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RSM team

August 2024

# RSM US LLP audit quality report

Our commitment to audit quality and  
professional excellence

# Report contents

<b>Introduction</b>	<b>3</b>
<b>Approach to quality management</b>	<b>4</b>
<b>Firm culture, governance and leadership</b>	<b>4</b>
Culture	4
Firm governance	5
Leadership	5
<b>Ethics and independence</b>	<b>7</b>
Ethics	7
Independence	7
<b>Acceptance and continuance of clients and engagements</b>	<b>8</b>
<b>Engagement team management</b>	<b>9</b>
Recruitment, retention and promotion	9
Professional development	10
Investments in training	10
Coaching and mentoring	11
Assignment of engagement teams	12
<b>Audit engagement performance</b>	<b>13</b>
Planning and performing the audit	13
Supervision and review, including engagement quality review	14
Communicating audit results	14
<b>Technology, innovation and quality powered by RSM Luca, our digital audit ecosystem</b>	<b>14</b>
Technological resources	14
Audit innovation and quality enabled by RSM Luca	14
<b>Information and communication</b>	<b>15</b>
<b>Monitoring and remediation</b>	<b>15</b>
Internal monitoring	16
International network	17
External monitoring	17
<b>Our commitment to audit quality and professional excellence</b>	<b>18</b>



## Introduction

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, by itself, defines audit 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 resources.

Each of these elements has one common and important thread—our people. Ultimately, audit quality is determined by an organization's people—by what they do and what they 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, our partners, principals and our 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 job one.

A handwritten signature in black ink, appearing to read "Joel Shamon".

Joel Shamon, enterprise assurance leader

A handwritten signature in black ink, appearing to read "Sara Lord".

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 the International Auditing and Assurance Standards Board's (IAASB) International Standard on Quality Management 1 (ISQM1), as well as the American Institute of Certified Public Accountants (AICPA) Statement on Quality Management Standards No.1 (SQMS1). We are in the process of assessing and implementing the Public Company Accounting Oversight Board (PCAOB)'s recently issued quality control standard QC 1000, which, if approved by the Securities and Exchange Commission, will be effective on 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 be responsive 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 & Risk Management group and evaluated by our managing partner and chief executive officer.

**In 2023, we performed our first annual evaluation of our system of quality management in accordance with ISQM1 and SQMS1. We concluded that as of December 15, 2023, our system of quality management 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, it is expected that each engagement leader establishes a tone at the top for the engagement 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.

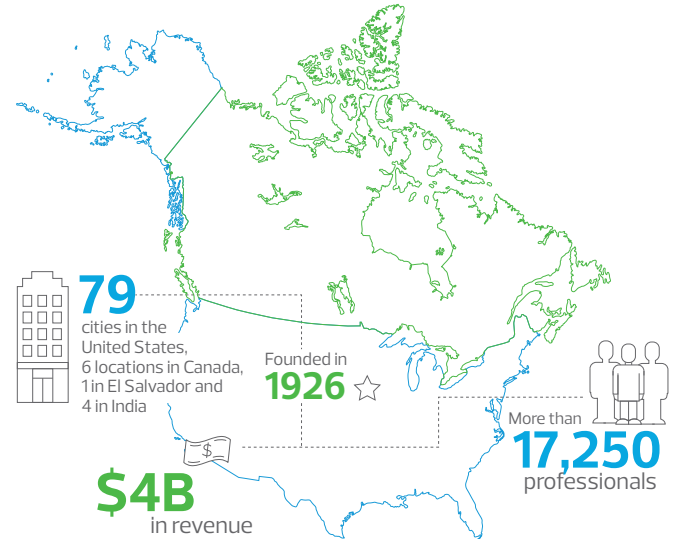
Our firm is one of the founding members of RSM International, the world's sixth-largest network of independent assurance, tax and consulting firms. Member firms comprise over 64,000 people from about 820 offices in 120 countries. Members must have well-established practices of high local standing.

We continually work to protect our reputation and deliver service in a way that is aligned 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 the professional judgments they make daily. We are committed to continuing to invest in a culture of exercising sound professional judgment and exercising the objectivity, due professional care and professional skepticism required by professional standards.

Every RSM professional brings unique insights for objective problem-solving, coaching, consultation and improvement. We believe diversity and inclusion promote well-balanced, collaborative teams, resulting in a variety of viewpoints and providing a more meaningful overall experience for our employees. We approach our commitment to a diverse workplace in several ways, including through dedicated leadership, thoughtful recruitment, meaningful training and extensive investment in employee network groups and diverse professional organizations.





