

COY BARTON, CPA  
QUALITY CONTROL POLICIES AND  
PROCEDURES  
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## QUALITY CONTROL POLICIES AND PROCEDURES

The firm's system of quality control consists of policies designed to achieve the objectives of the system and the procedures necessary to implement and monitor compliance with those policies. The policies and procedures are required to be documented.

Coy Barton, CPA documents its system of quality control by preparing a document that comprehensively describes the policies and procedures for each element of quality control. Coy Barton, CPA reviews the documentation at least annually and updates it as necessary.

**The firm should communicate its quality control policies and procedures to its personnel.**

Effective communication includes the following:

- A description of quality control policies and procedures and the objectives they are designed to achieve
- The message that each individual has a personal responsibility for quality

Coy Barton, CPA communicates these policies and procedures in writing and makes the documentation available electronically to all professional personnel. Coy Barton, CPA requires each individual to be familiar with and to comply with these policies and procedures. Coy Barton, CPA encourages its personnel to communicate their views or concerns about quality control matters to accountants. Coy Barton, CPA has the staff sign that they have read and reviewed the quality control policies and procedures at least annually.

## **LEADERSHIP RESPONSIBILITIES FOR QUALITY WITHIN THE FIRM (THE "TONE AT THE TOP")**

The objective of the leadership responsibilities element of a system of quality control is to promote an internal culture based on the recognition that quality is essential in performing engagements. Coy Barton, CPA satisfies this objective by establishing and maintaining the policies and procedures described in the following paragraphs.

***Coy Barton assumes ultimate responsibility for the firm's system of quality control.***

Coy Barton, CPA implements this policy through the following procedures:

- Coy Barton accepts ultimate responsibility for the firm's system of quality control and for setting a tone that emphasizes the importance of quality and of following the firm's system of quality control

- Informing personnel that failure to adhere to the firm's policies and procedures regarding performance quality and commitment to ethical principles may result in disciplinary action
- Coy Barton reviews at least annually the requirements for a system of Quality Control.

***Commercial considerations do not override the quality of the work performed.***

Coy Barton, CPA implements this policy through the following procedures:

- Coy Barton continually evaluates client relationships and specific engagements so that commercial considerations do not override the objectives of the system of quality control
- Emphasizing to all personnel that fee considerations and scope of services should not infringe upon quality work

***Responsibility for developing, implementing, and operating the firm's quality control system is assigned to personnel with sufficient and appropriate experience, authority, and ability.***

Coy Barton, CPA implements this policy by having Coy Barton being responsible for designing, implementing and monitoring the firm's quality control system and reviewing on an annual basis.

***Performance evaluation, compensation, and advancement with regard to personnel demonstrate the firm's overarching commitment to the objectives of the system of quality control.***

Coy Barton, CPA implements this policy through the following procedures:

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

*The firm devotes sufficient and appropriate resources for the development, communication, and support of its quality control policies and procedures.*

Coy Barton, CPA implements this policy through the following procedures:

- Coy Barton devotes sufficient time, authority, and resources to develop, implement, and maintain the firm's quality control policies and procedures
- Providing the firm's quality control documentation to personnel when they are initially hired and reviewing the documentation with them
- Reviewing the firm's quality control policies and procedures with personnel at firm training sessions at least annually

### **RELEVANT ETHICAL REQUIREMENTS**

The objective of the relevant ethical requirements element of a system of quality control is to provide the firm with reasonable assurance that the firm and its personnel comply with relevant ethical requirements when discharging professional responsibilities. Relevant ethical requirements include independence, integrity, and objectivity. Coy Barton, CPA satisfies this objective by establishing and maintaining the policies and procedures described in the following paragraphs:

*Personnel adhere to relevant ethical requirements such as those in regulations, interpretations, and rules of the AICPA, state CPA societies, state boards of accountancy, state statutes, the GAO (U.S. Government Accountability Office), and any other applicable regulators.*

Coy Barton, CPA implements this policy through the following procedures:

- Coy Barton will review relevant pronouncements relating to independence, integrity, and objectivity; answer questions; determine the circumstances for which consultation with sources outside the firm is required; and resolve matters
- Providing personnel with access to the AICPA *Professional Standards* service
- Establishing a system for identifying all services performed for each client and evaluating whether any of those services might impair independence
- Subscribe to professional standards service

*The firm establishes procedures to communicate independence requirements to firm personnel and, where applicable, others subject to them.*

Coy Barton, CPA implements this policy through the following procedures:

- Informing personnel of those entities to which independence policies apply by doing the following on a timely basis:
  - Preparing and maintaining a list of entities with which firm personnel are prohibited from having a financial or business relationship
  - Making the list available to personnel so they may evaluate their independence (including personnel new to the firm)
  - Notifying personnel of changes in the list
- Providing frequent reminders of professional responsibilities to personnel, such as avoiding behavior that might be perceived as impairing their independence or objectivity

