

Quality Management Document



HENDERSON, HUTCHERSON & McCULLOUGH, PLLC (HHM)

HENDERSON HUTCHERSON & McCULLOUGH, PLLC

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HENDERSON HUTCHERSON & MCCULLOUGH, PLLC

Statement of Firm Philosophy

The Firm and Its Objectives

Henderson Hutcherson & McCullough, PLLC (HHM) is a professional limited liability company engaged in the practice of public accounting headquartered in Chattanooga, Tennessee. Additional offices are in Memphis, Tennessee; Cleveland, Tennessee; and Pensacola, Florida. We have as an overriding objective the provision of high-quality audit, accounting, attestation, tax, and management advisory services to clients in the best professional manner. Our members and team members are expected to comply with this statement of philosophy in order to achieve that objective.

“Professionalism” in the accounting profession means integrity, objectivity, independence where required, adherence to professional standards and applicable laws and regulations, and a demonstrated will to maintain and improve the quality of professional services and to withstand all pressure, competitive and otherwise, to compromise on principles, standards, and quality. In the field of auditing, particularly, professionalism requires an understanding of and dedication to the public interest.

The public interest in audited financial statements has placed the public accounting profession in a unique position of public trust. Moreover, there also is a significant public interest in the way in which the Firm carries out accounting, tax, and management advisory services. Therefore, no client or Firm consideration is allowed to interfere with our ability to carry out our commitment to professionalism.

Professional Performance

HHM demands integrity, objectivity, competence, and due care from all of its personnel in the conduct of all of its engagements, whatever their nature. We demand independence in fact and appearance in all audit and other engagements where independence is required by applicable laws and regulations and the requirements of professional societies. We take steps to ensure that personnel assigned to engagements, whatever their nature, have the professional and specialized knowledge required to fulfill their responsibilities; at the same time, we recognize that supervisors and other reviewers and consultants can complement that knowledge.

Our firm is structured to provide leadership in achieving high quality professional performance while maintaining the concept of individual responsibility that is necessary to clients and to individuals within the Firm. HHM has established policies and procedures that we believe provide assurance that professional engagements are properly planned and executed and that decisions are based on the substance of issues, not on form. Accounting standards cannot deal with all possible situations; at all times, we urge our clients to adopt accounting and reporting policies that we believe are the most appropriate in the circumstances.

Our policies and procedures provide, among other things, consultation on significant matters, and HHM has designated members of the Firm whose opinions are to be sought on significant ethical, technical, and industry questions. The policies and procedures we have established are designed to ensure our clients receive the best professional services we can provide and that in providing those services we continually keep in mind the public interest in our work. We expect our members and team members to identify and resolve all important issues relevant to an engagement.

More specifically, to achieve high quality professional performance, and to comply with the membership requirements of the AICPA Division for CPA firms, HHM has adopted policies and procedures that implement the quality management standards for the conduct of accounting, auditing, and attestation engagements established by the AICPA. Those policies and procedures relate to the elements of quality management as outlined on page 4.

Relationships with Clients

The value of our services is, to a large degree, dependent on the public perception of our integrity and objectivity. If the public were to doubt our integrity or objectivity – or our competence or professional care – as a result of our work for a given client, the value of our services to that client, to all other clients, and to the public at large could drop significantly. Accordingly, just as our clients are selective in their choice of CPA Firms, HHM is selective in accepting clients. Our responsibilities to existing clients and to the public demand that we consider the appropriateness of client relationships and that we carefully consider the nature of services we are asked to provide and our ability to provide those services in a quality manner in conformity with all relevant professional standards.

When potential clients who disagree with their present accountants/auditors on significant auditing, accounting, or reporting questions request our opinion on these issues, we consult with our Firm and with a potential client's present or predecessor CPA firm before giving our final conclusion on the matter.

We value our reputation for quality services and believe that reputation is the basis on which we attract new clients and build our practice for the future. We are committed to rendering value for our fees and believe that our clients should have a reasonable basis for making a cost/benefit judgment for themselves. Accordingly, we carefully evaluate the services we are asked to provide and the factors, such as the nature of control systems and procedures, that will affect the costs we expect to incur in providing such services before we inform present and potential clients of the fees, we estimate that those services will entail. Once HHM undertakes a client engagement, we bring all the resources to that engagement necessary in the circumstances.

We do not disclose to anyone outside of our Firm any confidential client information obtained in the course of any engagement unless the disclosure is authorized by the client or is required to discharge properly our responsibilities under law or authoritative regulatory or professional standards. (Our peer reviewers have access to client information, but they are bound by the same standards of confidentiality.)

Services Provided

HHM provides a full range of audit, accounting, attestation, tax, and management advisory services, consistent with ethical and professional standards and regulatory requirements in the United States and with the limitations imposed by our Firm's membership in the AICPA Division for CPA Firms.

In providing services to clients, CPA firms must be responsive to changes in the environment, which are affected by developments in information technology, increasing complexity of the tax laws and regulations, greater demands by the public for new types of information and CPA assurances on such information, the increasing need of many clients for management advisory services, and a host of other factors.

If the public accounting profession as a whole, and HHM in particular, is to meet the legitimate and changing needs of clients and the public, arbitrary restrictions on the services provided are not appropriate. However, HHM, as a matter of policy, will undertake only engagements that we believe we can perform with competence, that will be useful to our clients or to appropriate third parties, that will not impair our independence in fact or appearance when we also provide audit, review, and attestation services to the client involved, and that will help attract and retain the personnel we need to provide the knowledge base essential to maintain our ability to serve our clients and the public in a professional manner. In evaluating proposed engagements, as well as the way we inform clients and others of our capabilities, we consider whether such engagements will lessen public confidence in our independence, integrity, and objectivity in the performance of engagements or in our commitment to those engagements.

Firm Organization

HHM is organized and operated as a professional limited liability company with a designated managing member. The members manage the Firm as a group. New members are admitted to the Firm when:

- Firm growth requires additional supervision and responsibility to handle more and larger engagements.
- An employee demonstrates the necessary technical competence, personal and financial philosophies, personality traits, and professional and administrative abilities to be considered a member.

History of the Firm

The Firm was founded in Chattanooga, Tennessee, in 1963, became a partnership on August 1, 1981, and converted to a professional limited liability company on October 1, 1995.

Since 1963, HHM has grown to one of the largest local firms in the Chattanooga area and one of the 100 largest firms in the United States of America. Our growth has been planned carefully and is expected to continue at a controlled rate.

On August 1, 1995, the Firm joined the BDO Seidman Alliance (now the BDO Alliance), a nationwide association of independently owned local and regional accounting and consulting firms sharing a dedication to exemplary service. As an Alliance member the Firm has access to the materials and expertise of an international accounting and consulting organization.

COMPONENTS OF QUALITY MANAGEMENT

The AICPA Auditing Standards Board issued Statement on Quality Management Standards (SQMS) No. 1, A Firm's System of Quality Management, to replace all existing Statements on Quality Control Standards.

The system of quality management includes policies and procedures addressing each of the following components:

- I. Leadership responsibilities for quality within the firm (tone at the top)
- II. Risk assessment
- III. Relevant ethical requirements
- IV. Acceptance and continuance of client relationships and specific engagements
- V. Resources (human resources; and technological and other resources)
- VI. Engagement performance
- VII. Information and communication
- VIII. Monitoring.

Policies and procedures established by the firm related to each element are designed to achieve reasonable assurance with respect to the purpose of that component. Deficiencies in policies and procedures for an component may result in not achieving reasonable assurance with respect to the purpose of that element; however, the system of quality management as a whole may still be effective in achieving the objective described in the first paragraph.

Tone at the top--The firm's managing member (or equivalent) should assume ultimate responsibility for quality management by providing leadership and setting an example that promotes a quality-oriented firm culture. To that end, the firm's quality management system should include policies to:

- a. assign management responsibilities so that commercial considerations do not override the quality of work performed;
- b. design its policies and procedures addressing performance evaluation, compensation, and promotion (including incentive systems) with regard to its personnel to demonstrate the firm's overarching commitment to objectives of the system of quality management;
- c. devote sufficient and appropriate resources for the development, communication and support of its quality management policies and procedures.

Risk Assessment--The firm's managing member (or equivalent) and quality management member (QMM) are responsible for generating and updating the risk assessment at least annually. Based on the results of the risk assessment, this document will be updated as needed to implement sufficient policies to reduce risks to an acceptable level. The risk assessment will incorporate the current firm structure, type of work being done, and any other relevant risk factors that could impact the firm's ability to comply with professional standards in all material respects.

Relevant Ethical Requirements--The firm should establish policies and procedures designed to provide it with reasonable assurance that the firm; its personnel; and, when applicable, others subject to independence requirements (including network firm personnel) maintain independence when required by relevant ethical requirements. Such policies and procedures should enable the firm to

- a. communicates its independence requirements to its personnel and, when applicable, others subject to them and,
- b. identifies and evaluate circumstances and relationships that create threats to independence and to take appropriate action to eliminate those threats or reduce them to an acceptable level by applying safeguards or, if considered appropriate, to withdraw from the engagement when withdrawal is possible under applicable law or regulation.

Such policies and procedures should require:

- a. engagement partners to provide the firm with relevant information about client engagements, including the scope of services, to enable the firm to evaluate the overall effect, if any, on independence requirements;
- b. personnel to promptly notify the firm of circumstances and relationships that create a threat to independence so that appropriate action can be taken; and
- c. the accumulation and communication of relevant information to appropriate personnel so that
 - i. the firm and its personnel can readily determine whether they satisfy independence requirements,
 - ii. the firm can maintain and update information relating to independence, and
 - iii. the firm can take appropriate action regarding identified threats to independence that are not at an acceptable level.

The firm should establish policies and procedures designed to provide it with reasonable assurance that it is notified of breaches of independence requirements and to enable it to take appropriate actions to resolve such situations. The policies and procedures should include requirements for:

- a. personnel to promptly notify the firm of independence breaches of which they become aware;
- b. the firm to promptly communicate identified breaches of these policies and procedures to
 - i. the engagement partner who, with the firm, needs to address the breach and,
 - ii. other relevant personnel in the firm and, when appropriate, the network and those subject to the independence requirements who need to take appropriate action; and
- c. prompt communication to the firm, if necessary, by the engagement partner and the other individuals referred to in subparagraph (b)(ii) of the actions taken to resolve the matter so that the firm can determine whether it should take further action.