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

**46.2%**

of the workforce in 2023 were women **(compared to 46.1% in 2022)**

**25.3%**

of employees in 2023 were racially or ethnically diverse **(compared to 25.1% in 2022)**



## Firm governance

Our firm's partnership agreement provides the foundation for its 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 have been the hallmark of the firm since its inception in 1926.

The [board of directors](#) for RSM US LLP consists, at a minimum, 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 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 and chief executive officer, and a [cross-functional leadership team](#) charged with the strategy development and management of the firm.

### Leadership responsibilities for quality management within the firm

<b>System of Quality Management Responsibilities</b>	The managing partner and chief executive officer 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.
<b>Office of Risk Management</b>	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.
<b>National Professional Standards Group</b>	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 SEC reporting.



“**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 independence leader
Chris Boettger	Enterprise risk operations leader

**1:11**

Ratio of National Professional Standards Group partners to assurance partners

– Fiscal year ended April 30, 2024



#### Leadership involvement in professional organizations

RSM US LLP 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



Employee Benefit Plan Audit Quality Center Executive Committee



Governmental Audit Quality Center



RSM CEO, **Brian Becker**, currently serves as vice chairman on the **Center for Audit Quality**

RSM chief auditor, **Sara Lord**, serves as chair of the **AICPA Auditing Standards Board** and as a member of the **PCAOB Standards and Emerging Issues Advisory Group**

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, first-hand knowledge of proposed and final standards and other developments affecting auditing, financial reporting and related practice issues.

## 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 partners, principals and employees are required to complete a Code of Conduct survey where 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 individual 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 reference to 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 its 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, close business relationships with clients and their affiliates, and whether any nonattest services are performed for them. 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

We establish policies and procedures for the acceptance and continuance of client relationships and specific engagements 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 evaluate carefully 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 prospective client's organizational structure, ownership, business model, reputation and financial condition
- ✓ Reviewing our independence requirements to determine compliance with respect to the prospective client
- ✓ Ensuring that qualified professional staff and other functional and industry specialists are 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 who 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 and engagement quality reviewer, as well as the experience, qualifications and workload of 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 LLP or other affiliates of the firm to the prospect or its 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 assure 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 arriving at an engagement risk assessment, our CLEAR application considers several risk-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. We establish policies and procedures designed to provide reasonable assurance that we have sufficient professional personnel with the capabilities, competence, adequate 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-related information— fiscal year ended April 30, 2024 (in full-time employees, except the number of CPAs)	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 with an aptitude for the profession who possess 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. When evaluating an individual's performance, many elements are considered, including quality, client service and expertise, people management and relationships, productivity and business 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 and uncompromising integrity, succeeding together, excellence in all we do, impactful innovation and stewardship.

The results from the performance evaluations have a direct effect on compensation and promotion. Individuals recommended for promotion to a 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, the leadership of firm values, 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 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 quality of assurance partners, assurance leaders use a quality assessment tool, which includes, among other information, 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 in our firm. 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 proactively 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. We have an annual professional development planning process that includes an assessment of participants' needs as compared 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 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 National Professional Standards Group and Office of Risk Management, and they are communicated to our professionals through our online catalog. The learning strategy is determined by the Assurance Learning Governance Council, a body comprised of assurance leaders from across the practice; they set the strategy of assurance learning as it aligns with the present and future needs of the assurance line of business, firm and 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 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% (eight credits in any one year and 48 credits every three years) of the required continuing professional education 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 annually after that. Each professional, with their career 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 continuing professional education 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.

The RSM Industry Eminence Program provides forward-looking industry insights to external client servers and clients. In this program, selected professionals at the manager level and above commit to a deeper understanding of the trends that affect specific industries. Participants are provided access to external training and resources and are expected to serve in three-year rotations as industry subject matter experts.

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**“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 have direct interaction with the engagement team members, either in person or virtually, where they can perform their reviews, coach and provide feedback. This interaction allows the knowledge, experience and values of the more experienced professionals to affect training positively while enhancing 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. Then, they are deployed back into the field after their rotation to build extensive knowledge in our assurance practice.

Responsibilities vary but typically will include:

- Participating in external outreach activities (e.g., task forces, supporting national office members on standard-setting committees, drafting comment letters)
- Owning strategic initiatives (e.g., development of 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 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
Partner 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
Partner 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, among other matters, a review of the partner, managing director and senior director workload, cross-review relationships and authorizations—all of which affect the efficacy of the partner's 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 at these meetings. The data considered when reviewing the authorizations includes:

- Internal and regulatory inspection findings for engagements on which the partner, managing director or senior director 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 communication of audit results.

