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March 2025

RSM US LLP Audit Quality Report

Our commitment to audit quality
and professional excellence

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Introduction



Joel Shamon

Enterprise Assurance Leader

The quality of an audit that inspires investor confidence is built on the integrity, competence, objectivity and independence of our profession.

A number of important components can affect the quality of an audit—and no single factor defines quality. As such, our system of quality management identifies and addresses risks aligned to key elements, such as governance and leadership, adherence to relevant ethical requirements, acceptance and continuance of client engagements, engagement performance, monitoring, information and communication, and resources, including technological, intellectual and human.

Each of these elements has one common and important thread—our people. Ultimately, audit quality is determined by what an organization's people do and don't do. Competent individuals who are committed to the principles of integrity, objectivity and independence are at the very core of audit quality.

Our firm, partners, principals and employees are committed to these principles, and we align our firm's values and infrastructure accordingly. We strive for continuous improvement by constantly examining what we do and how we do it to determine ways to improve the quality and effectiveness of our work.

This report on audit quality is intended to provide a window into how RSM US LLP promotes and monitors audit quality—which, for us, is always the first order of business.



Sara Lord

Chief Auditor

A handwritten signature in black ink, appearing to read "Joel Shamon". The signature is fluid and cursive.

Joel Shamon,
Enterprise Assurance Leader

A handwritten signature in black ink, appearing to read "Sara Lord". The signature is fluid and cursive.

Sara Lord,
Chief Auditor

Approach to quality management

Our system of quality management is designed to meet the requirements of relevant quality management and quality control standards. Effective December 15, 2022, RSM US LLP adopted International Standard on Quality Management 1 (ISQM 1) of the International Auditing and Assurance Standards Board (IAASB), as well as the Statement on Quality Management Standards No. 1 (SQMS No. 1) of the American Institute of Certified Public Accountants (AICPA). We are in the process of assessing and implementing QC 1000, the quality control standard recently issued by the Public Company Accounting Oversight Board (PCAOB), which will be effective December 15, 2025.

The firm takes a proactive, risk-based approach in designing and operating our system of quality management to achieve our quality objectives. Our risk assessment process is dynamic—operating in a continual and iterative manner—to respond to known changes and anticipate future changes in the nature and circumstances of the firm and developments in auditing and regulatory areas. Quality risks and controls are identified across the functional areas of the firm and discussed in this report. Annually, the design, implementation and operating effectiveness of our system of quality management over our assurance practice are monitored and assessed by the firm's Audit Quality and Risk Management group and evaluated by our managing partner & CEO.

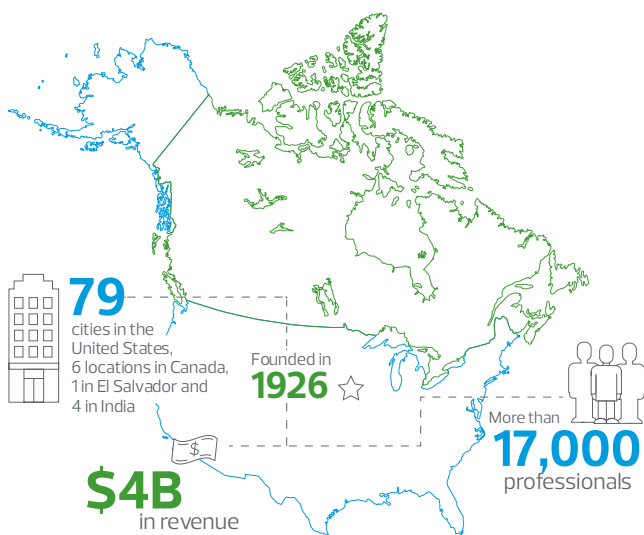
We concluded that as of December 15, 2024, our annual evaluation of our system of quality management in accordance with ISQM 1 and SQMS No. 1 provided us with reasonable assurance that the system's objectives were being achieved.

Firm culture, governance and leadership

RSM US LLP is the leading provider of assurance, tax and business consulting services to the middle market in the United States. Firm leadership sets a tone at the top that emphasizes quality as a critical component of our business strategy and stresses that all levels of professionals will be held accountable for quality. Firm leadership also models and communicates the importance of adherence to professional standards, including those related to ethics and independence. For all lines of business, each engagement leader is expected to establish a tone for their team that emphasizes due professional care, high quality and excellent client service.

Culture

Founded by Ira B. McGladrey in 1926, our firm has demanded excellence for nearly 100 years.

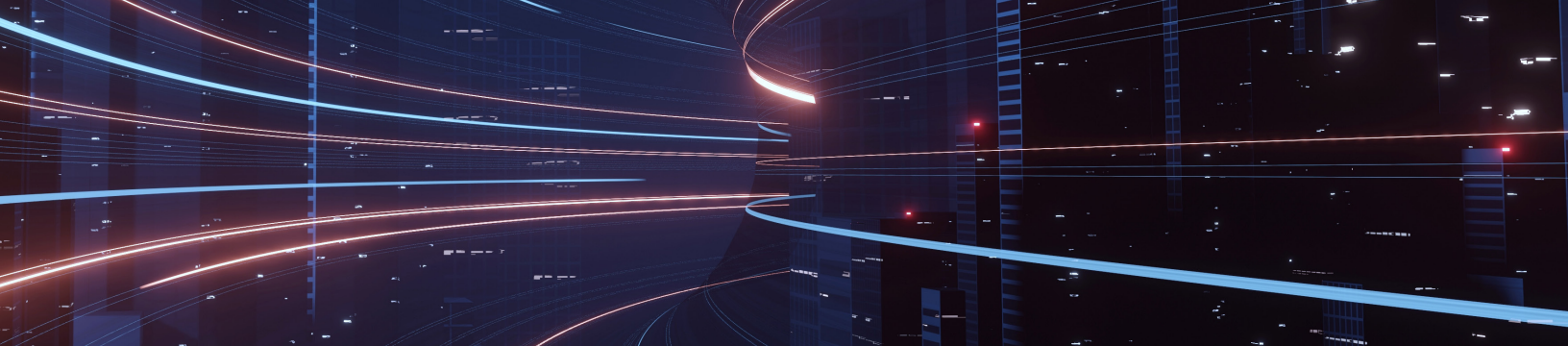


RSM US is one of the founding members of RSM International, the world's sixth-largest network of independent assurance, tax and consulting firms. Member firms comprise more than 65,000 people from over 900 offices in more than 120 countries.