At least annually, the firm should obtain written confirmation of compliance with its policies and procedures on independence from all firm personnel required to be independent by the requirements set forth in Rule 101, *Independence*, and its related interpretations and rulings of the AICPA Code of Professional Conduct and the rules of state boards of accountancy and applicable regulatory agencies. The firm should establish policies and procedures for all audit or attestation engagements for which regulatory or other authorities require the rotation of personnel after a specified period, in compliance with such requirements.

Client acceptance and continuance--The firm should establish policies and procedures for the acceptance and continuance of client relationships and specific engagements, designed to provide the firm with reasonable assurance that it will undertake or continue relationships and engagements only when the firm:

- a. is competent to perform the engagement and has the capabilities, including time and resources, to do so;
- b. can comply with legal and relevant ethical requirements; and
- c. has considered the integrity of the client and does not have information that would lead it to conclude that the client lacks integrity.

Such policies and procedures should:

- a. requires the firm to obtain such information as it considers necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client.
- b. requires the firm to determine whether it is appropriate to accept the engagement if a potential conflict of interest is identified in accepting an engagement from a new or an existing client.
- c. if issues have been identified and the firm decides to accept or continue the client relationship or a specific engagement, require the firm to:
 - i. considers whether ethical requirements that exist under Interpretation No. 102-2, "Conflicts of Interest," under Rule 102, *Integrity and Objectivity*, apply, such as disclosure of the relationship to the client and other appropriate parties, and
 - ii. document how the issues were resolved.

To minimize the risk of misunderstandings regarding the nature, scope, and limitations of the services to be performed, the firm should establish policies and procedures that provide for obtaining an understanding with the client regarding those services.

The firm should establish policies and procedures on continuing an engagement and the client relationship that address the circumstances when the firm obtains information that would have caused it to decline the engagement had that information been available earlier. Such policies and procedures should include consideration of the following:

- a. the professional and legal responsibilities that apply to the circumstances, including whether there is a requirement for the firm to report to regulatory authorities;
- b. the possibility of withdrawing from the engagement or from both the engagement and the client relationship.

Human resources--The firm should establish policies and procedures designed to provide it with reasonable assurance that it has sufficient personnel with the competence, capabilities, and commitment to ethical principles necessary to:

- a. performs engagements in accordance with professional standards and applicable legal and regulatory requirements, and
- b. enables the firm to issue reports that are appropriate in the circumstances.

The firm's policies and procedures should provide that personnel selected for advancement have the qualifications necessary for fulfillment of the responsibilities that they will be called on to assume.

Assignment of Engagement Teams - The firm should assign responsibility for each engagement to an engagement partner and should establish policies and procedures requiring that:

- a. the identity and role of the engagement partner are communicated to management and those charged with governance;
- b. the engagement partner has the appropriate competence, capabilities, and authority to perform the role; and
- c. the responsibilities of the engagement partner are clearly defined and communicated to that individual.

The firm should establish policies and procedures to assign appropriate personnel with the necessary competence and capabilities to:

- a. performs engagements in accordance with professional standards and applicable legal and regulatory requirements, and
- b. enables the firm to issue reports that are appropriate in the circumstances.

Engagement performance--The firm should establish policies and procedures designed to provide it with reasonable assurance that engagements are performed in accordance with professional standards and applicable legal and regulatory requirements and that the firm issues reports that are appropriate in the circumstances. Such policies and procedures should include the following:

- a. matters relevant to promoting consistency in the quality of engagement performance;
- b. supervision responsibilities;
- c. review responsibilities.

The firm's review responsibility policies and procedures should be determined on the basis that suitably experienced engagement team members, which may include the engagement partner, review work performed by other engagement team members.

Consultation - The firm should establish policies and procedures designed to provide it with reasonable assurance that:

- a. appropriate consultation takes place on difficult or contentious issues;
- b. sufficient resources are available to enable appropriate consultation to take place;
- c. the nature and scope of such consultations are documented and are agreed upon by both the individual seeking consultation and the individual consulted; and

- d. the conclusions resulting from consultations are documented, understood by both the individual seeking consultation and the individual consulted and implemented.

Engagement Quality Review

The firm should establish criteria against which all engagements covered by this section should be evaluated to determine whether an engagement quality review should be performed.

The firm's policies and procedures should require that if an engagement meets the criteria established, an engagement quality review should be performed for that engagement.

The firm should establish policies and procedures setting out the nature, timing, and extent of an engagement quality control review. Such policies and procedures should require that the engagement quality review be completed before the report is released.

The firm should establish policies and procedures to require the engagement quality control review to include:

- a. discussion of significant findings and issues with the engagement partner;
- b. reading the financial statements or other subject matter information and the proposed report;
- c. review of selected engagement documentation relating to significant judgments that the engagement team made and the related conclusions it reached; and
- d. evaluation of the conclusions reached in formulating the report and consideration of whether the proposed report is appropriate.

Criteria for the Eligibility of Engagement Quality Reviewers

The firm should establish policies and procedures to address the appointment of engagement quality reviewers and to establish their eligibility through:

- a. the technical qualifications required to perform the role, including the necessary experience and authority, and
- b. the degree to which an engagement quality reviewer can be consulted on the engagement without compromising the reviewer's objectivity.

The firm should establish policies and procedures designed to maintain the objectivity of the engagement quality reviewer. Such policies and procedures should provide that although the engagement quality reviewer is not a member of the engagement team, the engagement quality reviewer should satisfy the independence requirements relating to the engagements reviewed. Accordingly, such policies and procedures should provide that the engagement quality reviewer:

- a. when practicable, is not selected by the engagement partner;
- b. when practical, does not otherwise participate in the performance of the engagement during the period of review;
- c. does not make decisions for the engagement team;
- d. is not subject to other considerations that would threaten the reviewer's objectivity.

The firm's policies and procedures should provide for the replacement of the engagement quality reviewer when the reviewer's ability to perform an objective review is likely to have been impaired.

Documentation of the Engagement Quality Review

The firm should establish policies and procedures on documentation of the engagement quality review, which require documentation that:

- a. the procedures required by the firm's policies on engagement quality review have been performed;
- b. the engagement quality review has been completed before the report is released; and

- c. the reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments that the engagement team made and the conclusions it reached were not appropriate.

Differences of Opinion

The firm should establish policies and procedures for addressing and resolving differences of opinion within the engagement team; with those consulted; and, when applicable, between the engagement partner and the engagement quality reviewer.

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.

Such policies and procedures should require the following:

- a. conclusions reached be documented and implemented;
- b. the report is not released until the matter is resolved,

Engagement Documentation

Completion of the Assembly of Final Engagement Files

The firm should establish policies and procedures for engagement teams to complete the assembly of final engagement files on a timely basis after the engagement reports have been released.

Confidentiality, Safe Custody, Integrity, Accessibility, and Retrievability of Engagement Documentation

The firm should establish policies and procedures designed to maintain the confidentiality, safe custody, integrity, accessibility, and retrievability of engagement documentation.

Retention of Engagement Documentation

The firm should establish policies and procedures for the retention of engagement documentation for a period sufficient to meet the needs of the firm, professional standards, laws, and regulations.

Information and Communication--The firm will develop policies and procedures to ensure that the provisions of this document and changes to professional standards are communicated to all applicable personnel as needed to comply with professional standards and the policies and procedures established by the firm.

Monitoring--The firm has established the following policies and procedures around monitoring to ensure that the firm complies with professional standards and the provisions of this document.

Monitoring the Firm's Quality Management Policies and Procedures

The firm should establish a monitoring process designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality management are relevant, adequate, and operating effectively. This process should:

- a. includes an ongoing consideration and evaluation of the firm's system of quality management, including inspection or a periodic review of engagement documentation, reports, and clients' financial statements for a selection of completed engagements;
- b. require responsibility for the monitoring process to be assigned to a partner or partners or other persons with sufficient and appropriate experience and authority in the firm to assume that responsibility; and
- c. assigns the performance of monitoring the firm's system of quality management to qualified individuals.

Evaluating, Communicating, and Remedying Identified Deficiencies

Any system of quality management has inherent limitations that can reduce its effectiveness. Deficiencies in individual engagements covered by this section do not, in and of themselves, indicate that the firm's system of quality management is insufficient to provide it with reasonable assurance that its personnel comply with applicable professional standards.

The firm should evaluate the effect of deficiencies noted as a result of the monitoring process and determine whether they are either:

- a. instances that do not necessarily indicate that the firm's system of quality management is insufficient to provide it with reasonable assurance that it complies with professional standards and applicable legal and regulatory requirements and that the reports issued by the firm are appropriate in the circumstances or
- b. systemic, repetitive, or other significant deficiencies that require prompt corrective action.

The firm should communicate to relevant engagement partners, and other appropriate personnel, deficiencies noted as a result of the monitoring process and recommendations for appropriate remedial action.

Recommendations for appropriate remedial actions for deficiencies noted should include one or more of the following:

- a. taking appropriate remedial action in relation to an individual engagement or member of personnel
- b. the communication of the findings to those responsible for training and professional development
- c. changes to the quality management policies and procedures
- d. disciplinary action against those who fail to comply with the policies and procedures of the firm, especially those who do so repeatedly

The firm should establish policies and procedures to address cases when the results of the monitoring procedures indicate that a report may be inappropriate or that procedures were omitted during the performance of the engagement. Such policies and procedures should require the firm to:

- a. determine what further action is appropriate to comply with relevant professional standards and legal and regulatory requirements, and
- b. considers whether to obtain legal advice.

The firm should communicate, at least annually, the results of the monitoring of its system of quality management to engagement partners and other appropriate individuals within the firm, including the firm's leadership. This communication should be sufficient to enable the firm and these individuals to take prompt and appropriate action, when necessary, in accordance with their defined roles and responsibilities to provide a basis for them to rely on the firm's system of quality management. Information communicated should include the following:

- a. a description of the monitoring procedures performed;
- b. the conclusions drawn from the monitoring procedures;
- c. when relevant, a description of systemic, repetitive, or other significant deficiencies and of the actions taken to resolve or amend those deficiencies.

Some firms operate as part of a network and, for consistency, may implement some of their monitoring procedures on a network basis. When firms within a network operate under common monitoring policies and procedures designed to comply with this section, and these firms place reliance on such a monitoring system, the firm's policies and procedures should require that:

- a. at least annually, the network communicates the overall scope, extent, and results of the monitoring process to appropriate individuals within the network firms; and
- b. the network communicates promptly any identified deficiencies in the quality management system to appropriate individuals within the relevant network firm or firms so that the necessary action can be taken in order that engagement partners in the network firms can rely on the results

of the monitoring process implemented within the network, unless the firms or the network advise otherwise.