## Planning and performing the audit

Understand the client	Risk assessment	Further audit procedures	Evaluation	Delivery
<ul style="list-style-type: none"> <li>▪ Business objectives</li> <li>▪ Financial performance</li> <li>▪ Accounting policies</li> <li>▪ Internal control</li> </ul>	<ul style="list-style-type: none"> <li>▪ Risk of material misstatement (error or fraud)</li> <li>▪ Significant risks</li> <li>▪ Control deficiencies</li> </ul>	<ul style="list-style-type: none"> <li>▪ Tests of controls</li> <li>▪ Substantive analytical procedures</li> <li>▪ Substantive tests of details</li> </ul>	<ul style="list-style-type: none"> <li>▪ Audit evidence</li> <li>▪ Uncorrected misstatements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Issue reports</li> <li>▪ Governance communication</li> </ul>

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 understanding the internal control over financial reporting that is sufficient to identify and assess the risks of material misstatement and developing an audit plan that is responsive to those risks.

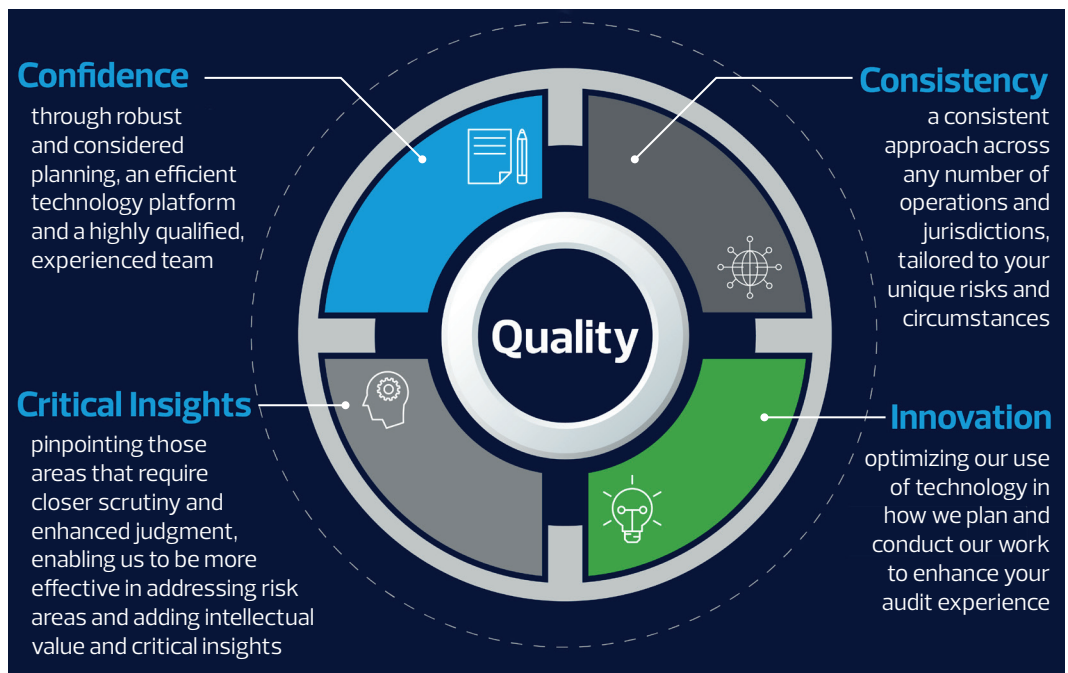
The engagement team is required to plan the audit work so that an effective audit is performed, designing procedures that are responsive to the fraud risks and other risks of material misstatement identified. **Deployed across more than 100 countries worldwide, our optimal risk-based audit methodology, 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.**

Thereby, an RSM 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 tests of controls and substantive procedures.

Our firm expects its 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. In addition to audit documentation supporting the audit opinion, these tools facilitate an effective review.