We continually work to protect our reputation and deliver service in alignment with what our clients and the marketplace have come to expect from our firm.

Our culture and core values influence many behaviors, such as professional skepticism, professional judgment and due professional care, which are critical to audit quality.

Our monograph Using Professional Judgment in Auditing describes the professional judgment framework we expect our auditors to use in identifying risks of material misstatement, planning audit procedures to respond to identified risks, and reaching conclusions based on the audit evidence. We incorporate this framework into our training, tools and methodology and ask that our auditors make the concepts in this document a reality by integrating them into their daily professional judgments. We are committed to continuing to invest in a culture of exercising sound professional judgment and the objectivity, due professional care and professional skepticism required by professional standards.



Firm governance

Our firm's partnership agreement provides the foundation for our governance. Our firm is structured as a limited liability partnership, based on the principle that the assurance professional must be in control of, and financially at risk for, the services provided. Our board of directors serves as the governing body for our firm. The board focuses on the firm's strategic objectives and continuously guides us in the tradition of quality, integrity and client service excellence that has been the hallmark of the firm since its inception in 1926.

The [board of directors](#) for RSM US consists of the managing partner and 11 additional members of the partnership. The majority of board members must be partners (individuals who are CPAs). They are elected by the firm's partners and principals and serve four-year terms. A chair of the board is elected annually. The board of directors has overarching responsibility for decisions affecting our firm, including oversight of the firm's independence and quality management policies and procedures, evaluation of the managing partner & CEO's performance, and approval of partner promotions, evaluations, compensation, disciplinary actions and terminations.

Risk Oversight Committee

A key committee of the board of directors is the Risk Oversight Committee, which assists the board in fulfilling the firm's risk management responsibilities and provides oversight to the Office of Risk Management. The Risk Oversight Committee establishes guidelines setting forth the consequences for professional personnel who violate the firm's policies and procedures. Among other duties, this committee reviews enterprise and regulatory risk reporting results.

Leadership

Our firm is currently led by Brian Becker, managing partner & CEO, and a [cross-functional leadership team](#) charged with the strategy development and management of the firm.

Leadership responsibilities for quality management within the firm

System of Quality Management Responsibilities

The managing partner & CEO is ultimately responsible for our assurance system of quality management. The overall operational responsibility lies with the enterprise assurance leader and our National Professional Standards Group, whose personnel have sufficient and appropriate experience and knowledge to identify and mitigate quality risks and develop and implement appropriate policies and procedures. The operational responsibility for compliance with independence requirements lies with the assurance practice. The enterprise assurance leader reports to our managing partner.

Office of Risk Management

The Office of Risk Management is under the leadership of our chief risk officer. The group is responsible for establishing and operating risk management policies enterprise-wide. For the assurance practice, the Office of Risk Management has operational responsibility to oversee the monitoring of the firm's system of quality management, perform inspections, facilitate the triennial peer review and coordinate activities with regulatory authorities. The firm's Office of Risk Management also comprises the National Office of Ethics and Independence, which establishes independence policies and requirements and monitors the firm's compliance with the independence rules. The chief risk officer reports to our managing partner.

National Professional Standards Group

The National Professional Standards Group is led by our enterprise assurance leader. This group supports our professionals in the areas of auditing, accounting, financial reporting and specialized industry matters by developing and updating the firm's general audit and industry-specific policies, methodologies, and related guidance, tools and training. Our Professional Practice Office within the National Professional Standards Group assists our engagement leaders by consulting on engagement-specific accounting and auditing matters. Members of the Professional Practice Office are located throughout the country and dedicated to providing support to our professionals in the areas of auditing, accounting, financial reporting and U.S. Securities and Exchange Commission (SEC) reporting.

RSM US Managing Partner & CEO Brian Becker serves as vice chairman of the **Center for Audit Quality Governing Board.**

RSM US Chief Auditor Sara Lord serves as chair of the **AICPA Auditing Standards Board.**



Quality is first in everything we do, woven throughout our culture and executed through customized risk management solutions for the business."

–John Brackett, Chief Risk Officer

Key assurance leaders

Joel Shamon	Enterprise assurance leader
Brandon Rucker	National assurance operations leader
Sara Lord	Chief auditor
Jon Burger	Professional practice leader
Mike Lundberg	National industry audit policy leader
Adam Hallemeier	Deputy chief auditor
Joseph Cascio	Accounting policy leader
Brooke Wangsness	Audit quality management leader
Tom Clark	Audit digital business integration leader
Troy Merkel	Audit digital strategy leader

Key risk leaders

John Brackett	Chief risk officer
Jamie Klenieski	Audit quality and risk leader
Claire Blanton	Enterprise ethics and independence leader
Chris Boettger	Enterprise risk operations leader

Leadership involvement in professional organizations

RSM US requires all eligible professionals who are CPAs to be members of the AICPA. Members of our national office serve on various AICPA boards and committees, including the following:

National Peer Review Committee

Governmental Audit Quality Center

Employee Benefit Plan Audit Quality Center Executive Committee

Our professionals throughout the country also participate in numerous AICPA task forces, and we currently have representation on five AICPA expert panels. Our firm is a founding member of the Center for Audit Quality, and we actively participate in its various committees and task forces:

+ Governing Board

+ Advisory Council

+ Professional Practice Executive Committee

+ SEC Regulations Committee

This participation provides immediate, firsthand knowledge of proposed and final standards and other developments affecting auditing, financial reporting and related practice issues.

1:11

Ratio of National Professional Standards Group partners to assurance partners

– Fiscal year ended April 30, 2024



Audit Quality Board

Launched in 2025, the RSM US Audit Quality Board (AQB) is composed of three board members responsible for providing independent advisory and evaluation of the sufficiency of the firm's assurance practice regarding quality control and system of quality management matters. AQB members also offer advice and recommendations on audit quality-related aspects of the firm's operations, culture, governance and risk management.