Complaints and Allegations

The firm should establish policies and procedures designed to provide it with reasonable assurance that it deals appropriately with:

- a.* complaints and allegations that the work performed by the firm fails to comply with professional standards and applicable legal and regulatory requirements, and
- b.* allegations of noncompliance with the firm's system of quality management.

As part of this process, the firm should establish clearly defined channels for firm personnel to raise any concerns in a manner that enables them to come forward without fear of reprisals.

If, during the investigations into complaints and allegations, deficiencies in the design or operation of the firm's quality management policies and procedures, or instances of noncompliance with the firm's system of quality control by an individual or individuals are identified, the firm should take appropriate actions, as set out in the Quality Management Standards.

Documentation of the System of Quality Management

The firm should establish policies and procedures requiring appropriate documentation to provide evidence of the operation of each element of its system of quality management.

The firm should establish policies and procedures that require retention of documentation for a period of time sufficient to permit those performing monitoring procedures and peer review of the firm to evaluate the firm's compliance with its system of quality management or for a longer period if required by law or regulation.

The firm should establish policies and procedures requiring documentation of complaints and allegations described in the Quality Management Standards.

Defined Acronyms Used Throughout the Document

AICPA – American Institute of Certified Public Accountants

GAAP – Accounting Principles Generally Accepted in the United States of America

SSARS – Statements on Accounting and Review Services

I. LEADERSHIP RESPONSIBILITIES FOR QUALITY WITHIN THE FIRM (THE TONE AT THE TOP)

A. The firm's Managing Member assumes ultimate responsibility for the firm's system of quality management. However, all partners of HHM are responsible for maintaining the quality of our professional services. The Partners shall appoint an individual to serve as the Quality Management Member / Partner in Charge of the Accounting and Auditing Department (QMM) of the firm to take responsibility for the firm's quality control system.

B. The QMM is to develop appropriate policies and procedures and shall have the necessary authority to implement those policies and procedures within the firm. The procedures shall include:

1. promoting a quality-oriented culture by sending clear, consistent, and frequent messages through e-mails, letters, and other means,
2. having a mission statement that includes the firm core values and the importance of quality,
3. informing personnel that failure to adhere to the firm policies and procedures regarding performance quality and commitment to ethical principles will result in disciplinary action.

C. The firm assigns management responsibilities so that commercial considerations do not override the quality of the work performed. The Firm implements this policy through the following procedures:

1. Having the QMM continually evaluate client relationships and specific engagements so that commercial considerations do not override the objectives of the system of quality management;
2. Emphasizing to all personnel that fee considerations and scope of services should not infringe upon quality work.

D. The firm assigns operational responsibility for the firm's quality management system to the QMM who has sufficient and appropriate experience and ability to identify and understand quality management issues and to develop appropriate policies and procedures, as well as the necessary authority to implement those policies and procedures. The Firm implements this policy through the following procedures:

1. Designating a QMM with overall operational responsibility for developing and implementing appropriate policies and procedures for the firm's quality control system.

E. The firm designs procedures addressing performance evaluation, compensation, and advancement (including incentive systems) with regard to personnel to demonstrate the firm's overarching commitment to the objectives of the system of quality management. The Firm implements this policy through the following procedures:

1. Designing and implementing performance evaluation and advancement systems that (a) reward partners and staff involved in the accounting and auditing practice for the quality of their work and their compliance with professional standards and (b) include partner performance peer evaluations.
2. Establishing a compensation system that provides incentives to accounting and auditing partners and senior-level employees for the quality of their accounting and auditing work. The compensation system does the following:
 - a. Takes into consideration firm feedback based on monitoring results and peer reviews of the work performed
 - b. Rewards partners and personnel for timely (a) identification of significant and emerging accounting and auditing issues and (b) consultation with firm experts

F. The firm devotes sufficient and appropriate resources for the development, communication, and support of its quality management policies and procedures. The Firm implements this policy through the following procedures:

1. Providing the designated QMM with sufficient time, authority, and resources to develop,

- implement, and maintain the firm's quality management policies and procedures;
- 2. Providing the firm's quality management documentation to personnel when they are initially hired and reviewing the documentation with them;
- 3. Reviewing the firm's quality management policies and procedures with personnel at firm training sessions at least annually.

II. RISK ASSESSMENT

The firm's Managing Member assumes ultimate responsibility for the firm's system of quality management. However, all partners of HHM are responsible for maintaining the quality of our professional services. The Partners shall appoint an individual to serve as the QMM of the firm to take responsibility for the firm's quality management system. At least annually the firm A&A leadership team will meet to perform a comprehensive risk assessment. At this time, they will review the Quality Management Document to see if any modifications to the firm's policies and procedures. Any changes will be communicated to the firm as noted in the information and communication section of this document.

The firm's risk assessment is maintained in a spreadsheet separate from this document. This assessment is a key aspect of the firm's system of Quality Management and should be included in the content of this document for a full picture of the firm's overall Quality Management.

III. RELEVANT ETHICAL REQUIREMENTS - INDEPENDENCE, INTEGRITY, AND OBJECTIVITY

A. It is the policy of our Firm that all professional personnel be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, the State Board of Accountancy for the applicable state of the Firm's office and licensing jurisdiction of a CPA within the firm, the applicable state CPA society (institute), state statutes, and other regulatory agencies, where applicable. Furthermore, it is the policy of this firm that, for engagements that are subject to the rules of the Securities and Exchange Commission (SEC), Government Accountability Office (GAO), and the Department of Labor (DOL), all professional personnel be familiar with and adheres to the independence rules of the SEC, GAO, and DOL and the Independence Standards Board. In this regard, any transaction, event, circumstance, or action that would impair independence or violate the firm's integrity and objectivity policy, on a review, audit, attestation (including forecast and projections), or consulting engagement is prohibited. Any such issue related to a compilation engagement will be evaluated to determine if the firm should accept the engagement (and denote the lack of independence in the accountant's report) or decline or withdrawal from the engagement. Any financial transaction (including loans, brokerage accounts, and other investments), business relationship, proscribed services, fee arrangements, and any employment restriction between (a) the firm, its benefit plans, and its professionals and their immediate families and close relatives, and (b) restricted entities, which include audit clients that are SEC registrants and all entities related to such clients, such as parent companies, that would impair the firm's independence is prohibited. Although not necessarily all-inclusive, the following are considered to be prohibited transactions that would cause an independence violation:

1. Investments by any owner or professional employee in a client's business during the period of a professional engagement.
2. An investment in an entity or property by any of the following individuals and client (or the client's officers or directors, or any owner who has the ability to exercise significant influence over the client) that enables them to control (as defined by GAAP for consolidation purposes) the entity or property:
 - a. An individual on an attest engagement team (including an audit; SSARS review; or examination, review, or agreed-upon procedures under the AICPA attestation standards).
 - b. An individual in a position to influence the attest engagement by doing any of the following:
 - 1) evaluating the performance or recommending the compensation of the attest engagement owner.
 - 2) directly supervising or managing the attest engagement owner and all of that owner's superiors.
 - 3) consulting with the attest engagement team about technical or industry-related issues specific to the engagement, or
 - 4) participating in or overseeing quality control activities, including internal monitoring, with respect to the attest engagement.
 - c. An owner or manager who provides nonattest services to the attest client beginning once he provides ten or more hours of nonattest services to the client within any fiscal year and ending on the later of the date:
 - 1) the firm signs the report on the financial statements for the fiscal year during which those services were provided or
 - 2) he no longer expects to provide ten or more hours of nonattest services to the attest client on a recurring basis.
 - d. An owner in the office in which the lead attest engagement partner primarily practices with respect to the attest engagement.
3. Borrowing from or loans to a client, or client's personnel, during the period of a professional engagement by any of the individuals listed in items b (1)-(4).
4. Accepting cash or gifts from a client (with the exception of token gifts of nominal value).
5. Certain family relationships between professional personnel and client personnel. (Consult the quality control owner for a ruling on these).

Notwithstanding the preceding policy and list of prohibited transactions, at the managing owner's discretion, certain prohibitions can be waived if they are deemed to be in the best interest of the firm.

However, in so doing, the engagement service performed for the client must be limited to that allowed by AICPA professional literature.

B. The procedures listed below are followed to ensure compliance with this policy:

1. All professional personnel are required to sign a representation letter when hired (and annually thereafter) that acknowledges their familiarity with the firm's independence, integrity, and objectivity policy and procedures.
2. All professional personnel are required to notify the quality control owner of any potential prohibited transaction or violation of an independence, integrity, or objectivity rule as soon as they become aware of such a situation. To acknowledge that responsibility, all professional personnel are required when hired (and annually thereafter) to sign a representation letter and to list situations they know of that could impair independence or that violate the firm's integrity and objectivity policy. (The firm library contains the authoritative rules on independence, integrity, and objectivity that govern our firm. That literature and the advice of the managing owner should be consulted when an employee is not sure if a transaction, event, circumstance, or action should be reported.)
3. All professional personnel are required to review the firm's client list at least annually for possible violations. All professional personnel are also required to review the client list before they and their spouses or dependents obtain any security or other financial interest in an entity to determine whether the entity is on the list. Additions to and deletions from the list are communicated on a timely basis by a memorandum from the marketing director or managing owner. Within 90 days of being hired (and annually thereafter), all professional personnel are required to sign a representation that confirms this responsibility. All professional personnel are required to report on a timely basis, apparent violations of the independence policies involving himself or herself and his or her spouse and dependents, when identified, and the corrective action taken or proposed.
4. If our firm is engaged as principal auditor and another firm is engaged to audit a subsidiary, branch, division, governmental component unit, or to perform procedures on an element or account grouping within a client's financial statement, the engagement team is required to obtain a written representation regarding the other firm's independence with respect to our client. The auditing manuals used by the firm contain examples of representation letters to use in such situations. Furthermore, in a review or attestation engagement, if another firm performs work on a segment of the engagement, a representation (either written or oral) regarding the other firm's independence is required. The engagement programs in the accounting and auditing manuals used by our firm contain steps to ensure compliance with this procedure.
5. The engagement owner (or the in-charge accountant) has the primary responsibility for determining if there are unpaid fees on any of his clients that would impair the firm's independence. The engagement work programs and standard forms used by the firm contain steps to ensure compliance with this procedure. The firm's client accounts receivable listing and the engagement owner's knowledge of unbilled fees should be considered in making this determination. In addition, the managing owner has secondary responsibility to review the firm's accounts receivable listing on a periodic basis to identify potential independence problems.
6. The engagement owner has the primary responsibility to identify all nonattest services performed for an attest service client (including services performed by entities closely aligned through common employment) and for determining if such nonattest services impair independence with respect to that client. Where applicable, this includes determining whether such nonattest (nonaudit) services impair independence under the independence rules in *Government Auditing Standards* for ongoing, planned, and future audits. Firm engagement work programs for all attest, as well as compilation, engagements, include steps to ensure compliance with this procedure.
7. The managing owner is responsible for obtaining the representation letters and for resolving questions relating to independence, integrity, and objectivity matters, including those matters referred to in

Procedure No. 3, and is available to provide guidance. In so doing, the managing owner (or quality control owner) should, when necessary, consult the AICPA or the applicable state CPA Society / Institute for assistance in interpreting independence, integrity, and objectivity rules. Documentation of the resolution of an independence, integrity, and objectivity matter should be filed in the client's permanent workpaper files.