## Supervision and review, including engagement quality review

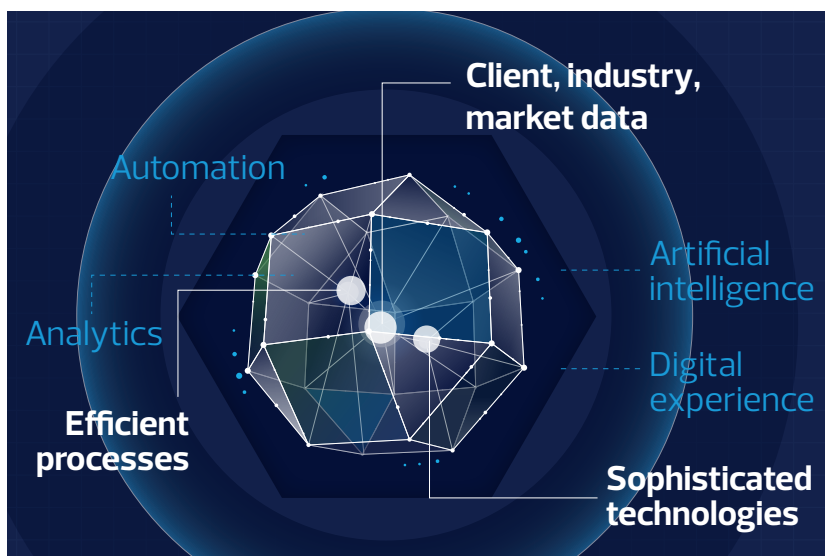
Various levels of engagement review, including those by the in-charge engagement manager and engagement leader, evaluate whether the work was performed and documented, the objectives of the procedures were achieved, and the results of the work support the conclusions reached. An engagement quality review is required for audits of public companies and in various other circumstances. This review provides additional assurance 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 provide reasonable assurance that the financial statements, disclosures and other aspects of the filing are in compliance 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 audit committees of public companies 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 its system of quality management and performance of quality engagements.

Technological resources form part of the firm's information technology (IT) 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 cover the range of business questions from simpler knowledge-based business rules to more advanced uses of 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 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 assuring 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 elements of quality management performed at the engagement level
- Preissuance-focused review of a sample of issuer and 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 Client Engagement Assessment of Risks (CLEAR) application discussed previously and other audit risk factors. AQRM also ensures a reasonable cross-section of engagement types and industries are selected. Engagement leaders are selected for inspection at least once every three years. In some instances, engagement leaders may be selected more frequently to incorporate an element of unpredictability. Inspections are performed by competent and objective national offices and assurance professionals. Engagements inspected during our 2023 inspection program consisted of approximately 175 engagements, or 3% of the firm's total assurance hours.

Quality results 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 seniors/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.

### **In connection with ISQM 1 and SQMS 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 to 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.

### **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.

### **The firm has invested in technology, including various data analytics tools, which are incorporated into the monitoring process, further allowing for 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

RSM International (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 it with reasonable assurance that the firm and its personnel comply with professional standards and applicable regulatory and legal requirements for all professional services provided by the firm, 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 (GQC) establishes policies and guidelines for both RSM member firm inspections and the RSM global inspection program. The GQC Independence Subcommittee provides oversight of independence matters, including updating RSMI Global Ethics and Independence Policies, monitoring member firms' compliance with such policies, and recommendations for actions at the RSMI member-firm level to facilitate compliance with those policies. Further information regarding the structure and functions of the RSM International network is available in the [RSM Global Annual Review](#).

The RSM member firms in 26 countries are registered with the PCAOB and subject to its inspection and oversight protocols. This association provides representation in most major countries needed to service our client base. 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, which is 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](https://pcaobus.org). The PCAOB's report on its 2024 inspection of our firm has not yet been issued.

The PCAOB recently made public portions of Part II of its reports on the 2018 and 2019 inspections of RSM US LLP's 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 of 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 results of the DOL inspections of our firm's employee benefits plan audit practice, the most recent of which was 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 or communications, or developing training. We prepare a written response to the nonpublic portion of the PCAOB 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) that reports to the Risk Oversight Committee of the firm's board of directors. The QCIC assists in determining the root cause and corrective action for triggering negative quality events. The firm believes understanding the root cause and accountability is key to improving future performance.

## Our commitment to audit quality and professional excellence



Things have changed significantly in the financial reporting world over the past several years and will continue to change. Most notably, entities are affected by new accounting standards and technological advancements. The availability of more data allows for AI and sophisticated estimates. Evolving cyber risks pose real threats to 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. The process, however, has always been focused on the same objective, which is to provide useful information for decision making, regardless of whether those decisions are being made by investors, management, buyers or suppliers.

No matter 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 all of the 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, 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 black ink that reads "Brian J. Becker". The signature is written in a cursive, professional style.

Brian Becker, managing partner and chief executive officer



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