The creation of our Audit Quality Board reinforces our commitment to the principles of integrity, independence, objectivity and excellence that are hallmarks of our profession. As we strive for continuous improvement in the effectiveness of our work, the board's guidance and diverse viewpoints will help us ensure we're consistently delivering high-quality audits."

Jamie Klenieski, Audit Quality and Risk Leader

AQB members:

Tracey Golden is a past chair of the boards of the AICPA and the Association of International Certified Professional Accountants. She has more than 40 years of industry experience and is a former partner at a Big Four firm, where her roles included global risk executive, national regulatory and inspections leader, national quality assurance partner and engagement quality control reviewer. Golden previously served as a professional accounting fellow at the SEC.

Dave Sullivan is a member of the Public Interest Oversight Board, the global independent body that seeks to improve the quality and ensure the public interest focus of the international audit, assurance and ethics standards formulated by the international standard-setting boards. He is a former partner at a Big Four firm, where his roles included global audit and assurance quality leader and national managing partner of quality and professional practice. Sullivan, who has 40 years of industry experience, also serves as an advisor to large CPA and consulting firms on matters of audit quality. He was previously a practice fellow with the Financial Accounting Standards Board.

Dan Sunderland is currently a professor of practice in the accounting group at Northeastern University and a frequent advisor on PCAOB QC 1000 implementation and other accounting, audit and governance matters. He is a former partner at a Big Four firm, where his roles included chief auditor, national professional practice director, lead audit partner and lead engagement quality partner. Sunderland has 42 years of industry experience and previously held leadership positions with the auditing section of the American Accounting Association and with the Center for Audit Quality, where he chaired the research advisory board.

Grounded in our firm's core values of **respect, uncompromising integrity, succeeding together, excellence in all we do, meaningful innovation and stewardship**, our **Code of Conduct** is tied to our rich history and serves as a guide for our actions.



Ethics and independence

Ethics

Ethical behavior influences the assessments performed and conclusions reached throughout an audit. Our Code of Conduct sets forth the standards of ethical behavior for which we hold each other accountable. **Our partners and other professionals are expected to practice to the highest standards of performance and behavior and perform all services with the integrity, objectivity and professional skepticism required by professional standards.** Annually, all RSM US partners, principals and employees are required to complete a Code of Conduct survey in which they certify their understanding and awareness of the Code of Conduct and other key compliance policies. A portion of the survey allows the survey taker to identify issues inconsistent with our standards. All professionals in all lines of business are required to participate in the firm's ethics training.

We establish policies and procedures designed to provide reasonable assurance that personnel comply with independence, integrity, objectivity, due professional care and other relevant ethical requirements. These requirements include regulations, interpretations and rules of the AICPA, SEC, PCAOB, U.S. Government Accountability Office, U.S. Department of Labor (DOL), state CPA societies, state boards of accountancy and other applicable regulators. All partners and other professionals must adhere to all applicable provisions of the AICPA Code of Professional Conduct and applicable ethics requirements of the PCAOB and the state boards of accountancy. Additionally, RSM's confidential ethics hotline allows any partner, employee, client or vendor to report observations, suspicions or knowledge about fraudulent, illegal or unethical behavior.

Independence

Our firm establishes clear written guidance covering relationships and activities that could create independence violations, including, but not limited to, investments, loans, brokerage accounts, business relationships, employment relationships and fee arrangements. Our partners and other professionals are advised of our policies during the orientation process and are annually reminded of our policies as a part of monitoring compliance with such policies. Our firm emphasizes independence and other ethical considerations in selected training programs. All client service professionals in all lines of business are required to participate in the firm's annual independence training.

Each client service professional's investments and financial relationships are required to be reported within and are monitored through pRISM, our personal independence tracking system that compares such holdings to our restricted list. All professionals represent in writing their compliance with policies, including any exceptions, near the time of initial employment and annually thereafter.

The firm audits the annual independence representations by referencing income tax, bank account and brokerage account records. The Risk Oversight Committee of the board of directors establishes guidelines setting forth the consequences for professional personnel who violate our independence policies.

In cases in which our firm provides both audit and nonattest services, we evaluate our ability to perform nonattest services and remain independent in providing audit services. Our proprietary Client Engagement Assessment of Risks (CLEAR) application, among other functions, assesses engagement risks for the firm's prospects and clients, including independence-related risks. The CLEAR process includes a documented analysis of a prospect's/client's ownership and affiliates and a search of RSM InTrust by the engagement team for any potentially impermissible nonattest services that may have been provided to the prospect/client and their affiliates by our firm or members of the RSM International (RSMI) network.

RSM InTrust is our system for domestic and international independence. This system captures data related to our firm clients and each RSMI member firm's international and public interest entity clients, the affiliates of those clients, and close business relationships with clients and their affiliates, as well as information on any nonattest services performed for those clients or affiliates. This system is used by RSMI member firms to support the performance of international conflict and independence checks to identify services and relationships with other RSMI member firms. Our professionals are educated about prohibited nonattest services, and it is the audit engagement partner's responsibility to monitor all nonattest services performed across each client relationship. Our professionals consult with members of our National Office of Ethics and Independence when they have questions regarding a particular service or business relationship.

Acceptance and continuance of clients and engagements

Our policies and procedures for the acceptance and continuance of client relationships and specific engagements are designed to provide reasonable assurance that we will undertake or continue relationships and engagements only where we (a) have considered the integrity of the client and the risks associated with providing services in the circumstances, (b) are competent to perform the engagement and have the capabilities and resources to do so, (c) can comply with the applicable legal and ethical requirements, and (d) can reach an understanding with the client regarding the nature, scope and limitations of the services to be performed.