The managing owner is also responsible for determining actions to be taken when professional personnel violate firm independence policies and procedures. The action for each incident is determined based on its unique circumstances and may include eliminating a personal impairment, additional training, reprimand letter, or termination.

All professional personnel are required to complete independence training that covers the firm's independence policies and procedures within 90 days of their employment and periodically thereafter. "Periodically" means once in every peer review cycle.

The QMM is responsible for ensuring that services prohibited by the SEC or SECPS membership requirements are not performed for SEC audit clients. Additionally, all new services performed for SEC audit clients must be approved by the quality control owner.

While the firm is registered with the Public Company Accounting Oversight Board (PCAOB), it is the intent of the firm to not perform any attest work that is subject to an SEC filing and that would make the firm subject to an examination by the PCAOB.

8. To ensure that independence is properly considered at the engagement level, the work programs and standard forms in the accounting and auditing manuals used by the firm contain steps that require a determination of independence on each new and recurring client. Furthermore, these manuals contain reporting guidance for those types of engagements where a lack of independence is allowed.
9. At least annually, the QMM reviews our independence, integrity, and objectivity policy and procedures to determine if they are appropriate and operating effectively. Changes, if necessary, to the system are made based on the results of the review.

HENDERSON HUTCHERSON & McCULLOUGH, PLLC
INDEPENDENCE, INTEGRITY AND OBJECTIVITY REPRESENTATIONS

I have read and understand the firm's policy and procedures regarding independence, integrity, and objectivity as stated in the firm's quality control documents. As such, I represent that:

1. I am familiar with and will adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, applicable State Boards of Accountancy, applicable State CPA Societies (Institutes), the Securities and Exchange Commission, the Independence Standards Board, state statutes, *Government Auditing Standards*, and other regulatory agencies (to the extent applicable).
2. I have reviewed the firm's client list to determine if I have prohibited investments, transactions, or relationships.
3. Except as described in Note 6, I do not hold any prohibited investments nor were any held during the period; I have not entered into any prohibited transactions; nor am I aware of having any prohibited relationships.
4. As a member of the engagement team, I know that in cases when the work of another auditor is used, a written representation regarding the other auditor's independence with respect to our client must be obtained, and except as described in Note 8, I am not aware of an engagement where such a representation was required and not obtained.
5. Any situation where I am either not independent or do not know whether I am independent is listed and explained in the first two columns of No. 8.
6. I am not currently under any investigation or disciplinary proceeding, and no such matter is pending from the AICPA or any other professional organization or regulatory agency. There are no other matters that would cause a reasonable person to conclude that I lack integrity in the performance of my professional responsibilities, except as described in No. 8.
7. Any situation in which I am not able or do not know whether I am able to exercise objectivity in performing an engagement is listed and explained in the first two columns of No. 8.

8.	<u>CLIENT</u>	<u>POSSIBLE ISSUES</u>	<u>RESOLUTION</u>
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____

Signed _____

Date _____

For Administrative Use Only:
Follow-up Needed:

_____ Yes _____ No

IV. ACCEPTANCE AND CONTINUANCE OF CLIENTS AND ENGAGEMENTS

A. It is the policy of our firm that, for all compilation, review, audit, and attestation (including forecast and projection) engagements, the acceptability of the client and the engagement be evaluated before the firm agrees to provide professional services and that the firm will accept only engagements that it believes can be completed with professional competence after considering the risk associated with providing professional services in the particular circumstances. The procedures listed below are followed to ensure compliance with this policy:

1. For each prospective client (or existing tax or MAS client) that requests for the first time a compilation, review, audit, or attestation service, the owner making initial contact with the client (owner) is required to obtain information such as background information including financial information regarding the client and its operations; an assessment of the apparent integrity of management; possible independence problems or conflicts of interest; an assessment of the availability of staff; the adequacy of the firm's professional competence; known disagreements with the client's prior accountants; and consideration of risks associated with the engagement. If the owner making the initial contact has any issues regarding acceptance, the managing owner decides whether to accept or reject the prospective client.
2. For existing clients, the owners annually review the firm's client list and re-evaluate the acceptability of each client and engagement. Furthermore, the engagement work programs used by the firm (as documented in the engagement performance element of the firm's QM document) contain steps requiring the engagement team to consider whether the firm should discontinue providing all or certain services to a client. Reasons that might surface in either the firm-wide or individual engagement review that would cause the firm to consider discontinuing services include:
 - a. Significant changes in the client, e.g., senior management, perceived integrity of management, ownership, financial stability, or the risk associated with the particular engagement.
 - b. Changes in the nature or scope of the engagement, including requests for additional services.
 - c. Significant changes in the composition of the firm, e.g., a change in the firm's professional competence (expertise) or the decision to discontinue client services in a particular industry.
 - d. Significant unpaid fees that may cause an independence problem or create doubt about the collectability of future fees.

The managing owner is responsible for deciding whether to discontinue providing all or certain services to a client or whether steps can be taken to mitigate the risk of continued services, e.g., requiring a down payment on fees before work commences, pay-as-you-go billing arrangements, alternative engagement procedures, etc.

3. If situations occur after the commencement of an engagement and while work is in process that indicates the firm should consider withdrawing from the engagement, the managing owner should be notified of the circumstances. Circumstances that may cause the firm to withdraw would include:
 - a. The client's unwillingness to make a material correction to the financial statements or accept a modified report or when a modification of the standard report will not adequately indicate the deficiencies in the financial statements taken as a whole.
 - b. Failure by the client to take remedial action with regard to an illegal act that might be discovered during the engagement.
 - c. The discovery of facts after the engagement commences that may have caused the firm to reject the engagement had those facts been known prior to starting the work, e.g., a significant risk of fraud.
 - d. The client provides information that is incorrect, incomplete, or otherwise unsatisfactory and refuses to provide additional or revised information.
 - e. The inability to apply the analytical and review procedures considered necessary for a SSARS or attest review, and, for a SSARS review, it is not appropriate to issue a compilation report.

- f. The client's refusal to provide a representation letter in a SSARS or attest review, and, for a SSARS review, it is not appropriate to issue a compilation report.
- g. In a review attest engagement, the client is the responsible party and does not provide a written assertion.
- h. Other information in a client-prepared document containing the firm's attest report is materially inconsistent with the information in the report, and the client does not revise the information to eliminate the inconsistency.

The managing owner is responsible for deciding whether to withdraw from an engagement.

- 4. If, based on the facts and circumstances identified in performing Steps 2 and 3, the managing owner concludes that the firm should discontinue providing all or certain services to a client or withdraw from a current engagement, the managing owner and the engagement owner should determine how the client should be informed about that decision. Furthermore, the managing owner should consider whether outside legal counsel should be consulted in making that decision. The engagement team will be notified by the managing owner of the name of any client to which services are discontinued.
- 5. The engagement owner is responsible for ensuring that an engagement letter is obtained for each client. The engagement letter should document the firm's understanding with the client regarding the nature, scope, and limitations of the services to be performed.
- 6. At least annually, the QMM reviews our acceptance and continuance policy and procedures to determine if they are appropriate and operating effectively. Changes, if necessary, to the system are based on the results of the review.
- 7. For each new or existing client that is, or expects to become, a publicly held company, the firm requires the following procedures in addition those in Procedure No. 1:
 - a. Review of filings with the SEC (or other government agencies), including Form 8-K, if any, during at least the prior year.
 - b. Consideration of the SEC and ISB independence rules (or the rules of other government agencies) in determining any existing or potential situations that impair or may impair in the future the firm's independence.
- 8. If the firm resigns, or is dismissed, as the auditor on an SEC engagement, the engagement owner is responsible for sending a written acknowledgement to the former client with a copy to the Office of the Chief Accountant of the SEC (or the appropriate government agency) within five business days. All such correspondence must be approved by the managing owner.
- 9. If firm personnel identify issues relating to acceptance or continuance, and the firm ultimately decides to accept or continue the client relationship, the firm must document how such issues were resolved.
- 10. For all audits and agreed upon procedures engagements, the engagement letter request will be forwarded to the QMM for review. The QMM will evaluate unpaid fees, types of services to be performed, industry for the entity for which the engagement is being performed, and effective utilization of firm resources (realization).

V. RESOURCES

A. Hiring

It is the policy of our firm that hiring decisions for our professional staff be based on an objective evaluation of our personnel needs, that hirees possess the appropriate characteristics to perform competently, and that new employees be adequately informed of the firm's policies and procedures. The procedures listed below are followed to ensure compliance with this policy:

1. Periodically, the owners assess the personnel needs of our professional staff by considering, among other things, criteria such as our current clientele, anticipated growth, personnel turnover, individual advancement, current staff workload, quality of life, and retirement.
2. In fulfilling our hiring plans, we seek to employ individuals with high levels of intelligence, integrity, motivation, and aptitude. In this regard, we normally hire college graduates whose academic training will enable them to take the CPA exam. However, we will hire paraprofessionals who do not possess a college degree, but whose accounting experience and personal qualifications indicate a likelihood of adequate abilities.
3. Determination of the techniques to be used to recruit potential hirees and actual employment decisions will be made by the owners. Other personnel who are involved in the hiring process will be informed of the techniques to be used.
4. When evaluating a prospective employee, we consider, among other things, an individual's grade point average, college course concentration in accounting and related courses, personal achievements, work experience, and personal interests. The degree to which college transcripts, work references, and other qualifications are investigated is left to the discretion of the managing owner, the true test being the individual's performance under the supervision of a competent employee.
5. The firm's personnel policies and procedures relevant to applicants and new employees are communicated to them.
6. At least annually, the managing owner reviews our hiring policy and procedures to determine if they are appropriate and operating effectively. Changes, if necessary, to the system are made based on the results of the review.

