

# Assurance Research Advisory Group – Firm Data

## Program Summary

The AICPA Assurance Research Advisory Group (ARAG) seeks to drive research relative to private company assurance issues that are most pressing to the profession by requesting and funding research proposals from academia. In addition to providing funding, the AICPA facilitates the voluntary disclosure of firm data to research teams who submit an approved proposal.

## Data Collection

Firm data will be collected through the AICPA Peer Review Program's Enhanced Oversight.

### Overview of Enhanced Oversight

- Before an Enhanced Oversight commences, the peer reviewer reviews engagements in the conduct of a firm's peer review
- After the engagements have been reviewed but before the peer review is finalized, on a surprise basis, the AICPA selects a sample of engagements for oversight.
  - Generally, no more than one engagement is selected for a given peer review
  - All selections are "must-select" engagements (which must be selected for review as part of the peer review) and fall into one of the following categories
    - Engagements subject to Government Auditing Standards, including single audits
    - Engagements subject to the Employment Retirement Income Security Act
    - Engagements subject to the Federal Deposit Insurance Corporation Improvement Act
    - Audits of carrying broker-dealers
    - Service Organization Control (SOC) 1 or 2 reports
  - A sample of approximately 200 engagements is selected annually, including random selections (approximately 80 engagements) and targeted selections (approximately 120 engagements). The total population of must-select engagements which are reviewed by peer reviewers annually is approximately 1,200.
  - Largely due to volume, virtually all engagements selected for oversight are employee benefit plan audits, single audits or other audits under Government Auditing Standards
- The oversight is performed by a subject matter expert (e.g. a member of the applicable AICPA Expert Panel, the author of the related AICPA A&A guide), who reviews the working papers and determines whether the engagement was performed in conformity with applicable professional standards.

### Method of Data Collection

Each firm subject to Enhanced Oversight is required to complete a questionnaire (see page 3) providing information about their firm, the engagement partner and the engagement itself. The subject matter expert is also required to provide certain information about the engagement, including whether it was performed in conformity with professional standards in all material

respects. Questionnaire responses and information from subject matter experts will be collected throughout 2017, 2018 and beyond.

In completing the questionnaire, each firm subject to oversight is asked to opt out if they do not voluntarily agree to provide the questionnaire responses to research teams approved by the Assurance Research Advisory Group. Historically, approximately 30% of firms have opted out of providing such information.

#### Data Offered to Approved Research Teams

The Assurance Research Advisory Group will provide approved research teams with all firm and subject matter expert responses to the questionnaire appearing on page 3, excluding those responses from firms that opt-out of sharing their information.

## Questionnaire

### Firm QC – General

1. Does firm leadership set the appropriate tone across the firm by (select all that apply):
  - a. Providing personnel with training on the firm's QC policies at least annually?
  - b. Regularly reminding personnel that quality should not be sacrificed to achieve profitability?
  - c. Establishing a compensation system which emphasizes quality performance at least as much as realization?
  - d. Other (please describe)
  - e. None of the above
2. Is staff compensation based, in part, on meeting realization (profitability) targets?
  - a. Yes. Compensation is based, in part, on actual realization on the staff's engagements.
  - b. Yes. Compensation is based, in part, on meeting time budgets/budget realization on the staff's engagements.
  - c. Yes. Compensation is based, in part, on both actual realization and budget realization on the staff's engagements.
  - d. No, compensation is not based on meeting realization targets.
3. Was your firm's most recent internal inspection primarily performed by:
  - a. The firm's partners and/or personnel?
  - b. The firm's peer reviewer?
  - c. Other knowledgeable third-parties from outside the firm?
4. Approximately how many hours were devoted to your firm's internal inspection?
  - a. Under 10
  - b. 10 to 30
  - c. 31 to 50
  - d. 51 to 100
  - e. Over 100 hours
5. How many CPAs are in your firm?
  - a. 1
  - b. 2 to 5
  - c. 6 to 10
  - d. 11 to 20
  - e. 21 to 50
  - f. Over 50 CPAs
6. Which of the following best describes your firm?
  - a. Local (offices in one state)
  - b. Regional (offices in multiple states)
  - c. National
  - d. International

### Engagement Partner Experience and Qualifications

1. Does the engagement partner have experience at (select all that apply)
  - a. A local firm (offices in one state)
  - b. A regional firm (offices in multiple states)
  - c. A national firm
  - d. An international firm

2. Approximately how many chargeable hours were managed by the engagement partner for all clients during the prior year?
  - a. Under 2,000
  - b. 2,000 to 4,000
  - c. 4,001 to 6,000
  - d. 6,001 to 8,000
  - e. Over 8,000 hours
3. Approximately how many chargeable hours were managed by the engagement partner for clients similar to the one subject to enhanced oversight (e.g. single audits of not-for-profits; employee benefit plan audits) during the prior year?
  - a. Under 100
  - b. 100 to 500
  - c. 501 to 1,000
  - d. 1,001 to 2,000
  - e. Over 2,000 hours
4. How many audit clients are managed by the engagement partner which have the same year-end as the engagement subject to oversight?
  - a. Under 4
  - b. 4 to 6
  - c. 7 to 10
  - d. 11 to 15
  - e. 16 to 20
  - f. Over 20 clients