Just as our clients are selective in their choice of CPA firms, we are selective in accepting clients. Our client acceptance and continuation policies and procedures require the prospective engagement leader to carefully evaluate the prospective client prior to acceptance by:

-  Evaluating the integrity and competence of top management, those charged with governance, advisors and majority owners
-  Evaluating the organizational structure, ownership, business model, reputation and financial condition
-  Reviewing our independence requirements to determine compliance with respect to the prospective client
-  Ensuring that we have qualified professional staff and other functional and industry specialists available

Acceptance of all prospective clients must be approved by an assurance leader or their designee. The acceptance of prospective clients that are public entities also requires the concurrence of our SEC Client Acceptance and Reevaluation Committee. Acceptance of certain prospective clients requires the concurrence of the respective member of the Professional Practice Office or national industry leader.

The engagement leader must initiate a reevaluation of each assigned assurance client prior to each year's engagement. Factors to be considered include, but are not limited to, a significant change in top management; a significant change in the nature, size or structure of the client's business; and certain prior-year audit findings. The engagement leader must obtain concurrence with client continuance from the assurance leader or their designee.

When certain engagement risk criteria are present, approvals from the Professional Practice Office, the audit quality and risk leader, the national industry leader, and the Office of Risk Management are also required.

In addition, for assurance clients that meet certain defined risk criteria, including when an entity is an issuer, approval for acceptance or continuance of the client relationship must be obtained from our Client Acceptance and Reevaluation Committees. These committees also evaluate certain issues related to audit quality, such as:



The experience, qualifications and workload of the engagement partner, engagement quality reviewer and other key engagement personnel



The identification of risks unique to the entity and the anticipated audit responses



The requirements for the involvement of subject matter experts or consultants and internal and external specialists



Potential independence matters, including the provision of nonattest services by RSM US or affiliates of the firm to the prospect or their affiliates

Our CLEAR application assists engagement teams in performing consistent and comprehensive evaluations of engagement risk, facilitates our independence and business conflict checks process, helps ensure that the engagement team has the requisite competency and experience, and provides our assurance leadership with deeper insight into the risk profile of our client portfolio. In assessing engagement risk, our CLEAR application considers rating factors such as industry, financial condition, governance, management, control environment, size, complexity and international reach. In addition to providing for the approval of engagement acceptance or continuance and engagement staffing, this application identifies significant factors contributing to increased risk, the need for the involvement of subject matter experts or specialists, matters requiring consultation, and other engagement risks. Early identification of issues and risks allows us to plan and perform more effective and efficient risk-based audits. This application also provides information that is used to evaluate our client portfolio more effectively at the partner, industry, office and service line levels.

Engagement team management

Engagement team management includes recruitment, retention, promotion, professional development and assignment of individuals to engagement teams. Our policies and procedures are designed to provide reasonable assurance that we have sufficient professional personnel with the capabilities, competence, time and commitment to ethical principles necessary to perform our engagements in accordance with professional standards and regulatory and legal requirements and to enable our firm to issue reports that are appropriate in the circumstances. Our personnel management begins with hiring the right people.

Recruitment, retention and promotion

Personnel for fiscal year ended April 30, 2024 (all positions except CPAs expressed as full-time equivalents)	All professional personnel	Assurance personnel
Partners and principals	1,103	407
Directors and managers*	3,856	848
Professional staff	8,108	2,550
CPAs	4,200	1,674

*Includes managing directors, senior directors, senior managers and managers

Our firm proactively seeks to employ individuals who have an aptitude for the profession and high levels of intelligence, integrity and motivation. We establish minimum qualifications and guidelines for evaluating potential hires and ensure that the personnel hired possess the appropriate characteristics that enable them to perform competently. Our recruiting activities are performed by experienced professionals who have been provided with both formal and informal training in the selection process.

Our professionals participate in annual goal-setting and performance evaluation processes. In the evaluation of an individual's performance, many elements are considered, including work quality, client service excellence and expertise, people management and relationships, productivity, and contribution to the firm's growth. The attainment of audit quality goals is incorporated in the evaluation

and compensation of our assurance professionals. All professionals are also assessed against our values of respect, uncompromising integrity, succeeding together, excellence in all we do, and meaningful innovation and stewardship.

The performance evaluation results have a direct effect on compensation and promotion. Individuals recommended for promotion to partner must undergo an extensive nomination, interview and internal vetting process. Assurance partner nominees must meet rigorous firm standards related to audit quality and expertise, client service excellence, people management, leadership in upholding firm values, and contribution to the firm's profitability and growth. Our national and people leaders have extensive input in the promotion process. The final list of promotions is approved by the managing partner and the firm's board of directors.

Our firm's partner evaluation process and compensation program are administered by the Income Allocation Committee. An important component of the partner evaluation is the assessment of quality. To assess the performance of assurance partners, assurance leaders use a quality assessment tool, which includes a quality rating for all engagements that have been subjected to inspection. The board of directors approves the annual partner compensation plan and forfeitures schedule for penalties imposed for material breaches of professional standards and firm policies, and negative quality events.

Professional development

Given the complexity of accounting and auditing standards, auditing requires technical training and maintenance of professional credentials.

All partners in the firm are CPAs, and non-CPA owners are principals. Our firm and its individually licensed CPAs are regulated by a number of state and federal requirements. All CPAs must be licensed in the state in which their office is located.

Capabilities and competence are developed through professional education, continuing professional development, work experience and mentoring by more experienced personnel.

Investments in training

We have always focused on training all our professionals to ensure they are prepared to meet the challenges of our profession. We take a holistic approach to training and develop a strategy for all professional levels within the firm. Our annual professional development planning process includes assessing participants' needs and comparing them to our existing curriculum to identify new program needs and necessary revisions to existing programs. This process includes input from national leaders as well as from auditors who are practicing in the field, which results in current and relevant training that is adapted for changing professional standards and responsive to inspection findings. The professional development policies, curriculum and training schedule are determined by the firm's National Professional Standards Group and Office of Risk Management and are communicated to our professionals through our online catalog. The learning strategy is determined by the firm's Assurance Learning Governance Council, a body comprising assurance leaders from across the practice; they set the strategy of assurance learning to align with the present and future needs of the assurance line of business, the firm and the assurance profession.