B. Assigning of Personnel

It is the policy of our firm that personnel (including owners) be assigned to engagements in an objective manner to achieve a proper blend of competencies, supervision, staff utilization, staff on-the-job training, and client satisfaction. The procedures listed below are followed to ensure compliance with this policy:

1. Periodically, the owners assess the competencies that owners (or other persons) who are responsible for supervising attest engagements and signing (or authorizing other individuals to sign) attest engagement reports should possess. This assessment includes:
 - a. An understanding of the firm's system of quality management and the *Code of Professional Conduct*.
 - b. An understanding of the performance, supervision, and reporting standards at the level of service to be provided (i.e., audit, review, and compilation).
 - c. An understanding of the applicable accounting, auditing, and attestation professional standards, including those directly related to any special industries.
 - d. An understanding of applicable industries and each industry's organization and operating characteristics sufficient to identify high or unusual risk areas and to evaluate the reasonableness of industry-specific estimates.

- e. Proficiency and seasoned judgment in discharging assigned responsibilities.
 - f. When applicable, an understanding of how an organization is dependent on or enabled by information technologies and how the information technology systems are used to record and maintain financial information.
2. Periodically, the owners assess the staffing (including owner assignments) requirements of each client and develop an owner and staff assignment plan. Any considerations that emerge from this assessment that affect the hiring plans of the firm are communicated to those responsible for hiring. In making assignments, consideration is given to factors such as:
 - a. The engagement type, size, and complexity.
 - b. Special expertise and experience required by the engagement (familiarity with the industry).
 - c. New or emerging professional literature or regulations that may affect the engagement.
 - d. Recent continuing education relevant to the service to be provided and, if applicable, the industry.
 - e. The timing and length of the engagement.
 - f. The continuity and periodic rotation of the staff.
 - g. Opportunities for on-the-job training.
 - h. Previously demonstrated competencies (including consideration of the results of monitoring, inspections, peer reviews, and recent evaluations).
 - i. Personnel availability and the involvement of supervisory personnel.
 - j. Situations where possible conflicts of interest, objectivity, or independence problems may exist including, where applicable, circumstances where the assigned staff is not independent under *Government Auditing Standards*.
 - k. The degree of supervision required by each member.
 - l. Non-CPA owners cannot be ultimately responsible for any financial statement attest or compilation engagement.
 - m. With respect to any owner who was involved in an SEC audit that the AICPA Professional Ethics Division has decided warrants an investigation for an audit deficiency, either: (1) the individual's availability for an SEC audit engagement, if the firm has decided to remove the individual from performing or supervising SEC audits during the investigation, or (2) the additional oversight that will be required, if the firm has decided to subject the individual to additional oversight on all public company audits.
 - n. All staff are made aware of their assignments by verbal communications from their immediate supervisor or through circulation of the staffing plan.
 3. The firm recognizes that many modifications to the staff assignments schedule will be required because of changes in client circumstances that affect the competencies appropriate for the client engagement, ongoing consideration of competencies possessed by firm owners and personnel assigned to particular engagements, addition or loss of clients, staff turnover, delays in the timing of work, or other unforeseen events. Modifications are made based on an informal meeting of the owners affected by the changes and after a reconsideration of the planning factors discussed in Steps 1 and 2. Any disputes regarding assignment of personnel are resolved by the owner in charge of the department. Members of the staff are informed verbally of staffing changes and new assignments.
 4. At least annually, the QMM reviews our policy and procedures for assigning of personnel, including the competencies and considerations listed at Steps 1 and 2, to determine if they are appropriate and operating effectively. Changes, if necessary, to the system are made based on the results of the review.

C. Professional Development

It is the policy of our firm that all professional personnel (including non-CPA owners) comply with the continuing professional education requirements of the AICPA, the AICPA Division for CPA Firms Peer Review Board, the applicable State Board of Accountancy, the U.S. General Accounting Office, and other regulatory agencies if applicable; that all professional staff maintain an adequate awareness and understanding of current developments in technical literature; and that all professional staff assist in the training and development of staff members under their supervision. The procedures listed below are followed to ensure compliance with this policy:

1. Annually, the owners assess the firm's continuing professional education (CPE) needs and plans our professional development (PD) program after considering, among other things, CPE activities that interest each professional; the number of hours, including accounting and auditing hours, needed by each professional to comply with the CPE rules governing our firm; each professional's level of experience, client responsibilities, and prior CPE training; new or emerging technical literature; and the firm's needs for specialists or experts in a particular industry or service area.
2. The QMM monitors employee progress toward meeting the CPE plan.
3. Only CPE alternatives that qualify for credit under the CPE rules that govern our firm will be considered when planning our PD program. Such alternatives normally include seminars and conferences sponsored by the AICPA, state societies, or other professional organizations; self-study courses; in-house seminars and programs; acting as an instructor or speaker; university or college courses; and published books, articles, and CPE courses. Specifically, when CPE hours are to be fulfilled by in-house seminars, workshops, or discussion groups, each in-house program should comply with the following standards:
 - a. The program should maintain and/or increase the professional competence of participants.
 - b. The stated program learning objectives should specify the level of knowledge the participant should have attained or the level of competence he or she should be able to demonstrate upon completing the program.
 - c. The education and/or experience prerequisites for the program should be stated.
 - d. Participants should be informed in advance of pertinent course information.
 - e. Only those participants with the appropriate level of education and/or experience should attend the program.
 - f. The program should be developed by an individual qualified in the subject matter and knowledgeable in instructional design.
 - g. Program materials should be technically accurate, current, and sufficient to meet the program's learning objectives.
 - h. Before program materials is used, they should be reviewed to the extent necessary by a qualified person(s) other than the preparer(s) to ensure the program's technical accuracy, currentness, and sufficiency to achieve learning objectives.
 - i. The reviewer's technical competence and knowledge of instructional design should at least equal that of the developer.
 - j. Instructors should be qualified with respect to both program content and teaching methods used.
 - k. The number of participants and physical facilities should be appropriate for the teaching method(s) specified.
 - l. Each program should include an effective means of evaluating quality.
4. Individuals who work on audits subject to the *Government Auditing Standards* must obtain at least 80 hours of CPE every two years. Individuals responsible for conducting substantial portions of the fieldwork, planning, directing, or reporting on audits subject to the *Government Auditing Standards* must obtain 24 of those hours in subjects related to the government environment or government auditing. At least 20 of the 80 hours must be obtained annually.

5. To comply with the documentation requirements of the AICPA, state boards of accountancy, the U.S. General Accounting Office, and other regulatory agencies for CPE credit, the firm maintains appropriate CPE records, among which are the following:
 - a. For each professional for the most recent five years, a worksheet is maintained that contains the following information for each credit hour claimed:
 - 1) Type of CPE activity (seminar, in-house program, self-study, independent study, etc.).
 - 2) Sponsor.
 - 3) Title of program and description of content.
 - 4) Dates attended or completed.
 - 5) Location of program.
 - 6) CPE hours claimed.
 - b. For each in-house CPE program sponsored by the firm, the following records are maintained for the most recent five years:
 - 1) A record of participation, indicating the number of CPE contact hours claimed for each participant.
 - 2) An agenda or outline of the program, indicating name(s) and qualifications of the instructor(s), the date(s) and length of the program, learning objectives, prerequisites, level of knowledge of the program, program content, nature and extent of advance preparation, teaching methods, recommended CPE credits, and relevant administrative policies.
 - 3) The location(s) of the program.
 - 4) A copy of the program materials (reading materials, problems, case studies, visual aids, instructors' manuals, etc.).
 - 5) A summary of the participants' evaluations, the instructor's evaluation(s), and the sponsor's evaluation of the instructor(s).
 - 6) If the course was developed in-house, a record of the name(s) and qualification(s) of the developer(s) and reviewer(s).
 - 7) If the course was acquired from another source, evidence that the course was developed and reviewed by qualified individuals.
 - c. For all other CPE programs or activities, the following records are maintained for the most recent five years:
 - 1) For group and independent study programs, a certificate or other verification supplied by the sponsor.
 - 2) For a university or college course that is successfully completed for credit, a record of the grade the person received.
 - 3) For a self-study program, a certificate of satisfactory completion of an examination provided by the sponsor.
 - 4) For a published book, article, or CPE program, evidence of publication (a copy of the book, journal, or course), development documentation) that names the CPA as author or contributor, the writer's statement supporting the number of CPE hours claimed, and the name and contact information of the independent reviewer(s) or publisher.
6. Each professional in our firm must recognize his or her responsibility to comply with applicable continuing professional education requirements to maintain technical competency. Accordingly, all professionals are encouraged to engage in self-development activities. To assist in this endeavor, the firm maintains a current library and circulates within the firm important news about new or emerging changes in professional literature or business activities. All professionals are encouraged to bring to the attention of the managing owner or quality control owner any news items that they believe should be circulated within the office.

7. The firm recognizes the importance of on-the-job training and has adopted, as a part of the firm's engagement performance QM system, the use of work programs to assist professionals in performing their work. Also, as noted in the firm's QM system for assigning personnel, professionals are assigned to work on a variety of jobs and under different supervisors (to the extent practical) to maximize on-the-job training. Personnel with supervisory responsibility are reminded to be constantly aware of situations where they can provide on-the-job training.
8. At least annually, the QMM reviews our PD policy and procedures (including CPE documentation) to determine if they are appropriate and operating. Changes, if necessary, to the system are made based on the results of the review.

D. Advancement

It is the policy of our firm that advancement decisions for professional personnel be based on a timely and objective evaluation of individual performance and that the professional personnel selected for advancement should have the necessary qualifications to fulfill their assigned responsibilities. The procedures listed below are followed to ensure compliance with this policy.

1. Personnel classification levels are used to designate experience, to evaluate individual performance, and to establish criteria for promotion. The following personnel levels and related performance criteria are used by the firm:
 - a. **Paraprofessionals and interns** – Individuals at this level normally have a basic understanding of accounting, bookkeeping, or tax preparation, but may not have obtained a college degree that includes a significant concentration of accounting or tax courses. Paraprofessionals are expected to:
 - 1) Become familiar with the firm's policies and procedures.
 - 2) Assist our professional staff in performing controllership and bookkeeping services for the clients.
 - 3) Assist our professional staff in preparing workpapers, trial balances, depreciation schedules, entering data for computer applications, and preparing engagement correspondence.
 - 4) Assist our professional staff in gathering data for tax return preparation, maintaining our tax library, and maintaining our client tax files.