***The firm establishes procedures to identify and evaluate possible threats to independence and objectivity, including the familiarity threat that may be created by using the same senior personnel on an audit or attest engagement over a long period of time, and to take appropriate action to eliminate those threats or reduce them to an acceptable level by applying safeguards.***

Coy Barton, CPA implements this policy through the following procedures:

- Coy Barton will consider relevant information about client engagements, including the scope of services, to enable him or her to evaluate the overall impact, if any, on independence requirements
- Accumulating and communicating relevant information to appropriate personnel so that the following can occur:
  - Coy Barton can readily determine whether they satisfy independence requirements
  - The firm can maintain and update information relating to independence.
  - Coy Barton can take appropriate action regarding identified threats to independence.
- Requiring personnel to promptly report circumstances and relationships that create a threat to independence, and independence breaches of which they become aware, so that appropriate action can be taken
- Establishing criteria to determine the need for safeguards for engagements where the following have taken place:
  - Monitoring procedures or peer review has identified weakness in previous years.

- The same senior personnel have been used for five years or more on an audit or attestation engagement.
- Promptly communicating identified breaches of these policies and procedures, and the required corrective actions to the following person
  - Coy Barton will address the breach
  - Other relevant personnel in the firm and those subject to the independence requirements who need to take appropriate action
- Requiring Coy Barton to confirm to the firm that the required corrective actions have been taken
- Coy Barton, or an individual designated by him, periodically reviews unpaid fees from clients to ascertain whether any outstanding amounts impair the firm's independence
- Establishing additional procedures that provide safeguards when the firm performs audit or other attest work for (a) significant clients or (b) clients at which Coy Barton or other senior personnel are offered key management positions or have accepted offers of employment

***The firm withdraws from the engagement if effective safeguards to reduce threats to independence to an acceptable level cannot be applied.***

Coy Barton, CPA implements this policy through the following procedures:

- Consulting within the firm, and with legal counsel and other parties if necessary, when the firm believes that effective safeguards to reduce threats to independence to an acceptable level cannot be applied
- Withdrawing from the engagement if effective safeguards to reduce threats to independence to an acceptable level cannot be applied

***The firm obtains written confirmation, at least annually, of compliance with its policies and procedures on independence from all firm personnel required to be independent by relevant requirements.***

Coy Barton, CPA implements this policy through the following procedures:

- Obtaining written representations from personnel, upon hire and on an annual basis, stating that they have read the firm's independence, integrity, and objectivity policies, understand the applicability of those policies to their activities, and have complied with the requirements of those policies since their last representation. (Such written representations are accompanied by the most current list of all entities with which firm personnel are prohibited from having a business relationship.)

- Reviewing these independence representations for completeness and resolving reported exceptions.
- Requiring Coy Barton to include a step in the engagement program attesting to compliance with independence requirements that apply to the engagement.

***The firm establishes the procedures for confirming the independence of another firm that performs part of the engagement.***

Coy Barton, CPA implements this policy through the following procedures:

- Using practice aids that prescribe the form and content of independence representations, and frequency with which they are obtained
- Requiring that such representations be documented

## **ACCEPTANCE AND CONTINUANCE OF CLIENT RELATIONSHIPS AND SPECIFIC ENGAGEMENTS**

The objective of the quality control element that addresses acceptance and continuance of client relationships and specific engagements is to establish criteria for deciding whether to accept or continue a client relationship and whether to perform a specific engagement for a client. A firm's client acceptance and continuance policies represent a key element in mitigating litigation and business risk. Accordingly, it is important that a firm be aware that the integrity and reputation of a client's management could reflect the reliability of the client's accounting records and financial representations and, therefore, affect the firm's reputation or involvement in litigation. A firm's policies and procedures related to the acceptance and continuance of client relationships and specific engagements should provide the firm with reasonable assurance that it will undertake or continue relationships and engagements only where it:

- Has considered the integrity of the client, including the identity and business reputation of the client's principal owners, key management, related parties, and those charged with its governance, and the risks associated with providing professional services in the particular circumstances;
- Is competent to perform the engagement and has the capabilities and resources to do so;
- Can comply with legal and ethical requirements; and
- Has reached an understanding with the client regarding the services to be performed

Coy Barton, CPA satisfies this objective, both with respect to the initial period for which the firm is performing its service and for subsequent periods, by establishing and maintaining the policies and procedures described in the following paragraphs.

Coy Barton's approval is required for approval or continued acceptance.