In accordance with professional standards, all client service professionals (both CPAs and non-CPAs) are required to obtain at least 20 credits of qualifying continuing professional education (CPE) every year and at least 120 credits over a rolling three-year period. All accounting and assurance professionals are required to obtain at least 40% of the required CPE (eight credits in any one year and 48 credits every three years) in accounting and auditing subjects. All client service professionals performing professional services for clients are required to obtain training on independence standards near the time of initial employment and periodically after that. Each professional, with their performance advisor, is responsible for seeing that their curriculum fits acceptably within the annual guidelines. Our regulatory compliance group monitors compliance with the requirements.

Professional personnel participate in general and industry-specific CPE and professional development activities that enable them to accomplish assigned responsibilities and satisfy applicable CPE requirements. We test participants to measure the effectiveness of all required and self-study courses.



We proactively equip our engagement teams with the knowledge, tools and resources needed to perform quality audits. In addition to fulfilling licensure requirements, our on-the-job training and continuing professional education courses foster individual learning that challenges our auditors to demonstrate their understanding of the content as they progress."

–Joel Shamon, Enterprise Assurance Leader

Self-development is an important element of professional development. We have various leadership and soft-skill learning opportunities available to help elevate our people, in addition to providing technical training. Our firm has acquired, on an electronic subscription basis, standards promulgated by the Financial Accounting Standards Board, Governmental Accounting Standards Board, AICPA, U.S. Government Accountability Office, Office of Management and Budget, and PCAOB. Our manuals are revised, updated periodically and made available to all assurance personnel through electronic databases. Each assurance professional receives our newsletter of professional development twice monthly.

Coaching and mentoring

Our firm recognizes that on-the-job development is a significant component of professional development. Partners, managing directors, senior directors, senior managers and managers are encouraged to interact directly with the engagement team members, either in person or virtually, to perform reviews, coach and provide feedback. This interaction allows the knowledge, experience and values of the more experienced professionals to enhance training and audit quality. Timely engagement evaluations provide our professional staff with instructive feedback on their engagement performance. Advanced professionals are evaluated, in part, on their effectiveness in training and developing others.

Our national office offers rotation programs for managers and senior managers in the National Professional Standards Group and the Office of Risk Management. This program provides auditors opportunities to develop or deepen technical and leadership skills. After their rotation they are deployed back into the field to build extensive knowledge in our assurance practice.

Responsibilities vary but typically include:

- Participating in external outreach activities (e.g., serving on task forces, supporting national office members on standard-setting committees, drafting comment letters)
- Owning strategic initiatives (e.g., developing firm responses to new accounting or audit standards)
- Developing content for manuals and tools
- Developing and delivering training
- Providing supervised formal and informal consultations with client service professionals

Assignment of engagement teams

Our firm assigns an individual to a specific engagement after considering the professional competence and industry experience of the individual, together with the degree of knowledge, skills and abilities required in the circumstances. Our policies also require the assignment of internal information technology, tax, valuation and other specialists in certain circumstances. In addition, these policies provide guidance on the responsibilities to be discharged by various members of the engagement team.

Our firm has made substantial investments in India as part of a long-term strategy to ensure RSM US continues to lead the middle market by leveraging global resources, supplemental capabilities and advanced digital tools to empower our people to deliver high-quality services and added value to the clients we serve. Our India team includes experienced and credentialed professionals who provide support across all lines of business and service lines and adhere to our firm's quality and risk management protocols and procedures. Within the assurance line of business, our India team members are embedded as members of engagement teams performing procedures aligned with our policies and methodologies under the supervision and review of the team members and leaders.

Our firm has established qualification and performance expectations for the various levels of responsibility within the firm. The Office of Risk Management, in consultation with our assurance leadership and Professional Practice Office, approves a list of professionals who have authorizations within our quality management system. This list identifies individuals by industry and engagement risk rating who are authorized to serve as engagement leaders and managers, engagement quality reviewers, and SEC compliance reviewers.

Leverage ratio of assurance team member hours (fiscal year ending)			
Staff level	2024	2023	2022
Partners to directors/managers*	1 to 2.9	1 to 3.2	1 to 3.3
Directors/managers* to staff	1 to 3.3	1 to 3.1	1 to 2.8
Partners to staff	1 to 9.5	1 to 10	1 to 9.4

*Includes managing directors, senior directors, senior managers and managers

Annual risk profile review meetings are held with members of the Office of Risk Management, assurance leaders, industry leaders and members of the Professional Practice Office. The meeting objectives include review of the partner, managing director, and senior director workloads, cross-review relationships, and authorizations—all of which affect the efficacy of the partners' supervision of audit engagements. The outcomes of these meetings result in changes to authorizations or restrictions based on the collective assessment of all information presented and discussed. The data considered when reviewing the authorizations of the partner, managing director or senior director includes:

- Internal and regulatory inspection findings for engagements on which they served
- The engagements served within a particular industry, including the relative risk profile
- The number of hours worked within a particular industry
- Additional qualitative performance factors

Audit engagement performance

Audit engagement performance encompasses the planning and performing of the audit, supervision and review of the engagement, and the communication of audit results.

Planning and performing the audit

1. Gaining understanding of the client	<ul style="list-style-type: none"> ▪ Business objectives ▪ Financial performance ▪ Accounting policies ▪ Internal controls
2. Assessing risk	<ul style="list-style-type: none"> ▪ Risk of material misstatement (error or fraud) ▪ Significant risks ▪ Control deficiencies
3. Conducting further audit procedures	<ul style="list-style-type: none"> ▪ Tests of controls ▪ Substantive tests of details
4. Evaluating	<ul style="list-style-type: none"> ▪ Audit evidence ▪ Uncorrected misstatements
5. Completing delivery	<ul style="list-style-type: none"> ▪ Issue reports ▪ Governance communication

Our audit approach is carefully designed to comply with professional standards, providing a high level of audit quality and an appropriately low level of business risk. The audit approach is founded on a thorough understanding of the client's business, including the financial reporting and business control environments and the industry in which the client operates. Our knowledge of the client's business also focuses on sufficiently understanding the internal control over financial reporting to identify and assess the risks of material misstatement and developing an audit plan that is responsive to those risks.