The job of paraprofessional is both challenging and rewarding, and with experience and supervision, individuals at this level can assume many of the responsibilities of staff accountants. However, advancements to higher levels of the professional staff normally will require the completion of a college degree with either a major in accounting or an equivalent number of accounting and business courses.

Please refer to the Core Competencies schedule for performance criteria and expectations for the following levels:

Staff Accountant
Senior Accountant
Supervisor
Manager
Sr. Managers
Directors
Partners (Members)

2. In addition to the evaluation criteria enumerated in the preceding personnel classifications, each firm member will be evaluated on attributes such as, but not limited to, the following:
 - a. Competency and technical knowledge
 - b. Analytical and judgmental skills
 - c. Communication skills

- d. Leadership and training skills
 - e. Client relationships
 - f. Professional demeanor and appearance
 - g. Integrity
 - h. Personal attitude
3. At least annually (or more frequently at the discretion of the owners), professional staff are evaluated by their supervisors using evaluation forms. These evaluation forms are submitted to the owners who in turn conduct counseling interviews with that individual. Comments and feedback obtained during these interviews, if any, are documented on the evaluation form by the supervising owner, and the form is routed to the individual's personnel file.
 4. Annually, each owner completes an owner self-evaluation form and an evaluation form for all other owners.
 5. At least annually, and on an ad hoc basis if necessary (including when an owner was involved in an engagement that the AICPA Professional Ethics Division has decided warrants an investigation when litigation alleges a deficiency in the audit of a current or former SEC client), the owners meet as a committee to discuss advancement and termination decisions. In considering advancement decisions, staff performance evaluations and progress within staff classifications are given great priority; however, economic conditions, such as profits and future growth potential, must also be considered in each decision. In considering termination of an owner involved in an alleged audit failure, other firm options are considered, including retirement, removal of the owner from SEC engagements during the AICPA investigation, or additional oversight of the owner on SEC engagements for at least a year.
 6. At least annually, the QMM reviews our advancement policy and procedures to determine if they are appropriate and operating effectively. Changes, if necessary, to the system are made based on the results of the review.

E. Technological Resources

1. The firm will provide its professional staff with the tools to be able to perform their functions on engagements. This includes, but is not limited to, the following:
 - a. Cloud provider for data storage and maintenance of data integrity
 - b. Document management software for maintaining A&A and tax binders with relevant information, including financial statements and tax returns; audit, review, compilation, or agreed upon procedures checklists; all applicable supporting documentation. The firm currently uses CCH Engagement for this purpose.
 - c. Practice management software to track time and billing, project management and work flow, and other applicable software packages to sufficiently allow leadership to manage the firm and its applicable resources. HHM currently uses the CCH Suite of products under Axxess for this purpose.
 - d. Tax software to address the complex calculations required to prepare income tax returns of all types for out clientele. HHM currently uses CCH Axxess Tax for this purpose.
 - e. Additional supporting software for special purposes will be evaluated and used as applicable to assist HHM personnel with the performance of their client responsibilities. These include, but are not limited to, the following:
 - i. Depreciation software
 - ii. Lease calculation software
 - iii. LIFO calculation software
 - iv. Trullion (for data verification purposes and to automate other administrative tasks)
 - v. Emerging artificial intelligence (AI) software to assist all personnel with a variety of functions from accounting and tax research to assistance with writing e-mails, memos, and other correspondence.

VI. ENGAGEMENT PERFORMANCE

It is the policy of our firm that all compilation, review, audit, and attestation (including forecast and projection) engagements be properly planned, performed, supervised, reviewed, documented, and communicated in accordance with the requirements of professional standards, regulatory authorities, and the firm. In this regard, the procedures listed below are followed by all personnel assigned to those engagements:

A. Planning for engagements meets professional, regulatory, and the firm's requirements. The Firm implements this policy by developing, maintaining, and providing personnel with the firm's policies and procedures manual that delineates the factors the engagement team should consider in the planning process and the extent of documentation of these considerations. Planning considerations may vary depending on the size and complexity of the engagement. Planning generally includes the following activities:

1. Assigning responsibility to the engagement partner for planning the engagement and assigning responsibilities to appropriate personnel during the planning phase
2. Developing or updating background information about the client
3. Considering client significance to the firm
4. Requiring, for all initial audit clients designated as high risk by the firm, a review of planning considerations by either an engagement quality reviewer or another partner
5. Requiring planning documentation that includes the following:
 - a. Proposed work programs tailored to the specific engagement
 - b. Staffing requirements, including the need for personnel with specialized knowledge who may have to be obtained from other practice offices
 - c. Consideration of the economic conditions affecting the client and its industry and their potential effect on the conduct of the engagement
 - d. Consideration of risks and how they may affect the procedures to be performed
 - e. A budget that allocates sufficient time for the engagement to be performed in accordance with professional standards and the firm's quality control policies and procedures
 - f. Evidence of review of planning by an engagement quality reviewer

High-risk audits are defined as the following:

1. Initial audits where the client has not been previously audited
2. Audits where there are private equity investments in the client
3. Audits performed under *Government Auditing Standards*, including Single Audits under the *Uniform Guidance*
4. Employee Benefit Plan Audits subject to ERISA
5. Engagements where the report is qualified report, disclaimer of opinion, or adverse report
6. Other engagements deemed to be high risk by the engagement partner or QCR reviewer

Obviously, an engagement's status as high-risk may not have been identified in the planning stages. Therefore, it will be up to the Engagement Reviewer/Engagement Quality Reviewer to step back and ensure that the planning and procedures were appropriate in the circumstances.

B. The engagement is performed, supervised, reviewed, documented, and reported (or communicated) in accordance with the requirements of professional standards, applicable regulators, and the firm. The Firm implements this policy by requiring personnel to comply with the firm's CCH Knowledge Coach accounting and auditing manuals and practice aids, and guidance from BDO practice aids when deemed necessary, which prescribes the following:

1. How engagement teams are supervised during the course of an engagement, including briefing the engagement team on the objectives of their work;

2. The form and content of documentation of the work performed and conclusions reached, including forms, checklists, and questionnaires to be used in performing engagements;
3. The form in which instructions are to be given to other offices or other auditors performing part of an engagement and the extent to which such work is to be reviewed and documented;
4. The extent of overall engagement review required, at all professional levels, to ensure that the financial statements meet professional and firm presentation and disclosure requirements;
5. The extent of review to be performed of required communications to management and the board of directors;
6. Certain steps in the firm's system of engagement performance may not be applicable or are optional for some engagements. Determination about which of these steps will be included in the engagement will be the responsibility of the engagement partner.

The firm adopts and integrates within its quality management system the use of certain CCH Knowledge Coach accounting and auditing manuals and practice aids. This QM document, the Knowledge Coach guides, and any other practice aids used by the firm are intended solely to assist us in achieving compliance with professional standards as covered by the AICPA *Code of Professional Conduct*. Accordingly, nothing within this QM document should be construed as requiring a higher level of performance or documentation than the minimum specifically required by our firm's QM policies and procedures nor to override the exercise of professional judgment. Specifically, the firm requires the use of audit programs tailored for a particular industry or regulatory authority.

At least annually, the QMM reviews our engagement performance policy and procedures to determine if they are appropriate and operating effectively. Changes, if necessary, to the system are made based on the results of the review.

C. Qualified engagement team members review work performed by other team members on a timely basis.
The Firm implements this policy through the following procedures:

1. Adhering to the following firm guidelines regarding review of documentation of the work performed and conclusions reached, the financial statements, and reports and documentation of the review process:
 - a. All reviewers are to possess appropriate experience, competence, authority, and responsibility and are to be given access to the firm's reference material and other resources.
 - b. For each engagement, there is to be appropriate documentation evidencing review of the documentation of the work performed and conclusions reached, the financial statements, and the report.
2. Assigning responsibility for the review of all reports, financial statements, and documentation of the work performed and conclusions reached to an appropriate reviewer to obtain reasonable assurance of the following:
 - a. The nature, timing, and extent of procedures performed are consistent with risk assessments and the approach described in the planning documentation. Exceptions are appropriately investigated. The appropriateness of planned procedures should be reconsidered if significant changes in risk factors occur or are identified between the planning phase of the engagement and the execution of procedures.
 - b. Firm-prescribed forms, checklists, and questionnaires, tailored as appropriate, are used in performing and reporting on the engagement.
3. Reviewing engagement documentation to determine whether the following has occurred:
 - a. The work has been performed in accordance with professional standards and regulatory and legal requirements.
 - b. Significant findings and issues have been raised for further consideration.
 - c. Appropriate consultations have taken place, and the resulting conclusions have been documented and implemented.
 - d. The nature, timing, and extent of work performed are appropriate and do not need revision.
 - e. The work performed supports the conclusions reached and is appropriately documented.
 - f. The evidence obtained is sufficient and appropriate to support the report.

- g. The objectives of the engagement procedures have been achieved.

D. Engagement teams complete the assembly of final engagement files on a timely basis. The Firm implements this policy by completing the assembly of final engagement files in accordance with professional standards and applicable regulatory requirements, if any.

E. The firm maintains confidentiality, safe custody, integrity, accessibility, and retrievability of engagement documentation. The Firm implements this policy through the following procedures:

1. Establishing and applying controls to accomplish the following:
 - a. Clearly determine when and by whom engagement documentation was prepared and reviewed.
 - b. Protect the integrity of the information at all stages of the engagement, especially when the information is shared within the engagement team or transmitted to other parties via electronic means.
 - c. Prevent unauthorized changes to the engagement documentation.
 - d. Allow access to the engagement documentation by the engagement team and other authorized parties as necessary to properly discharge their responsibilities. Please note that all of the above will be done via controls in CCH ProSystem fxEngagement software and Knowledge Coach.
2. Requiring the use of a password by engagement team members to restrict access to electronic engagement documentation to authorized users
3. Implementing appropriate back-up routines for electronic engagement documentation at appropriate stages during the engagement
4. Implementing procedures for properly distributing engagement documentation materials to the team members at the start of the engagement, preparing engagement documentation during the engagement, and assembling final documentation at the end of the engagement
5. Implementing procedures for restricting access to, and enabling proper distribution and confidential storage of, hardcopy engagement documentation
6. Implementing procedures regarding original paper documents that have been electronically scanned or otherwise copied to another media that accomplish the following:
 - a. Generate scanned copies that contain the content of the original paper documentation, including manual signatures, cross-references, and annotations.
 - b. Integrate the scanned copies into the engagement files, including indexing and signing off on the copies, as necessary.
 - c. Enable the scanned copies to be retrieved and printed, as necessary.