***The firm evaluates factors that have a bearing on management's integrity and considers the risk associated with providing professional services in particular circumstances.***

Coy Barton, CPA implements this policy through the following procedures:

- Informing personnel of the firm's policies and procedures for accepting and continuing clients, including those outlined in the firm's practice aids.
- Obtaining and evaluating relevant information such as the following before accepting or continuing a client:
  - The nature and purpose of the services to be provided and management's understanding thereof
  - The identity of the client's principal owners, key management, related parties, and those charged with its governance
  - Information obtained from inquiries of the client's bankers, factors, attorneys, credit services, and other who have business relationships with the entity
  - The nature of the client's operations, including its business practices, from sources such as annual reports, interim financial statements, reports to and from regulators, income tax returns, and credit reports
  - Information concerning the attitude of the client's principal owners, key management, and those charged with its governance toward such matters as aggressive interpretation of accounting standards and internal control over financial reporting
- Evaluating the risk of providing services for the following engagements:
  - Engagements for entities operating in highly specialized or regulated industries, including financial institutions, governmental entities, and employee benefit plans
  - Engagements that require an inordinate amount of time to complete relative to the available resources of the firm
- Communicating with the predecessor accountant or auditor when required or recommended by professional standards. This communication also includes inquiries



regarding the nature of any disagreements and whether there is evidence of opinion-shopping.

- Evaluating the risk of providing services to significant clients or to other clients for which the firm's objectivity or the appearance of independence may be impaired. In broad terms, the significance of a client to a firm refers to relationships that could diminish a practitioner's objectivity and independence in performing attest services. In determining the significance of a client, the firm considers (a) the amount of time it devotes to the engagement, (b) the effect on the employee's stature within the firm as a result of his or her service to the client, and (c) the effect that losing the client would have on the firm.

***The firm evaluates whether the engagement can be completed with professional competence; undertakes only those engagements for which the firm has the capabilities, resources, and professional competence to complete; and evaluates, at the end of specific periods or upon occurrence of certain events, whether the relationship should be continued.***

Coy Barton, CPA implements this policy through the following procedures:

- Evaluating whether the firm has obtained or can reasonably expect to obtain the knowledge and expertise necessary to perform the engagement, including relevant regulatory or reporting requirements.
- Evaluating whether the following are in place:
  - The firm has sufficient personnel with the necessary capabilities and competence.
  - Specialists are available if needed.
  - Individuals meeting the criteria and eligibility requirements to perform an engagement quality control review are available, when needed.
  - The firm is able to complete the engagement within the reporting deadline.
- Specifying conditions that trigger the requirement to reevaluate a specific client or engagement. The following are examples of such conditions:
  - Significant changes in the client, such as a major change in senior client personnel, ownership, advisers, the nature of its business, or the financial stability of the client.
  - Changes in the nature or scope of the engagement, including requests for additional services.
  - Changes in the composition of the firm, such as the loss of and inability to replace key personnel who are particularly knowledgeable about a specialized industry.

- The decision to discontinue services to clients in a particular industry.
  - The existence of conditions that would have caused the firm to reject the client or engagement had such conditions existed at the time of the initial acceptance.
  - The client’s delinquency in paying fees. (This may also affect the firm’s independence.)
  - Engagements for entities operating in highly specialized or regulated industries, such as financial institutions, governmental entities, and employee benefit plans.
  - Engagements for entities in which there may be substantial doubt about the entity’s ability to continue as a going concern.
  - Engagements in which the client has ignored prior recommendations, such as those that address deficiencies in an internal control.
- Obtaining relevant information to determine whether the relationship should be continued and establishing a frequency for evaluations (for example, continuance decisions are made at least annually).
  - Evaluating the information obtained regarding acceptance or continuance of the client or engagement through the following activities:
    - a. Coy Barton assesses the information obtained about the client or the specific engagement, including information about the significance of the client to the firm, and makes a decision about whether the client or engagement should be accepted or continued.
    - b. Coy Barton documents client acceptance.
    - c. Coy Barton includes a step in the planning program noting consideration of client continuance and documents the rationale, and conclusions regarding client continuance if conditions exist that trigger the requirement to reevaluate a client or engagement between annual audits.
  - Establishing procedures for dealing with information that would have caused the firm to decline the engagement if the information had been available earlier.

***The firm obtains an understanding with the client regarding the services to be performed.***

Coy Barton, CPA implements this policy by requiring that, for all engagements except for tax and payroll preparation, the firm prepare a written engagement letter documenting the understanding with the client and obtain the client’s signature on that letter, thus

minimizing the risk of misunderstanding regarding the nature, scope, and limitations of the services to be performed.

***The firm establishes procedures on withdrawal from an engagement or from both the engagement and the client relationship.***

Coy Barton, CPA implements this policy through the following procedures:

- Discussing with the appropriate level of the client's management and those charged with its governance the appropriate action that the firm might take based on the relevant facts and circumstances
- Considering whether there is a professional, regulatory, or legal requirement for the firm to remain in place or for the firm to report to regulatory authorities the withdrawal from the engagement, or from both the engagement and the client relationship, together with the reasons for the withdrawal
- Discussing with the appropriate level of the client's management and those charged with its governance withdrawal from the engagement or from both the engagement and the client relationship if the firm determines that it is appropriate to withdraw

***The firm documents how issues relating to acceptance or continuance of client relationships and specific engagements were resolved.***

Coy Barton, CPA implements this policy by documenting in a memorandum to the engagement files, significant issues, consultations, conclusions, and the basis for the conclusions relating to acceptance or continuance of client relationships and specific engagements.