The engagement team is required to plan the audit work to facilitate an effective audit, designing procedures that are responsive to the identified fraud risks and other risks of material misstatement. **Deployed across more than 100 countries worldwide, our optimal risk-based audit methodology, RSM Orb, is designed with a focus on the middle market and scales with client complexity to provide a robust, quality audit. This methodology enables our auditors to focus on risks and design procedures tailored to each unique circumstance and environment.** Through this approach, an RSM US audit delivers consistency, innovation, critical insights and confidence.

The nature, timing and extent of procedures performed are consistent with risk assessments made and the approach described in the planning documentation. The appropriateness of planned procedures is reconsidered when significant changes in risk factors are identified during the execution of test of controls and substantive procedures.

Confidence

through robust and considered planning, an efficient technology platform and a highly qualified, experienced team

Consistency

in our approach across any number of operations and jurisdictions, tailored to your unique risks and circumstances

Critical insights

pinpointing areas that require closer scrutiny and enhanced judgment, enabling us to be more effective in addressing risk areas and adding intellectual value

Innovation

in our use of technology to plan and conduct our work to enhance your audit experience





Our firm expects our professionals to seek assistance from persons possessing specialized knowledge whenever they encounter situations in which they lack sufficient knowledge or experience and in certain specific situations prescribed by our consultation policy. Our firm has designated subject matter experts and functional and industry specialists who provide professionals with access to knowledge and extensive experience in a variety of specialized, complex and/or unusual areas. Certain situations prescribed by our policy require consultation with the National Professional Standards Group. The overwhelming majority of these consultations are the responsibility of our Professional Practice Office personnel. This structure allows for both improved client service and audit quality.

Our tools enable the preparation of audit documentation (a) in sufficient detail to provide a clear understanding of its purpose and source and the conclusions reached and (b) in a manner that provides a clear link to the significant findings and issues. These tools also facilitate an effective review.

Supervision and review, including engagement quality review

Personnel at various levels of engagement review—including the in-charge, engagement manager and the engagement leader—evaluate whether the work was properly performed and documented, the objectives of the procedures were achieved, and the results of the work support the conclusions reached. An engagement quality review is required for all audits of public companies and in various other heightened risk circumstances. This review provides additional safeguards with respect to the financial statements and our report thereon, the sufficiency of evidential matter obtained, and the audit conclusions reached. An SEC compliance review is required when the financial statements and our report thereon will be included in a filing with the SEC or comparable federal or state agency. The purpose of this review is to determine that the financial statements, disclosures and other aspects of the filing

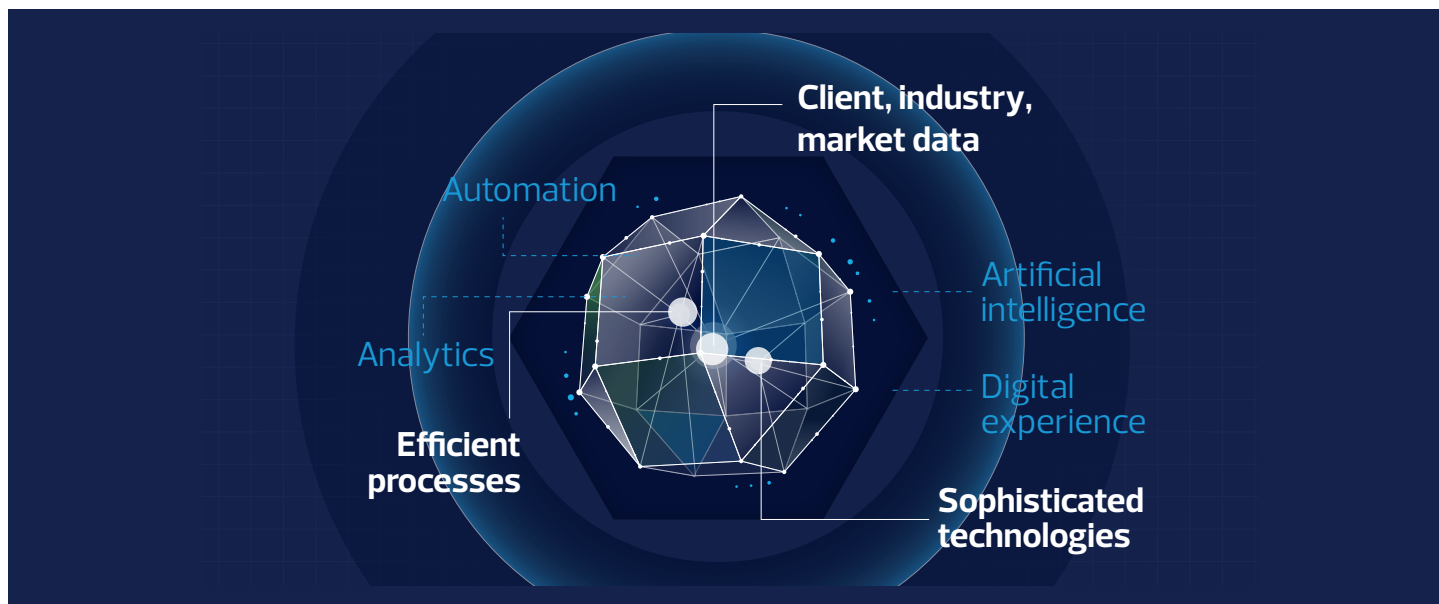
comply, in all material respects, with applicable regulations and that the disclosures in the related document are consistent with the financial statements.

Communicating audit results

Effective and timely delivery of required communications that are accurate and complete promotes important dialogue between the client and the auditor, which enhances audit quality. In audits of public companies, two-way communication between the independent auditor and the audit committee is essential. We communicate in writing and orally, as appropriate, with the audit committees of public companies regarding the following information, among other matters:

- All relationships between our firm or any affiliates of our firm and the audit client or persons in financial reporting oversight roles at the audit client that may reasonably be thought to bear on our independence with respect to the client
- An overview of the planned audit scope and timing of the audit, including information about the nature and extent of specialized skills or knowledge needed in the audit and the extent to which we plan to use the work of internal audit, company personnel and third parties working under the direction of management
- Significant risks we identified during planning and any significant changes to the planned audit strategy or identified risks
- Critical accounting policies, practices and accounting estimates
- Significant unusual transactions
- Deficiencies in internal control over financial reporting
- Uncorrected and corrected misstatements
- Critical audit matters, when applicable
- Disagreements with management and difficulties encountered in performing the audit

Technology, innovation and quality powered by RSM Luca, our digital audit ecosystem



Technological resources

The firm has obtained and developed various technological resources that support our system of quality management and performance of quality engagements.




