

# AUDIT QUALITY REPORT

*FEBRUARY 2024*



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## RUBINBROWN AUDIT QUALITY REPORT

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February 2024

To our clients, friends and other stakeholders:

We are pleased to present our audit quality report. Audit quality is an important part of our profession. Clients, prospective clients, lenders, shareholders, regulators and other stakeholders are increasingly interested in ways to measure and judge the quality of an audit. Superior quality and service remains our first core value.

This audit quality report begins with a discussion of leadership and "tone at the top." We believe that audit quality starts with a strong commitment to quality from senior leadership.

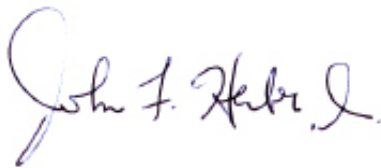
We then discuss the importance of independence, objectivity and skepticism. These are a cornerstone to the audit process.

The report also describes our processes for engagement acceptance, continuance, and audit methodology. These processes are designed to ensure the delivery of high quality audits.

Finally, we discuss professional development and competency, as audit quality ultimately requires dedicated and experienced professionals to make the complex human judgments required in an audit engagement.

We look forward to any feedback you have for us and thank you for your interest in this important topic.

Sincerely,



**John F. Herber, Jr., CPA, CGMA | Chairman**



**Felicia M. Malter, CPA, CGMA | Partner-In-Charge, Assurance Services Group**

## Mission Statement

RubinBrown helps its clients build and protect value, while at all times honoring the responsibility to serve the public interest.

## Core Values

- > 1  
Superior Quality & Service
- > 2  
Devotion to the People of RubinBrown
- > 3  
Teamwork
- > 4  
Objectivity & Integrity
- > 5  
Competence
- > 6  
Devotion to our Community & Profession
- > 7  
Innovation & Continuous Improvement
- > 8  
Vision
- > 9  
Having Fun

## Firm Leadership

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RubinBrown's leaders are fully committed to audit quality. That commitment is reflected by the firm's mission statement and core values. RubinBrown's reputation for superior quality and service is one of our most valuable assets. This asset is entrusted with each team member and is protected without compromise. The firm's leaders reinforce the commitment to audit quality and adherence to all professional standards through regular, internal communications to team members, and continued investments in quality control systems. Due to the growth of RubinBrown and the increasingly complex economic and regulatory environment, significant investments have been made in quality infrastructure over the past several years. The quality control system is based on the firm's Quality Control Document, which covers the following areas:

- > Leadership Responsibility for Quality
- > Relevant Ethical Requirements
- > Client Acceptance and Continuance of Engagements
- > Human Resources
- > Engagement Performance
- > Monitoring

## Independence, Objectivity and Skepticism

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Independence is a cornerstone to the audit process. We must be independent in both fact and appearance to comply with professional standards and to honor our responsibility to serve the public interest. RubinBrown has a written conflict of interest policy and independence systems in place that ensure the firm is independent of our audit clients at all times. Further, each team member must certify their independence annually and selected certifications are verified through a separate inspection process. The determination of independence under professional standards can be complex, and the

firm's leaders frequently consult with team members on questions of independence to ensure strict compliance.

An auditor must be objective and maintain professional skepticism throughout the audit. Each team member receives annual training and frequent reminders on these topics. Team members are also encouraged to express their views, even if they are dissenting views. As a final safeguard, the firm has a whistleblower policy, including an anonymous internet based hotline to report questionable activity.

## Engagement Acceptance and Continuance

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RubinBrown has written engagement acceptance policies that require an analysis of the prospective client, including an assessment of the integrity of management. Each new audit client must be approved by firm leadership before final acceptance as a client. RubinBrown takes great care to accept clients only where the firm's resources and expertise are compatible with the client's needs.

We also review the firm's existing audit clients for continuance annually. This process includes an analysis of changes in the client's businesses, management, and engagement risks and is reviewed by firm leadership. While it is an uncommon occurrence, RubinBrown has disengaged from client relationships in order to protect the firm's professional reputation and uphold our responsibility to serve the public interest.

## Audit Methodology

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The firm's audit methodology starts with the assignment of an appropriate engagement team. Each audit is led by a partner, who assembles the engagement team with audit team members and firm specialists, as appropriate. Firm leadership periodically reviews the engagement teams to ensure that the appropriate level of expertise is present in each team. Engagement team composition, including the engagement partner, is monitored to ensure that all team members have adequate time capacity to complete engagements with the highest quality. Firm specialists supplement the core audit team to assist in the most complex areas of the engagement, such as income taxes, valuation and complex accounting matters.

The engagement team prepares an audit plan using a "top-down" risk assessment approach. This approach considers the risks of material misstatement within the financial statements and the client's internal control structure. The engagement team discusses the risks of material misstatement, including fraud risks. Once an audit plan is prepared, it is executed by the audit team under the supervision of the engagement partner. The engagement partner is responsible for leading the audit team and reinforcing the importance of objectivity and professional skepticism. For all public company audits, a second partner performs a pre-issuance engagement quality review. A risk based selection of nonpublic audits is also subjected to the pre-issuance engagement quality review process.