## **HUMAN RESOURCES**

The objective of the human resources element of a system quality control is to provide the reasonable assurance that it has sufficient personnel with the capabilities, competence, and commitment to ethical principles necessary (a) to perform its engagements in accordance with professional standards and regulatory and legal requirements and (b) to enable the firm to issue reports that are appropriate in the circumstances. Coy Barton, CPA satisfies this objective by establishing and maintaining the policies and procedures described in the following paragraphs:

***Personnel who are hired possess the characteristics that enable them to perform competently.***

Coy Barton, CPA implements this policy through the following procedures:

- Designating an individual (Coy Barton) in the firm to be responsible for the following activities:

- Managing the human resources function
- Evaluating the firm’s personnel needs by considering factors such as existing clientele, anticipated growth, personnel turnover, and individual advancement
- Developing criteria for determining which individuals will be involved in the interviewing and hiring process
- Establishing an understanding about the attributes, achievements, and experiences desired in entry-level and experienced personnel
- Setting guidelines for the additional procedures to be performed when hiring experienced personnel, such as performing background checks, if necessary, and inquiring about any outstanding regulatory actions

***The firm determines capabilities and competencies required for an engagement, including those required of the engagement accountant.***

Coy Barton, CPA implements this policy by specifying the competencies that Coy Barton for the firm’s accounting, auditing, and attestation engagements (or other persons responsible for supervising and signing or authorizing someone to sign the firm’s report on such engagements) should possess. These competencies include having an understanding of the following:

- The role of the firm’s system of quality control and the AICPA Code of Professional Conduct in ensuring the integrity of the accounting, auditing, and attest functions to users of reports.
- The performance, supervision, and reporting aspects of the engagement, which ordinarily are gained through training or participation in similar engagements.
- The industry in which the client operates, including its organization and operating characteristics, sufficient to identify areas of high or unusual risk associated with the engagement and to evaluate the reasonableness of industry-specific estimates.
- The professional standards applicable to the engagement and the industry in which the client operates. Such standards include accounting, auditing, and attestation standards, as well as rules and regulations issued by applicable regulators.
- The skills that contribute to sound professional judgment, including the ability to exercise professional skepticism.
- How the organization uses information technology and the manner in which information systems are used to record and maintain financial information.

***The firm determines the capabilities and competencies possessed by personnel.***

Coy Barton, CPA implements this policy through the following procedures:

- Establishing criteria for evaluating personal characteristics such as integrity, competence, and motivation
- Evaluating personnel at least annually to determine their capabilities and competencies

***The firm assigns the responsibility for each engagement to Coy Barton.***

Coy Barton, CPA implements this policy through the following procedures:

- Assigning responsibility for each engagement to Coy Barton who has the appropriate capabilities, competence, authority, and time to perform the role
- Clearly defining and communicating the responsibilities of Coy Barton
- Communicating the identity and role of Coy Barton to management and those charged with governance
- Monitoring the workload and availability of employees to enable these individuals to have sufficient time to adequately discharge their responsibilities

***The firm assigns personnel based on the knowledge, skills, and abilities required in the circumstances and the nature and extent of supervision needed.***

Coy Barton, CPA implements this policy through the following procedures:

- Designating an appropriate person to be responsible for assigning personnel to engagements based on such factors as the following:
  - Engagement type, size, significance, complexity, and risk profile
  - Specialized experience and expertise required for the engagement and competencies gained through prior experience
  - Personnel availability
  - Timing of the work to be performed
  - Continuity and rotation of personnel
  - Opportunities for on-the-job training
  - Situations for which independence or objectivity concerns exist

- Designating Coy Barton to be responsible for manager assignments
- Requiring approval of manager assignments from Coy Barton in the case of high-risk or significant client engagements

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

Coy Barton, CPA implements this policy through the following procedures:

- Encouraging personnel to pass the Uniform CPA Examination
- Assigning responsibility to Coy Barton to maintain a professional development program that does the following:
  - Requires personnel to participate in professional development programs in accordance with firm guidelines and in subjects that are relevant to their responsibilities
  - Takes into account the requirements of the AICPA, state boards of accountancy, and other regulatory agencies in establishing the firm's CPE requirements
  - Provides CPE course materials to, and maintains records of completed CPE for, professional personnel
  - Provides an orientation and training program for new hires
- Encouraging participation by personnel at each level in the firm in other professional development activities such as completing external professional development programs, including graduate-level and self-study courses, becoming members of professional organizations, serving on professional committees, writing for professional publications, and speaking to professional groups
- Communicating and distributing to personnel, when applicable, changes in accounting, auditing, attestation, and quality control standards, as well as independence requirements and the firm's guidance with respect to those standards and requirements

***Personnel selected for advancement have the qualifications to fulfill the responsibilities they will be called on to assume.***

Coy Barton, CPA implements this policy through the following procedures:

- Assigning responsibility to Coy Barton to make advancement and termination decisions.