Technological resources form part of the firm's information technology environment.

The firm has identified risks and implemented necessary responses related to IT general and application controls relevant to the system of quality management.

Audit innovation and quality enabled by RSM Luca

A focal point of our assurance practice is the drive for constant innovation. We continually invest in audit innovation because audit quality is paramount to what we do, and we want to perform audits in the most productive and effective manner possible. Our innovation strategy begins with our audit professionals, who leverage [RSM Luca](#), our global digital audit ecosystem, to deliver an industry-tailored audit based on professional standards and our understanding of our clients and their unique needs.

RSM Luca is centered around four key pillars—automation, analytics, artificial intelligence and digital experience—that increase efficiency, minimize business disruption and deliver compelling insights.

Automation 	Automated data processes are generally more efficient and accurate than manual ones. Automation accelerates the discovery, validation and analysis of exponentially larger volumes of data, enabling our auditors to deliver deeper insights into complex reporting and accounting issues. This automation, in turn, enables our auditors to focus more intently on what matters—the design and results of audit procedures related to the areas with the highest risk.
Analytics 	Data analytics capabilities provide increased scope to address questions about risk and control. Our applications use data mining and extraction tools to analyze data and gain audit insights from that underlying information. Our professionals can address a variety of business questions through approaches ranging from deploying simpler knowledge-based business rules to leveraging more advanced statistical and simulation models.
Artificial intelligence 	Machine-learning algorithms, natural language processing and data analytics tools empower our auditors to process vast amounts of financial data efficiently and devote more time to analyzing it. AI's audit impact is evident in such functions as risk assessment, anomaly detection, fraud identification and compliance testing.
Digital experience 	In today's dynamic and digital world, organizations are seeking service providers that understand the changing technology and business landscape. Client portals, secure file-sharing programs and data visualization technologies are just some of the tools that enhance your organization's experience in an RSM audit by supporting communication, transparency and delivery.



Information and communication

The firm's organizational structure and culture support information and communication as they relate to the system of quality management. A robust information and communication system and culture are essential to ensuring the exchange of information within the firm and with external parties on a timely basis. Communications from firm leadership, such as on commitment to quality, ethics and technical matters, are disseminated through various channels, including a biweekly Audit & Accounting Insights newsletter and the firm's intranet site.

Monitoring and remediation

Accountability and monitoring are critical elements of any quality management system. We are dedicated to continuously improving our quality management system and overall audit quality through proactive monitoring, internal and external inspections, and other systems of quality management monitoring. We identify areas for improvement in a variety of ways, including evaluating the root causes underlying the findings from our monitoring and examining positive outcomes the firm can support and apply more extensively. We also review published regulatory reports summarizing performance issues identified in the inspections of other public accounting firms to evaluate whether improvements in our policies and procedures in these areas are warranted. We believe that our processes can always be improved, and we continually evaluate and update our policies, methodologies, training and communications. The firm's monitoring is executed by Audit Quality and Risk Management (AQRM) and administered by our Office of Risk Management (ORM), which is led by our chief risk officer.

Internal monitoring

AQRM establishes internal monitoring policies and procedures designed to provide reasonable assurance that the policies and procedures relating to our system of quality management are relevant, adequate and operating effectively. In ensuring that our quality management policies and procedures remain relevant and adequate, changes in professional standards or other regulatory requirements applicable to our practice are considered, as are other external factors, such as industry trends, economic developments and emerging audit quality issues.

The firm's internal monitoring program is designed to evaluate compliance with our system of quality management for its assurance practice through the following:

- Inspection of the work performed for a selection of completed assurance engagements, including testing of elements of quality management performed at the engagement level
- Preissuance review of all issuers and a review of a sample of nonissuer engagements

Engagements are selected by AQRM for inspection using a risk-based approach. This approach focuses, in part, on engagements of higher risk as determined by our CLEAR application discussed previously and other audit risk factors. AQRM also ensures the selection of a reasonable cross-section of engagement types and industries. Engagement leaders are selected for inspection at least once every three years, but in some instances may be selected more frequently to incorporate an element of unpredictability. Inspections are performed by competent and objective national office and assurance professionals. Approximately 186 engagements were inspected during our 2024 inspection program, constituting 3% of the firm's total assurance hours.

Quality results are achieved not only from the procedures performed on specific engagements but also from certain general functions that have an impact on all engagements and are administered by the firm. ORM and AQRM assess the quality of the design, implementation and operation of these functions by monitoring the risks and controls existing in the following areas:

- Independence and ethical requirements
- Client acceptance and continuance
- Governance and leadership
- Resources (including human, intellectual and technology)
- Information and communication
- Continuing professional education

Focus group sessions are held within each assurance line.

The purpose of these sessions, which include discussions with senior associates/supervisors and additional meetings with managers/senior managers, is to gain insights about a) attitudes with respect to audit quality and tone at the top, and b) the adequacy of key processes.

An application is used to gather, sort, store and use information obtained through our internal monitoring program.

Engagement-specific results and an engagement-quality rating are reported to the engagement leader and the assurance service line leader. Inspection findings are remediated, as required by professional standards. The results of all inspections are accumulated and reported to the Risk Oversight Committee of the firm's board of directors.

In connection with ISQM 1 and SQMS No. 1, the firm also performs operating effectiveness testing for controls in the system of quality management using proactive, ongoing and periodic monitoring that allows for iterative changes in response to the firm's quality objectives, quality risks, responses and controls. Any exceptions identified in testing are evaluated to determine if a finding or deficiency exists. A timely and robust root cause analysis is performed on identified deficiencies and may also be performed on other exceptions to testing.