In today's business environment, audit teams frequently encounter complex transactions. RubinBrown's policy of required and recommended consultations provide guidance to team members facing these types of situations. Firm leadership promotes both formal and informal consultations to

ensure compliance with professional standards and to provide a learning environment for team members. RubinBrown's culture encourages team members to collaborate and consult with staff, managers and partners in order to reach appropriate accounting and audit conclusions so that "no one is on an island."

RubinBrown's audit results are reported to those charged with corporate governance, which may be an audit committee, board of directors, or similar group. Our communications include the planned scope of the audit, significant accounting issues and estimates, corrected and uncorrected misstatements, material weaknesses and significant deficiencies in internal controls over financial reporting, and independence matters.

The audit team documents its work electronically in a secure audit software. The audit documentation includes evidence of the planning, performance and review of audit tests, and the overall conclusions reached in the audit. The firm makes substantial investments in audit technology. These investments include improvements in audit methodology, workflow and data analysis. As a result, team members are able to better analyze large sets of data, including journal entries, disbursements and revenue transactions. This data analysis leads not only to more effective audits, but also better operational insights that the firm delivers to clients.

After the completion of an audit, the audit documentation is electronically locked, so no changes can be made after the documentation completion date without following the relevant professional standards. Audit files are archived in accordance with the firm's record retention policies, which comply with professional standards.

## Professional Development and Competency

### Hiring, Training and Advancement

RubinBrown devotes significant resources to recruit and retain the highest quality entry-level and experienced talent. New team members receive training in the firm’s audit methodology, professional standards and ethics. Each team member has a Career Advocate to help to set professional goals and monitor performance. Team members are evaluated on performance and given feedback that is the basis for additional training, as well as compensation and advancement decisions. On average, each team member receives over 60 hours of training annually that consists of required training and specific training based on the team member’s focus and specialization. RubinBrown offers flexible work programs to eligible team members, in order to retain top performers while giving them the flexibility to meet personal responsibilities.

Auditing often requires difficult judgments, which is why experienced RubinBrown partners lead the audits. On average, our assurance partners have over 20 years of experience in the auditing and accounting profession, and use that experience to ensure the highest quality audit.

RubinBrown is committed to active involvement in the accounting and auditing profession. Through our involvement, we are able to provide leadership to the entire profession and exchange ideas with other thought leaders. The firm is a member of the American Institute of Certified Public Accountants (AICPA) as well as the following AICPA quality groups:

- Center for Audit Quality (focused on public companies)
- Employee Benefit Plan Audit Quality Center
- Governmental Audit Quality Center

Additionally, several team members have served on national AICPA committees, including the Private Company Practice Section Technical Issues Committee and the Professional Ethics Executive Committee.

### Assurance Average Annual Voluntary Turnover

5.31.2021	5.31.2022	5.31.2023
15.0%	11.4%	8.7%

### Monitoring

Monitoring is an important part of the firm’s commitment to audit quality, and integral to our culture of continuous improvement. Internal and external reviews of our audit quality allow us to continuously scrutinize our audit methodology and execution. RubinBrown uses the results of this monitoring to determine where additional firm guidance and training are necessary, and how team member performance could be improved. We are subject to external review by the Public Company Accounting Oversight Board (PCAOB), the U.S. Department of Labor, Offices of Inspectors General, state regulators, and the accounting firm performing our peer review. Additionally, we have internal monitoring programs, some of which are covered in more detail on the following pages.

### *PCAOB Inspection*

One of the key provisions of the Sarbanes-Oxley Act of 2002 (the Act) was the formation of the PCAOB. In accordance with the Act, the PCAOB conducts inspections of registered public accounting firms to assess their compliance with the Act, the rules of the PCAOB and SEC, and professional standards in connection with the audits of SEC issuers. For firms that audit less than 100 issuers, the PCAOB conducts inspections at least tri-annually.

The PCAOB report on each inspection includes a public portion and a nonpublic portion. The report describes the procedures performed during the inspection. The public portion contains comments on audit deficiencies related to specific audit engagements. The nonpublic portion contains comments on the audit firm's overall system of quality controls and audit performance. The Act provides that the nonpublic portion of the report will have limited distribution to specific regulators. An inspected firm with noted deficiencies in the nonpublic portion has one year in which to address them to the PCAOB's satisfaction. Only deficiencies that are not satisfactorily remedied would then be reported publicly.

During 2023, the PCAOB performed its seventh inspection of RubinBrown. The inspection consisted of a review of our processes, policies and procedures. The inspection also included a review of audit engagements, looking at our audit documentation and making inquiries of the audit engagement teams. The PCAOB issued its 2023 inspection report on January 25, 2024. The inspection reports are available on the PCAOB website.