Such responsibilities include the following:

- Establishing criteria for evaluating personnel at each professional level and for advancement to the next higher level of responsibility. Such criteria give recognition and reward to the development and maintenance of competence and commitment to ethical principles.
- Informing firm personnel about the criteria for advancement to the next higher level of responsibility.
- Designating personnel responsible for preparing evaluations and determining when they should be prepared.
- Informing personnel that failure to adhere to the firm's policies and procedures regarding performance quality and commitment to ethical principles may result in disciplinary action.
- Using forms that include the applicable qualifications when evaluating the performance of personnel. Such forms include qualifications related to performance quality and adherence to ethical principles.
- Reviewing evaluations on a timely basis with the individual being evaluated.
- Counseling personnel regarding their progress and career opportunities by doing the following:
  - Evaluating employees annually to provide feedback on performance.
  - Summarizing and reviewing with personnel annually the evaluation of their performance, including an assessment of their progress with the firm considerations include past performance, future objectives of the individual and the firm, the individual's assignment preferences, and career opportunities.
  - Evaluating accountants periodically by means of counseling, peer evaluation, or self appraisal, as appropriate.

## **ENGAGEMENT PERFORMANCE**

The objective of the engagement performance element of quality control is to provide the firm with reasonable assurance (a) that engagements are consistently performed in accordance with applicable professional standards and regulatory and legal requirements and (b) that the firm or the engagement accountant issues reports that are appropriate in the

circumstances. Policies and procedures for engagement performance should address all phases of the design and execution of the engagement, including engagement performance, supervision responsibilities, and review responsibilities. Policies and procedures also should require that consultation takes place when appropriate. In addition, a policy should establish criteria against which all engagements are to be evaluated to determine whether an engagement quality control review should be performed. Coy Barton, CPA satisfies these objectives by establishing and maintaining the policies and procedures described in the following paragraphs.

***Planning for engagements meets professional, regulatory, and firm's requirements.***

Coy Barton, CPA implements this policy by maintaining and providing personnel with the firm's practice aids that prescribe the factors the engagement team should consider in the planning process and the extent of documentation of those considerations. Planning considerations may vary depending on the size and complexity of the engagement. Planning generally includes the following activities:

- Assigning responsibilities to appropriate personnel during the planning phase
- Developing or updating background information on the client and the engagement
- Considering client significance to the firm
- Developing a planning document that includes the following:
  - Proposed work programs tailored to the specific engagement
  - Staffing requirements and the need for specialized knowledge
  - Consideration of the economic conditions affecting the client and its industry and their potential effect on the conduct of the engagement
  - The risks, including fraud considerations, affecting the client and the engagement and how the risks may affect the procedures performed
  - Reviewing prior financial statements and accountant's reports
  - Using work programs and applicable reporting and disclosure checklists

***The engagement is performed, supervised, documented, and reported (or communicated) in accordance with the requirements of professional standards, applicable regulators, and the firm.***

Coy Barton, CPA implements this policy through the following procedures:



- Providing adequate supervision during the course of an engagement, including briefing the engagement team on the objectives of their work. The training, ability, and experience of the personnel are considered when assigning supervisors to the engagement.
- Requiring that a written work program be used in all engagements.
- Addressing significant issues arising during the engagement, considering their significance, and appropriately modifying the planned approach.
- Adhering to the guidelines set forth by the firm for the form and content of documentation of the work performed and conclusions reached. Such documentation includes standardized forms, checklists, and questionnaires used in the performance of engagements and explanations, when required, of how the firm integrates such aids into engagements.
- Requiring engagement documentation in accordance with professional standards, applicable regulatory requirements, and the firm's policies.
- Requiring the use of appropriate practice aids in all engagements.

***Qualified engagement team members review work performed by other team members on a timely basis.***

Coy Barton, CPA implements this policy by adhering to the following guidelines established by the firm regarding review of the documentation of the work performed and conclusions reached, the financial statements and reports, and documentation of the review process:

- All reviewers are to have appropriate experience, competence, and responsibility.
- For each engagement, there is to be evidence of appropriate review of documentation of the work performed and conclusions reached, the financial statements, and the report.
- Engagement documentation is reviewed to determine whether the following have occurred:
  - The work has been performed in accordance with professional standards and regulatory and legal requirements.
  - Significant findings and issues have been raised for further consideration.
  - Appropriate consultations have taken place, and the resulting conclusions have been documented and implemented.

- The nature, timing, and extent of work performed are appropriate and do not need revision.
- The work performed supports the conclusions reached and is appropriately documented.
- The evidence obtained is sufficient and appropriate to support the report.
- The objectives of the engagement procedures have been achieved.