The firm has invested in technology, including various data analytics tools, that is incorporated into the monitoring process, further supporting timely, data-driven results.

Complementary to the monitoring plan, the firm has established a remediation plan to take appropriate actions to respond to identified findings and deficiencies such that deficiencies are remediated timely and responsive to the underlying root causes. Although the nature, timing and extent of remediation may vary, all remedial actions are developed in collaboration with the control operators, assurance leadership, the chief risk officer and others as deemed appropriate.

International network

RSMI maintains an ongoing program of annual globally coordinated inspections to assess compliance with applicable professional standards and alignment with RSMI policies, procedures and methodologies. Each member firm was required to adopt ISQM 1 and maintain a system of quality management designed to provide reasonable assurance that the firm and its personnel comply with professional standards and applicable regulatory and legal requirements for all professional services it provides, and that reports and any other deliverables issued or provided by the firm or its personnel are appropriate and suitable in the circumstances.

The RSMI Global Quality Committee establishes policies and guidelines for both RSM member firm inspections and the RSM global inspection program. RSMI's Global Independence Committee provides oversight of independence matters, including updating RSMI global ethics and independence policies, monitoring member firms' compliance with such policies, and recommending actions at the RSMI member-firm level to facilitate compliance with those policies. Further information regarding the structure and functions of the RSMI network is available in the [RSM Global Annual Review](#).

The RSM member firms in 29 countries are registered with the PCAOB and subject to its inspection and oversight protocols. This association provides representation in most major countries, enabling us to serve our client base effectively. For audit work required to be performed by a

PCAOB-registered firm in countries where the member firm is not registered with the PCAOB, other arrangements are made in accordance with the PCAOB's rules and regulations.


External monitoring

Our firm is subject to external inspections annually by the PCAOB, triennial peer review requirements of the AICPA, periodic DOL inspections, as well as other regulatory inspections.

We support the PCAOB's inspection process and believe that its inspection comments and observations have helped us enhance the quality of our audit engagements.

The PCAOB report on each inspection includes public and nonpublic portions. The public portion includes an overview of the PCAOB's inspection procedures and the PCAOB's observations on certain engagements subjected to inspection. The nonpublic portion of each inspection report reflects the PCAOB's observations about the firm's audit performance as a whole and its system of quality management.

The most recent report issued by the PCAOB with respect to its inspections of our firm is the 2023 inspection report, dated June 12, 2024. The 2023 inspection included, among other matters, reviews of 17 audits of issuers with fiscal years ending in 2022. The PCAOB's comments within the nonpublic portion of its most recent report were generally consistent with the findings in the public portion, which is available on the PCAOB's website at pcaobus.org. The PCAOB's report on its 2024 inspection of our firm has not yet been issued.



The PCAOB made public portions of Part II of its reports on the 2018 and 2019 inspections of our SEC audit practice. Part II of a PCAOB inspection report contains findings on the firm's overall quality control system. It remains confidential unless the PCAOB determines that a firm has not made satisfactory progress on remediating those findings. We have instituted mandatory training, new tools and guidance, and other substantial remedial measures that we believe have had, and will continue to have, a positive impact on audit quality in these areas. We take these comments seriously and are committed to the highest standards of audit quality.

Our firm is also subject to the triennial peer review requirements of the AICPA. The peer review focuses on the firm's non-SEC assurance practice and is conducted by another licensed CPA firm. Our system of quality management for the accounting and assurance practice applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended April 30, 2022, was subject to peer review by the firm Forvis Mazars. **Under the peer review standards, firms can receive a rating of pass, pass with deficiency(ies) or fail. Our firm received a peer review rating of pass. Likewise, the most recent DOL inspection of our firm's employee benefits plan audit practice, conducted in 2022, resulted in no findings.**

We address any deficiencies from our internal and external inspections in a timely manner. We carefully evaluate the root causes of the matters identified by our external inspections and initiate actions appropriately responsive to the root cause to remediate and address such matters, which may consist of revising policies; issuing guidance, tools or communications; or developing training. For each PCAOB report that contains nonpublic quality control criticisms, we prepare a written response to the nonpublic portion of the report indicating our plans to improve audit quality as a result of their inspection findings.

Additionally, our firm has implemented a Quality Control Inquiry Committee (QCIC), which reports results to the Risk Oversight Committee of the firm's board of directors. The QCIC assists in determining the root cause of and corrective action for triggering negative quality events. The firm believes that understanding the root cause and ensuring accountability are key to improving future performance.

Our commitment to **audit quality** and **professional excellence**



Brian Becker

Managing Partner & CEO

The financial reporting world has changed significantly over the past several years and will continue to do so. Most notably, entities are affected by new accounting standards and technological advancements. The availability of more data creates opportunities to leverage AI and other advanced technologies for greater accuracy and efficiency. Evolving cyber risks pose real threats of data breaches and fraud. All of these changes, and many others, are addressed through evolving practices and vast amounts of resources expended by both financial statement preparers and their auditors.

Although today's financial reporting changes involve learning how to implement new rules and advanced technology, the same could be said about the financial reporting process for centuries past. But the process has always been focused on the same objective, which is to provide useful information for decision making by investors, management, buyers and suppliers.

Regardless of the number or types of changes that challenge the financial reporting world, the undergirding components of the financial reporting supply chain stay the same. Governing bodies, such as boards of directors and audit committees, must have effective corporate governance, including clear ethical mandates, and they must be competent to oversee the financial reporting. Financial statement preparers and management are bound to comply with the governance and likewise must be competent in staying up to date with changing requirements. External auditors must stay focused on applying due professional care in the provision of high-quality audits, which are built on the principles of integrity, competence, objectivity and independence in our profession.

At RSM US, we remain committed to these principles. How we inform our clients and train our people about impending accounting standards evolves with the standards. We tailor our procedures to respond to the benefits and risks of new technology. However, in the midst of these changes, our underlying commitment to audit quality and professional excellence stays the same.

A handwritten signature in blue ink that reads "Brian J. Becker". The signature is fluid and cursive, with a large initial "B".

Brian Becker, Managing Partner & CEO

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