example, practice aids, such as audit programs forms and checklists), are updated for new professional pronouncements and are reliable and suitable for the firm’s practice. _____ _____ _____ _____				

	Yes	No	N/A	Comments
<i>The firm considers and evaluates, on an ongoing basis, the effectiveness of professional development activities.</i>				
4. Does the practitioner review CPE records to determine that the courses its personnel (including per diem personnel) have taken are appropriate considering the firm’s practice?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
5. Does the practitioner review CPE records to determine compliance with the requirements of the AICPA and other regulatory bodies?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<i>The firm considers and evaluates, on an ongoing basis, compliance with policies and procedures.</i>				
6. Does the practitioner perform either timely inspections ³ or post-issuance reviews of engagement working papers, reports, and clients’ financial statements for selected engagements to evaluate the firm’s compliance with its policies and procedures?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7. Describe the firm’s approach for determining the completeness of the engagement population upon which the inspection and peer review samples are based.				

8. Does the practitioner, on an ongoing basis, review its compliance with its policies and procedures regarding leadership responsibilities for quality within the firm, relevant ethical requirements (including independence, integrity, and objectivity), acceptance and continuance of client relationships and specific engagements, human resources, engagement performance, and monitoring?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
9. Does the firm test compliance with its policies and procedures through other monitoring procedures (such as engaging a qualified individual from outside the firm to perform engagement quality control reviews or inspection procedures) not described in 6 and 7? If “yes,” describe.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

³ Paragraphs .A72–.A73 of SQCS No. 8 provides guidance for inspection and monitoring procedures for small firms with a limited number of persons with sufficient and appropriate experience to effectively monitor compliance.

	Yes	No	N/A	Comments
10. In review of the firm’s compliance with its policies and procedures for human resources, how does the practitioner provide reasonable assurance that he or she possessed the necessary knowledge, skills, and abilities (competencies) to allow the firm to fulfill its responsibilities related to its accounting, auditing, and attestation engagements? <hr/> <hr/> <hr/> <hr/>				
11. How does the practitioner place additional emphasis on deficient areas in future engagements? <hr/> <hr/> <hr/> <hr/>				
12. Does the practitioner summarize and document, at least annually, the results of the monitoring process as required by quality control standards? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
13. Does the practitioner take specific corrective actions or steps based upon the results of the monitoring process and follow up on such planned corrective actions to provide reasonable assurance of compliance with its policies and procedures? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
14. Do the firm’s quality control policies and procedures provide that a peer review conducted under the standards established by the AICPA substitute for the firm’s inspection of engagement working papers, reports, and clients’ financial statements for some or all engagements for the period covered by the peer review? (<i>Note: A peer review does not substitute for all monitoring procedures.</i>) If so, describe scope of other monitoring procedures performed in that year. <hr/> <hr/> <hr/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<i>The firm deals appropriately with complaints and allegations</i>				
15. Does the practitioner investigate complaints or allegations about noncompliance with professional standards, regulatory and legal requirements, or the firm’s system of quality control and document the responses to them? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