***Engagement teams complete the assembly of final engagement files on a timely basis.***

Coy Barton, CPA implements this policy by completing the assembly of final engagement files in accordance with professional standards and applicable regulatory requirements, if any.

***The firm maintains the confidentiality, safe custody, integrity, accessibility, and retrievability of engagement documentation.***

Coy Barton, CPA implements this policy through the following procedures:

- Establishing and applying controls to accomplish the following:
  - Clearly determine when and by whom engagement documentation was prepared and reviewed.
  - Protect the integrity of the information at all stages of the engagement, especially when the information is shared within the engagement team or transmitted to other parties via electronic means.
  - Prevent unauthorized changes to the engagement documentation.
  - Allow access to the engagement documentation by the engagement team and other authorized parties as necessary to properly discharge their responsibilities.
- Implementing procedures for properly distributing engagement documentation materials to engagement teams at the start of the engagement, preparing engagement documentation during the engagement, and assembling final documentation at the end of the engagement
- Implementing procedures to restrict access to, and enable proper distribution and confidential storage of, hardcopy engagement documentation
- Implementing appropriate back-up routines for electronic engagement documentation at appropriate stages during the engagement

- Implementing procedures regarding original paper documents that have been electronically scanned or otherwise copied to another media that accomplish the following:
  - Generate copies that contain the entire content of the original paper documentation, including manual signatures, cross-references, and annotations.
  - Integrate the copies into the engagement files, including indexing and signing off on the copies as necessary.
  - Enable the copies to be retrieved and printed as necessary.

***The firm retains engagement documentation for a period of time sufficient to meet the needs of the firm, professional standards, laws, and regulations.***

Coy Barton, CPA implements this policy through the following procedures:

- Retaining engagement documentation for a period of time sufficient to meet the requirements of the state board of accountancy and applicable professional standards
- Establishing procedures that
  - Enable the retrieval of, and access to, the engagement documentation during the retention period, particularly in the case of electronic documentation because the underlying technology may be upgraded or changed over time;
  - Provide, where necessary, a record of changes made to engagement documentation after the assembly of engagement files has been completed; and
  - Enable authorized external parties to access and review specific engagement documentation for quality control or other purposes.

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

Coy Barton, CPA implements this policy through the following:

- Consulting with those having appropriate knowledge, authority, and experience within the firm (or, where applicable, outside the firm) on significant technical, ethical and other matters. Coy Barton, CPA uses advisory services provided by other firms, professional and regulatory bodies, and commercial organizations that provide relevant

quality control services. Before using such services, the firm evaluates whether the external provider is qualified for that purpose.

- Informing personnel of the firm's consultation policies and procedures.
- Requiring sufficiently experienced engagement team members to identify matters for consultation or consideration during the engagement.
- Requiring consultation in specialized areas or situations with appropriate individuals within and outside the firm when matters such as the following arise:
  - The application of newly issued technical pronouncements
  - Industries with special accounting, auditing, or reporting requirements, including unusually complex employee benefit plans
  - Emerging practice problems
  - Choices among alternative generally accepted accounting principles upon initial adoption or when an accounting change is made
  - Reissuance of a report, consideration of omitted procedures after a report has been issued, or subsequent discovery of facts that existed at the date a report was issued
  - Filing requirements of regulators
  - Meetings with regulators at which the firm is to be called on to support the application of generally accepted accounting principles or generally accepted auditing standards that have been questioned
- Providing all professional personnel with access to adequate and current reference materials.
- Including all relevant facts, circumstances, the professional literature used, and conclusions reached in the engagement documentation of the work performed and conclusions reached.
- Documenting the issue on which consultation was sought and the results of the consultation, including any decisions taken, the basis for those decisions, and how they were implemented. If there is an unresolved disagreement, an outside source may be consulted to assist in determining the appropriate application of accounting principles.

***The firm deals with and resolves differences of opinion, documents and implements conclusions reached, and does not release the report until the matter is resolved.***

Coy Barton, CPA implements this policy through the following procedures:

- Requiring that all differences of professional judgment among members of an engagement team be resolved by Coy Barton and that the report not be released until the matter is resolved.
- Requiring that conclusions reached be appropriately documented. If members of the team continue to disagree with the resolution, they may disassociate themselves from the resolution of the matter and may document that a disagreement continues to exist.