F. The firm retains engagement documentation for a period of time sufficient to meet the needs of the firm, professional standards, laws, and regulations. The Firm implements this policy through the following procedures:

1. Establishing procedures that accomplish the following:
 - a. Enable the retrieval of, and access to, the engagement documentation during the retention period, particularly in the case of electronic documentation because the underlying technology may be upgraded or changed over time.
 - b. Provide, where necessary, a record of changes made to engagement documentation after the assembly of engagement files has been completed.
 - c. Enable authorized external parties to access and review specific engagement documentation for quality control or other purposes.
2. Retaining documentation for a specific period of time as appropriate for the nature of the engagement

G. The firm requires that consultation take place when appropriate; that sufficient and appropriate resources are available to enable appropriate consultation to take place; that all the relevant facts known to the engagement team are provided to those consulted; that the nature, scope, and conclusions of such

consultations are documented; and that conclusions resulting from such consultations are implemented.

The Firm implements this policy through the following procedures:

1. Providing personnel with the firm's consultation policies and procedures. Areas or specialized situations for which the firm requires consultation include the following:
 - 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 date a report was issued.
 - f. Filing requirements of regulators.
 - g. Meetings with regulators at which the firm is to be called upon to support the application of generally accepted accounting principles or generally accepted auditing standards that have been questioned.
 - h. Designating individuals within the firm as consultants in certain areas. Personnel are to consult with the designated individual when issues arise. If differences arise between the engagement partner and the consultant, the matter is to be resolved by the partner(s) responsible for the quality control function.
2. Maintaining or providing access to adequate and up-to-date references, which includes materials related to specific industries, specialties, and regulatory requirements.
3. Requiring that documentation of consultation include all relevant facts and circumstances, the sections of the professional literature used in making a determination, the conclusion reached, how the conclusions were implemented. This documentation is to be retained with the engagement documentation of the work performed and conclusions reached.
4. If differences of opinion exist within the firm as to the resolution of a consultation issue, the matter should be brought to the attention of the QMM. The QMM will resolve any disputes as to the proper course of action taken by the firm on the issue in question. Any party to the consultation who disagrees with the conclusion shall prepare a memorandum and add it to the documentation.

H. The firm deals with and resolves differences of opinion, documents, and implements conclusions reached, and does not release the report until the matter is resolved. The Firm implements this policy through the following procedures:

1. Requiring that all differences of professional judgment within an engagement team be resolved by the engagement partner and quality control reviewer and the QMM, if necessary, and that the report not be released until the matter is resolved.
2. Requiring that the resolution of the differences be appropriately documented. If members of the engagement team continue to disagree with the resolution, they may disassociate themselves from the resolution of the matter and may document that a disagreement continues to exist.

Engagement Quality Review

I. It is the firm's policy to evaluate all engagements against criteria established by the firm to determine whether an engagement quality review (EQR) should be performed, and to perform an EQR for all engagements that meet those criteria. EQR are completed before the report is released. The firm ensures compliance with this procedure by implementing the following procedures:

1. The firm establishes criteria for performance of an EQR. In establishing such criteria, the firm considers:
 - a. The structure and nature of the firm's practice.
 - b. The nature of the engagement, including whether it involves a matter of public interest.
 - c. Whether unusual circumstances or risk have been identified relating to the engagement,

- engagement service type, or industry.
- d. Whether laws or regulations require an EQR to be performed.
 2. The firm establishes a different set of criteria for each major type of service provided (i.e., compilations, reviews, audits, and attestation engagements). All engagements are evaluated against the established criteria. An EQR is performed for all engagements that meet the established criteria. If no engagements meet the criteria established by the firm for EQR, no reviews are required to be performed.
 3. The firm may periodically make changes to the established criteria based on changes in the firm's practice.
 4. Because the firm requires a review of all engagements by persons deemed qualified as reviewers as appointed by the QMM and based on the current composition of the firm's accounting and auditing engagements, the firm has concluded that an EQR should be performed on high-risk engagements as determined by the QMM and engagement owner. Reviews and compilations are not required to have an EQR performed.
 5. Performing an EQR includes the following procedures:
 - a. An objective evaluation of significant judgments made, and the conclusions reached in formulating the report.
 - b. Reviewing for appropriateness the resolution and conclusions reached regarding differences of opinion and matters requiring consultation.
 - c. Reading the financial statements or other subject matter information and the report and considering whether the report is appropriate.
 - d. A review of selected engagement documentation relating to the significant judgments and the conclusions reached.
 - e. A discussion with the engagement partner about significant findings and issues.
 - f. The EQR may be conducted at various stages throughout the engagement to ensure that significant issues may be resolved to the reviewer's satisfaction before the report is released.
 - g. The extent of the EQR may depend upon, among other things, the complexity of the engagement and the risk that the report might not be appropriate in the circumstances.
 6. If differences of opinion occur between the engagement partner and the EQR reviewer, appropriate differences of opinion procedures will be followed, and documentation of the resolution of conflicting opinions will be finalized before the release of the report.
 7. The firm prepares appropriate documentation of the EQR, including documentation that reflects—
 - a. The EQR procedures required by firm policies have been performed.
 - b. The EQR was completed before the report was released.
 - c. The reviewer was not aware of any unresolved matters that would have caused him or her to believe that significant judgments made, and conclusions reached were not appropriate.
 - d. Documentation of the EQR is via CCH Axcess (Workflow).
 8. The firm addresses the appointment of EQR reviewer and the technical qualifications required to perform the role, including the necessary experience and authority. In selecting appropriate EQR reviewers, the following criteria are followed—
 - a. The eligible EQR reviewers are selected by the QMM.
 - b. The EQR reviewer has sufficient and appropriate experience, technical expertise, and authority for the particular engagement to be reviewed.
 - c. EQR reviewers maintain appropriate ethical requirements, such as objectivity, due professional care, and independence. The EQR reviewer satisfies the independence requirements relating to the engagement reviewed.
 - d. The EQR reviewer does not participate in the performance of the engagement except in a consulting role; for example, the engagement partner may consult the EQR reviewer during the engagement to establish that a judgment made by the engagement partner will be acceptable to the EQR reviewer. Both the EQR reviewer and the engagement team are careful to maintain the reviewer's objectivity.
 9. Audit engagements of publicly held companies (including 11-K's) are subject to an additional concurring partner review.
 10. The firm requires completion of a concurring owner review prior to the release of all audit reports on SEC engagements. The concurring review is documented by completion of a *Concurring*

Owner Review Form. The nature, extent, and timing of the review and the qualification of the reviewer are stated in the review form. The *Concurring Owner Review Form* is located in the accounting and auditing manuals used by the firm.

CLARIFICATION OF ENGAGEMENT QUALITY CONTROL REVIEW PROCEDURES

J. The firm has criteria for determining whether an EQR should be performed; evaluates all engagements against the criteria; performs an EQR for all engagements that meet the criteria; and completes the review before the report is released. The Firm implements this policy by defining engagements requiring that an EQR be performed as follows:

1. All audits that have been identified as high risk shall have an EQR
2. All reviews shall have an EQR, only to the extent that they are considered high risk.
3. All Compilations and other attestation engagements shall have an EQR, only to the extent that they are considered high risk.

The level of review will depend upon the nature of the engagement and shall be evidenced by signoffs on reviewed documentation and the processing sheet.

The firm establishes procedures addressing the nature, timing, extent, and documentation of the EQR. The Firm implements this policy through the following procedures:

1. Implementing procedures addressing the timing of the review. The firm has concluded that performing an EQR is not necessary to obtain sufficient appropriate audit evidence for audit engagements; therefore, the EQR does not need to be completed before the date of the auditor's report but is required to be completed before the report is released. When the EQR results in additional audit procedures being performed, the date of the auditor's report is changed to the date by which sufficient appropriate audit evidence has been obtained.
2. Implementing procedures addressing the nature and extent of the review. The firm's procedures for audit and attestation engagements require that the EQR reviewer do the following:
 - a. Discuss significant accounting, auditing, and financial reporting issues with the engagement partner, including matters for which there has been consultation.
 - b. Discuss with the engagement partner the engagement team's identification and audit of high-risk assertions, transactions, and account balances.
 - c. Review selected working papers relating to the significant judgments the engagement team made and the conclusions they reached.
 - d. Review documentation of the resolution of significant accounting, auditing, and financial reporting issues, including documentation of consultation with firm personnel or external sources.
 - e. Review the summary of uncorrected misstatements that are related to known and likely misstatements.
 - f. Review additional engagement documentation to the extent considered necessary.
 - g. Read the financial statements and report and consider whether the report is appropriate.
 - h. Confirm with the engagement partner that there are no significant unresolved issues.
 - i. Complete the review before the release of the report.
 - j. Determine whether the issues raised in the review indicate a need to change the auditor's report date.
3. Resolving conflicting opinions between the engagement partner and the EQR reviewer regarding significant matters. The policy requires documentation of the resolution of conflicting opinions before the release of the audit report.
4. Implementing procedures addressing documentation by the EQR reviewer. The firm's procedures require documentation of the following:
 - a. That the procedures required by the firm's policies on EQR have been performed
 - b. That the engagement quality control review has been completed before the report is released
 - c. That no matters have come to the attention of the EQR reviewer that would cause the reviewer to believe that the significant judgments the engagement team made and the conclusions they reached were not appropriate

K. The firm establishes criteria for the eligibility of EQR reviewers. The Firm implements this policy by establishing the following criteria for an EQR reviewer:

1. Is not selected by the engagement partner
2. Has sufficient technical expertise and experience
3. Carries out his or her responsibilities with objectivity and due professional care without regard to the relative positions of the engagement partner and the EQR reviewer
4. Does not assume any of the responsibilities of the engagement partner
5. Meets the independence requirements relating to the engagements reviewed, even though the EQR reviewer is not a member of the engagement team
6. Does not make decisions for the engagement team or participate in the performance of the engagement, except that the engagement partner may consult the EQR reviewer at any stage during the engagement.

The following audit engagements will be considered high-risk as follows:

All initial audits, all going concern, others as identified by the engagement partner. The review of SEC engagements is covered in the previous section.