### *AICPA Peer Review*

The firm participates in the AICPA peer review program that requires a triennial review of our system of quality control for our non-SEC accounting and auditing practice. The purpose of the AICPA peer

review program is to serve as a bridge between the PCAOB's inspection program and the firm's state licensing and other federal regulatory practice monitoring requirements.

The most recent peer review of RubinBrown's non-SEC accounting and auditing practice was completed by Postlethwaite & Netterville for the year ended May 31, 2022. In peer reviews, firms can receive a rating of pass, pass with deficiency(ies) or fail. Postlethwaite & Netterville issued a pass opinion dated September 26, 2022. The report is included in the appendix.

### *Internal Practice Monitoring*

RubinBrown conducts an annual internal inspection program (Assurance Quality Review or AQR) that assesses the quality of our work for a cross-section of assurance engagements. The objective of the AQR program is to evaluate the design and operating effectiveness of the firm's quality control policies and procedures for our accounting and auditing practice. The AQR is conducted by team members who are not involved with the particular engagement being inspected. The AQR program also aids our efforts to continually identify areas where we can improve our performance or enhance our policies and procedures.

Based on the results of our 2023 internal inspection, we concluded that the system of quality control for our accounting and auditing practice has been designed and operates in a manner so as to provide the firm with reasonable assurance of complying with professional standards.

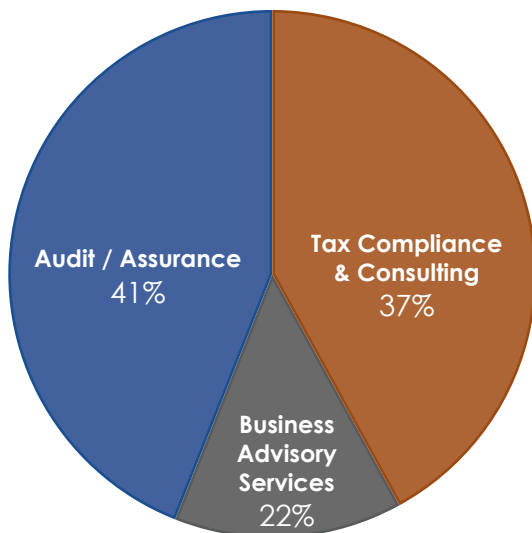


### Firm Organization and Structure

The firm is a limited liability partnership, owned by individual partners of the firm. The firm is governed by its board of directors, consisting of seven partners. The board of directors oversees the firm's audit practice, approves compensation and promotions, and is responsible for monitoring the performance of the firm's leadership team. The firm's Risk Management, Compensation and Finance committees report directly to the board of directors.

The firm is organized by industry specialization. This allows our team members to focus on a few industries, and have a greater understanding of all of the issues impacting those industries. The result is increased audit quality, as our team members are more in tune with unique industry accounting and auditing issues.

RubinBrown's auditing and assurance practice is a significant portion of our total revenue. Revenue by service line for our fiscal year ended May 31, 2023, is as follows:



RubinBrown is an independent member of Baker Tilly International, the world's ninth largest accounting firm network. Membership in the Baker Tilly International network gives the firm access to subject matter experts as needed, and to benchmark audit quality best practices. RubinBrown meets regularly with fellow member firms, including formal meetings with both the North American and International audit and accounting committees. RubinBrown has developed strong relationships with other member firms, which strengthens the quality of our collaboration on international audit engagements.



- > 141 countries
- > \$5.2 billion global aggregate fee income
- > 43,000 personnel

*\* fiscal year 2023 data*

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## Assurance Services Leaders

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A Professional Accounting Corporation

### Report on the Firm's System of Quality Control

September 26, 2022

To the Partners of RubinBrown LLP  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of RubinBrown LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended May 31, 2022. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a system review as described in the Standards may be found at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary). The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

#### Firm's Responsibility

The firm is responsible for designing and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

#### Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of and compliance with the firm's system of quality control based on our review.

#### Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans; and examinations of service organizations (SOC 1 and SOC 2 engagements).

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

#### Opinion

In our opinion, the system of quality control for the accounting and auditing practice of RubinBrown LLP applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended May 31, 2022, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. RubinBrown LLP has received a peer review rating of *pass*.

A handwritten signature in cursive script that reads 'Postlethwaite &amp; Netterville'.

Postlethwaite & Netterville  
Baton Rouge, Louisiana



1.800.678.3134

[www.RubinBrown.com](http://www.RubinBrown.com)

 @RubinBrown

 RubinBrown LLP

## CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

RubinBrown is one of the nation's leading accounting and professional consulting firms with a commitment to building personal relationships and delivering totally satisfied clients. The RubinBrown name and reputation are synonymous with experience, integrity and value. RubinBrown has revenue of approximately \$200 million with 950 team members in six offices including Chicago, Denver, Kansas City, Las Vegas, Nashville, and St. Louis.

RubinBrown is an independent member of Baker Tilly International, the 9th largest accounting and business advisory network in the world.