***The firm has criteria for determining whether an engagement quality control review should be performed, evaluates all engagements against the criteria, performs an engagement quality control review for all engagements that meet the criteria, and completes the review before the report is released.***

Coy Barton, CPA implements this policy through the following procedures:

- Establishing criteria such as the following:
  - The identification of unusual circumstances or risks in an engagement or class of engagements as determined by Coy Barton.
  - An engagement quality control review is required by law or regulation.
- Evaluating all engagements against the criteria
- Performing an engagement quality control review for all engagements that meet the criteria

***The firm establishes procedures addressing the nature, timing, extent, and documentation of the engagement quality control review.***

Coy Barton, CPA implements this policy through the following procedures:

- Implementing procedures addressing the nature, timing, and extent of the review. The firm has concluded that performing an engagement quality control review is necessary to obtain sufficient appropriate audit evidence for audit engagements;

therefore, the engagement quality control review does need to be completed on or before the date of the auditor's report. The engagement quality control review should be performed by Coy Barton or a qualified staff accountant as chosen by Coy Barton. When the engagement quality control review results in additional audit procedures being performed, the date of the auditor's report is changed to the date by which sufficient appropriate audit evidence has been obtained. The firm's procedures require that for audit and attestation engagements, the engagement quality control reviewer do the following:

- Discuss significant accounting, auditing, and financial reporting issues with the audit staff, including matters for which there has been consultation.
  - Discuss with the audit staff the engagement team's identification and audit of high-risk assertions, transactions and account balances.
  - Confirm with Coy Barton that there are no significant unresolved issues.
  - Review selected working papers relating to the significant judgments the engagement team made and the conclusions they reached.
  - Review documentation of the resolution of significant accounting, auditing, or financial reporting issues, including documentation of consultation with firm personnel or external sources.
  - Review the summary of uncorrected misstatements related to known and likely misstatements.
  - Review additional engagement documentation to the extent considered necessary.
  - Read the financial statements and the report and consider whether the report is appropriate.
  - Complete the review before the release of the report. The review may be conducted at appropriate stages during the engagement.
  - Determine whether the issues raised in the review indicate a need to change the auditor's report date.
- Resolving conflicting opinions between Coy Barton and the engagement quality control reviewer, if staff accountant, regarding significant matters:
    - The policy requires documentation of the resolution of conflicting opinions before the release of the audit report.

- Implementing procedures addressing documentation by the engagement quality control reviewer. The firm's procedures require documentation of the following:
  - The procedures required by the firm's policies on engagement quality control review have been performed.
  - The engagement quality control review has been completed on or before the report is released.
  - An engagement quality control review is also required on all compilations with full disclosure. The engagement quality control reviewer is selected by the engagement accountant.
  - No matters have come to the attention of the engagement quality control reviewer that would cause the reviewer to believe that the significant judgments the engagement team made and the conclusions they reached were not appropriate.

*The firm establishes criteria for the eligibility of engagement quality control reviewers.*

Coy Barton, CPA implements this policy by establishing the following criteria for an engagement quality control reviewer:

- Is done by Coy Barton
- Has sufficient technical expertise and experience
- Carries out his or her responsibilities with objectivity and due professional care without regard to the relative positions of the audit engagement accountant and the engagement quality control reviewer

When the firm does not have suitably qualified personnel to perform the engagement quality control review, the firm contracts, with a suitably qualified external person, to perform the engagement quality control review. Coy Barton will normally perform all engagement quality control review.

## **MONITORING**

The objective of the monitoring element of a system of quality control is to provide the firm and its engagement accountant with reasonable assurance that the policies and procedures related to the system of quality control are relevant, adequate, operating effectively, and complied with in practice. Monitoring involves an ongoing consideration and evaluation of the appropriateness of the design, the effectiveness of the operation of a firm's quality control system, and a firm's compliance with its quality control policies and procedures. The purpose of monitoring compliance with quality control policies and procedures is to provide an evaluation of the following:

- Adherence to professional standards and regulatory and legal requirements
- Whether the quality control system has been appropriately designed and effectively implemented
- Whether the firm's quality control policies and procedures have been operating effectively so that reports that are issued by the firm are appropriate in the circumstances

Coy Barton, CPA satisfies this objective by establishing and maintaining the policies and procedures described in the following paragraphs.

***The firm assigns responsibility for the monitoring process, including performance, to an accountant or competent individual.***

Coy Barton, CPA implements this policy through the following procedures:

- Coy Barton is to be responsible for quality assurance, including ensuring that the firm's quality control policies and procedures and its methodologies remain relevant and adequate. Factors to be considered include the following:
  - Mergers and divestitures of portions of the practice
  - Changes in professional standards or other regulatory requirements applicable to the firm's practice
  - Results of inspections and peer reviews
  - Review of litigation and regulatory enforcement actions against the firm and its personnel
  - Changes in applicable AICPA membership requirements
- Determining whether personnel have been appropriately informed of their responsibilities for maintaining the firm's standards of quality in performing their duties.
- Identifying the need to do the following:
  - Revise policies and procedures related to the other elements of quality control because they are ineffective or inappropriately designed.
  - Improve compliance with firm policies and procedures related to the other elements of quality control.