ENGAGEMENT REVIEWS

The firm is unique in the handling of accounting and assurance engagements. The named Relationship Partner may or may not be the Partner in Charge of the Engagement. Therefore, an “Engagement Partner” review is not required for audits, reviews, compilations, and other attest engagements. We take the approach that certain Accounting and Assurance (A&A) Partners and Senior Managers are designated as technical reviewers and should therefore participate in the planning and review of A&A engagements. These individuals will review all financial statements and applicable documentation to ensure compliance with professional standards.

L. All full disclosure financial statements will have an independent review from a member of the A&A quality control team. These members currently include: Randy Dummer and Daniel Sheets for all engagements; Brittany Carman for ERISA audits and engagements where Randy Dummer or Daniel Sheets performed the first review; and Brock Oliver and Ted Bruno for *Government Auditing Standards* engagements (including single audits) and engagements where Randy Dummer or Daniel Sheets performed the first review.

VII. INFORMATION AND COMMUNICATION

The firm's policy is that the information system should enable the firm's system of QM to properly function and support the decisions made in the QM document and allow the firm to perform engagements in accordance with professional standards. It includes processes that affect identifying, capturing, processing, maintaining and communicating information, whether manual or electronic. The firm ensures compliance with this policy by implementing the following procedures:

1. The firm's culture recognizes, supports, and expects appropriate transparency and forthright communication at all levels and by all personnel to exchange information that enhances quality throughout the firm. The firm encourages formal and informal communication as follows:
 - a. During internal Continuing Professional Education provided by the firm
 - b. During staff meetings, team meetings, and other meetings of firm personnel where potential issues impacting quality are discussed
 - c. Via e-mail to the firm or select groups of firm personnel
 - d. Through the posting of information to shared information sites in the firm (such as Microsoft Teams) that provides guidance on matters impacting quality
 - e. Through other informal communications as deemed necessary to enhance the firm's engagement quality
2. The firm has established effective two-way communication throughout the firm and with engagement teams to permit:
 - a. Engagement teams to carry out their responsibilities for performing engagements
 - b. Engagement teams to communicate to firm leadership regarding any potential issues that arise in the performance of engagements
3. The firm communicates relevant and reliable information externally only when required by law, regulation, or professional standards, or to support external parties' understanding of the firm's QM system.
4. The QMM reviews the existing information system at least annually and considers its appropriateness and whether changes should be made to better identify, capture, process, and maintain relevant and reliable internal and external information to support the firm's QM document.

VIII. MONITORING

It is the policy of our firm that our quality management system be monitored on an ongoing basis to provide the firm with reasonable assurance that the policies and procedures established by the firm for each of the other elements (including activities) of quality management are suitably designed and are being effectively applied. Monitoring procedures as they relate to the other elements (and activities) are included in the quality management procedures for each of the other elements. As an integral part of the monitoring process, our quality management system is inspected annually to determine whether the firm has complied with its stated quality management policies and procedures. The procedures listed below are followed to ensure compliance with this policy.

1. Annually, the managing owner selects a team (hereafter referred to as inspectors) to inspect the firm's quality management system. The inspectors should possess adequate technical knowledge and experience and, when practical, should not be directly involved in the administration, supervision, or performance of the QM procedures or engagements each will inspect. One inspector will be designated as the in-charge inspector.
2. The in-charge inspector is responsible for determining the scope of the inspection, developing the inspection procedures, and performing the inspection. The managing member can require at their discretion that the inspection scope and procedures be approved by them before the inspection commences. The in-charge inspector should follow the guidelines listed below when determining the scope and the inspection procedures:
 - a. The inspection should be completed timely.
 - b. The inspectors will use an appropriate monitoring program as a work program. The inspection will cover all of the firm's stated quality management procedures and will include a representative sample of administrative files, personnel files, engagement workpapers, and other evidential matters. The engagement reviews will include a cross-section of the firm's engagements. The criteria for engagement selection may include, but are not limited to, the following:
 - 1) Specialized, complex, and high-risk engagements (for example, employee benefit plans, *Government Auditing Standards* audits).
 - 2) First-year engagements.
 - 3) A cross-section of engagements based on the level of service performed (e.g., audit, review, compilation, and attest).
 - 4) A cross-section of engagements from various owners and management level personnel having accounting and auditing responsibilities.
 - c. The inspection procedures should include inspection, observation, and inquiries to determine whether:
 - 1) Checklists, forms, programs, or other documentation required by the firm's QM system have been properly completed.
 - 2) Administrative and personnel policies have been complied with.
 - 3) Procedures performed on engagements are in accordance with both the requirements of authoritative literature and firm policies.
 - 4) The engagement workpapers provide adequate evidence to support conclusions, opinions, and presentations resulting from that engagement.
 - 5) The financial statements, reports, and other presentations resulting from the engagements conform to the measurement, presentation, and disclosure requirements of authoritative literature.
 - d. The inspection scope, procedures, and findings will be documented in the work program.
3. At the conclusion of the inspection, the inspectors are responsible for (a) discussing the results of the review with the supervisory personnel responsible for each of the engagements selected for review and (b) summarizing the deficiencies noted for each engagement reviewed. Once identified, the deficiencies are summarized and evaluated to determine whether:
 - a. Existing quality management policies and procedures should be modified.
 - b. Additional emphasis should be placed on specific industries or areas for future engagements.

The scope of the inspection, the findings, and the recommendations are then reported to the managing member.

4. In addition to the firm's annual inspection program, the firm is subject every three years to a peer review in accordance with the requirements of the AICPA. The QMM is responsible for scheduling and coordinating that review.
5. Based on the inspection report and, if appropriate, the peer review report, matters, findings and deficiencies, letter of response, and exit conference with the peer reviewer, the QMM determines any corrective actions that should be pursued to improve, amend, or rectify the QM system.
6. The owners meet annually and discuss the results of the inspection and the monitoring of all of the quality management elements and the corrective actions determined to be needed by the QMM. Based on the discussions at the meeting, the QMM determines any corrective actions that will be pursued to improve, amend, or rectify the QM system.
7. The QMM is responsible for monitoring and documenting the implementation of, and compliance with, any corrective actions.

CLARIFICATION OF MONITORING PROCEDURES

The adequacy of the firm's quality management system for our accounting, auditing and attestation practice, and our compliance with that system, are evaluated independently every 3 years through a peer review conducted under the auspices of the AICPA.

During the firm's internal inspection procedures, the firm considers the requirements of the various organizations with which the firm is registered, i.e., Public Company Accounting Oversight Board (PCAOB), AICPA Employee Benefit Plan Audit Quality Center (EBPAQC), AICPA Government Audit Quality Center (GAQC), to ensure that appropriate engagements and procedures are included to comply with the requirements of the membership.

The firm uses a risk-based approach in selecting engagements for inspection.

DEFINITIONS

Engagement documentation. The record of work performed, results obtained, and conclusions the practitioner reached, also known as *working papers* or *workpapers*.

Engagement partner. An individual responsible for supervising engagements covered by this statement and signing or authorizing an individual to sign the report on such engagements, and who, where required, has the appropriate authority from a professional, legal, or regulatory body.

Engagement quality review (EQR). A process designed to provide an objective evaluation, by an individual or individuals who are not members of the engagement team, of the significant judgments the engagement team made and the conclusions they reached in formulating the report.

EQR reviewer. A partner, other person in the firm, qualified external person, or a team made up of such individuals, none of whom is part of the engagement team, with sufficient and appropriate experience and authority to perform the engagement quality control review.

Engagement team. All personnel performing the engagement, excluding those who perform the EQR. The engagement team (i) includes all employees and contractors retained by the firm who perform engagement procedures, irrespective of their functional classification (for example, audit, tax, or management consulting services) and (ii) excludes specialists as discussed in professional standards, and individuals who perform only routine clerical functions, such as word processing and photocopying.

Inspection. A retrospective evaluation of the adequacy of the firm's quality management policies and procedures, its personnel's understanding of those policies and procedures and the extent of the firm's compliance with them. Inspection is an element of monitoring.

Personnel. All individuals who perform professional services for which the firm is responsible,

Partner. An individual with authority to bind the firm with respect to the performance of a professional services engagement. For purposes of this definition, partner may include an employee (CPA) with this authority who has not assumed the risks and benefits of ownership.

FIRM DESIGNATED SPECIALISTS

Area	Accounting & Assurance Specialists	Tax Specialists	Management Services Specialists
SEC	BDO	N/A	N/A
Construction Industry	Daniel Sheets Brittany Carman Elizabeth Oberg	Kyle Christensen Trip Farmer	Kyle Christensen Trip Farmer
Governmental	Ted Bruno Brock Oliver Garrett Williams	N/A	N/A
Single Audits	Ted Bruno Brock Oliver Garrett Williams	N/A	N/A
Municipalities	Ted Bruno Brock Oliver Garrett Williams	N/A	N/A
Financial Institutions	Daniel Sheets	BDO	BDO
Real Estate/Leases	Trip Farmer	Kyle Christensen	Kyle Christensen
Retirement Plans	Randy Dummer Brittany Carman McCall Marbury Erica Smith	N/A	N/A
Statistical Auditing	Randy Dummer	N/A	Randy Dummer
Automotive Dealers	Randy Dummer Rob Malone Scott Lowe Brad Culbreth	Brian Baker Chad Goodman	Donnie Hutcherson Travis Horton Scott Lowe
Buy Here / Pay Here Automotive Dealers	Travis Horton Branden Wilson Lindsey Bouldin Garrett Williams	Brian Baker Travis Horton Branden Wilson	Branden Wilson Travis Horton
Not-For-Profit	Daniel Sheets Randy Dummer Brittany Carman Brock Oliver	N/A	N/A
Manufacturing	Adam Osborne Daniel Sheets Brittany Carman	Brian Miller Todd Solomon Brian Baker	Donnie Hutcherson Kyle Christensen
Electrical Cooperatives	Daniel Sheets	N/A	Daniel Sheets
Estates/Trusts/Gifts	N/A	Kira Wheat	N/A
S Corporations	N/A	Brian Miller Blake Bennett	N/A
Quality Management	Randy Dummer Daniel Sheets	Brian Baker	N/A
Generally Accepted Accounting Principles	Daniel Sheets Randy Dummer Brittany Carman	N/A	N/A
Consolidations	Daniel Sheets Randy Dummer	Blake Bennett Todd Solomon	Kyle Christensen
LIFO Inventory	Randy Dummer	Chad Goodman	N/A
Tax Research	N/A	Blake Bennett Brian Baker	N/A
Business Valuation	N/A	Jon Paul Davis	N/A
Financial Planning	N/A	Kira Wheat	N/A
Mergers & Acquisitions	Donnie Hutcherson Randy Dummer	Brian Baker	Kyle Christensen