***The firm performs monitoring procedures that are sufficiently comprehensive to enable the firm to assess compliance with all applicable professional standards and the firm's quality control policies and procedures.***

***Monitoring by Inspecting a Sample of Engagements During a Designated Period of the Year.***

Coy Barton, CPA implements this policy through the following procedures:

- Coy Barton is to be responsible for performing an annual inspection using guidance prepared by the AICPA for performing inspection procedures. These procedures include reviewing a cross-section of engagements using the following criteria in selecting engagements:
  - Significant specialized industries with emphasis on high-risk engagements
  - Audits of the financial statements of employee benefit plans
  - First-year engagements
  - Significant client engagements
  - Level of service performed (that is, audit and attest, review, or compilation)
  - Engagements performed by all accountants and other management-level personnel having accounting and auditing responsibilities
  - Engagements performed under *Government Auditing Standards* (Yellow Book engagements)
  - Engagements for which there have been complaints or allegations for firm personnel, clients, or other third parties that the work performed by the firm failed to comply with professional standards, regulatory requirements, or the firm's system of quality control
  - Engagements in which there were significant disagreements between the quality review accountant and the engagement accountant
- Establishing an approach and timetable for performing the inspection procedures and determining the forms and checklists to be used during the inspection and the extent of documentation required.
- Deciding how long to retain detailed inspection documentation (as opposed to summaries).

- Reviewing correspondence regarding consultation on independence, integrity, and objectivity matters and acceptance and continuance decisions.
- Reviewing the resolution of matters reported by professional personnel regarding independence to determine that matters have been appropriately considered and resolved.
- Selecting a sample of engagements for review to determine compliance with the firm's quality control policies and procedures, reevaluating that selection throughout the process, and reviewing the selected engagements.
- Preparing a summary inspection report for the accountant or management group that evaluates the overall results of the inspection and sets forth any recommended changes that should be made to the firm's policies and procedures.
- Reviewing the recommended corrective actions and reaching final conclusions about the actions to be taken.
- Communicating inspection findings and quality control changes to all professional personnel.
- Following up on planned corrective actions to determine whether those actions were taken and whether they achieved the intended objective(s).

In addition, the following procedures will be implemented:

- Reviewing and evaluating firm practice aids, such as audit programs, forms, and checklists, and considering whether they reflect recent professional pronouncements
- Providing information during staff meetings regarding new professional standards, regulatory requirements, and the related changes that should be made to firm practice aids
- Reviewing, or designating a management-level individual to be responsible for reviewing, the professional development policies and procedures to determine whether they are appropriate, effective, and meet the needs of the firm
- Reviewing other administrative and personnel records pertaining to the quality control elements
- Soliciting information from the firm's personnel during staff meetings regarding the effectiveness of training programs

***The firm communicates (a) deficiencies noted as a result of the monitoring process and recommendations for appropriate remedial action to relevant engagement accountants and other appropriate personnel and (b) the results of the monitoring of its quality control system process to relevant firm personnel at least annually.***

Coy Barton, CPA implements this policy through the following procedures:

- Preparing a summary report that evaluates the overall results of the monitoring and sets forth any recommended changes that should be made to the firm's policies and procedures
- Reviewing the recommended corrective actions and reaching final conclusions of the actions to be taken
- Communicating to all professional personnel the deficiencies noted and the related changes in quality control procedures
- Following up on planned corrective actions to determine whether those actions were taken and whether they achieved the intended objective(s)

***The firm deals appropriately with complaints and allegations.***

Coy Barton, CPA implements this policy through the following procedures:

- Having Coy Barton inform personnel that they may raise any concerns regarding complaints or allegations about noncompliance with professional standards, regulatory and legal requirements, or the firm's system of quality control with any accountant without fear of reprisals.
- Having Coy Barton investigate the following:
  - Complaints of allegations that the work performed by the firm fails to comply with professional standards and regulatory and legal requirements
  - Allegations of noncompliance with the firm's system of quality control
  - Deficiencies in the design or operation of the firm's quality control policies and procedures, or noncompliance with the firm's system of quality control by an individual or individuals, as identified during the investigations into complaints and allegations
- Documenting complaints and allegations and the responses to them.

***The firm prepares appropriate documentation to provide evidence of the operation of each element of its system of quality control.***

Coy Barton, CPA implements this policy by designing its summary monitoring report to provide evidence of the operation of each element of its system of quality control, including the following:

Monitoring procedures, including the procedure for selecting completed engagements to be inspected

- A record of the evaluation of the following:
  - Adherence to professional standards and regulatory and legal requirements
  - Whether the quality control system has been appropriately designed and effectively implemented
  - Whether the firm's quality control policies and procedures have been appropriately applied so that reports that are issued by the firm or engagement accountant is appropriate in the circumstances
- Identification of the deficiencies noted, an evaluation of their effects, and the basis for determining whether further action is necessary and what that action should be

***The firm retains documentation providing evidence of the operation of the system of quality control for an appropriate period of time.***

Coy Barton, CPA implements this policy by requiring retention of the summary monitoring report of a period of time sufficient to meet the firm's peer review or other regulatory requirements.

## ENGAGEMENT PERFORMANCE

### Difference of Opinion

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

Difference of opinion with the engagement team will be resolved by Coy Barton.

DATE: 5/6/19

Coy Barton, CPA

Coy Barton