### Engagement Specifics

1. What type of engagement was subject to review?
  - a. Single Audit – Not-for-profit
  - b. Single Audit – Governmental
  - c. Other Audit under Governmental Auditing Standards
  - d. Employee Benefit Plan Audit
  - e. Other (describe)
2. Describe the status/importance of the engagement to the firm's A&A practice.
  - a. High profile, very strategically important
  - b. Lower profile, somewhat strategically important
  - c. Lowest profile, not very strategically important
3. What were the entity's total revenues (or, if an EBP, additions to plan assets)?
  - a. Under \$100k
  - b. \$100k to under \$500k
  - c. \$500k to under \$2.5M
  - d. \$2.5M to under \$10M
  - e. \$10M to under \$100M
  - f. \$100M to under \$250M
  - g. \$250M to under \$500M
  - h. \$500M or more
4. What were the entity's total assets?
  - a. Under \$100k
  - b. \$100k to under \$500k
  - c. \$500k to under \$2.5M
  - d. \$2.5M to under \$10M

- e. \$10M to under \$100M
  - f. \$100M to under \$250M
  - g. \$250M to under \$500M
  - h. \$500M or more
5. What were the total hours spent by the engagement team working on the audit?
    - a. Under 50
    - b. 50 to 100
    - c. 101 to 200
    - d. 201 to 350
    - e. 351 to 500
    - f. Over 500 hours
  6. How many auditors served on the engagement team?
    - a. 1
    - b. 2
    - c. 3
    - d. 4
    - e. 5
    - f. 6 or more
  7. What type of internal or external specialists were used on the engagement?
    - a. Valuation
    - b. Information Technology
    - c. Tax
    - d. Other (describe)
    - e. None
  8. Of the total hours spent on the engagement, what percent were attributable to the (please ensure percentages total 100%):
    - a. Engagement partner \_\_\_\_\_%
    - b. Manager \_\_\_\_\_%
    - c. Senior \_\_\_\_\_%
    - d. Staff \_\_\_\_\_%
    - e. Specialists \_\_\_\_\_%
  9. Describe the complexity of this engagement.
    - a. Very high
    - b. High
    - c. Moderate
    - d. Low
    - e. Very low
  10. What percent of the engagement partner's hours on the engagement were spent at the client's offices?
    - a. Under 20%
    - b. 20 to 40%
    - c. 41 to 60%
    - d. 61 to 80%
    - e. Over 80% of the engagement partner's hours
  11. If the engagement was subject to Engagement Quality Control Review (EQCR), was the EQCR performed by:
    - a. Firm personnel outside of the engagement team
    - b. The firm's peer reviewer
    - c. Another knowledgeable third-party from outside the firm
    - d. Not applicable – the engagement was not subject to EQCR

12. If the engagement was subject to EQCR, how many hours were charged to the engagement by the reviewer?
  - a. Under 5 hours
  - b. 5 to 10 hours
  - c. 11 to 20 hours
  - d. Over 20 hours
  - e. Not applicable – the engagement was not subject to EQCR
13. If the engagement was subject to EQCR, describe the nature of the issues detected.
  - a. Very significant
  - b. Somewhat significant
  - c. Not very significant
  - d. Not at all significant
  - e. Not applicable – the engagement was not subject to EQCR
14. What percentage of total engagement hours were spent **planning** the engagement?
  - a. Under 5%
  - b. 5 to 10%
  - c. 11 to 15%
  - d. 16 to 20%
  - e. Over 20% of total engagement hours
15. What percentage of engagement hours were performed **before** the date of the financial statements?
  - a. Under 10%
  - b. 11 to 20%
  - c. 21 to 30%
  - d. 31 to 40%
  - e. 41 to 50%
  - f. Over 50% of engagement hours
  - g. Not applicable – no audit procedures were performed before the date of the financial statements
16. Of the hours that were spent planning the engagement, what percentage were attributable to (please ensure that percentages total 100%):
  - a. Engagement partner \_\_\_\_\_%
  - b. Manager \_\_\_\_\_%
  - c. Senior \_\_\_\_\_%
  - d. Staff \_\_\_\_\_%
  - e. Specialists \_\_\_\_\_%
17. Did members of the engagement team have access to the most current version of the applicable AICPA Audit and Accounting Guide?
  - a. Yes
  - b. No
18. Did members of the engagement team reference the AICPA Audit and Accounting Guide throughout the engagement?
  - a. Yes
  - b. No
19. Approximately how many hours per week did members of the engagement team work while performing this engagement?
  - a. Under 40
  - b. 40 to 45
  - c. 46 to 50
  - d. 51 to 55
  - e. 56 to 60

- f. Over 60 hours per week
20. Was the majority of the fieldwork for the engagement performed between January 1 and April 30?
- a. Yes
  - b. No
21. What types of non-attest services did the firm provide to the client (select all that apply)?
- a. Bookkeeping services
  - b. Financial statement preparation
  - c. Tax services
  - d. Payroll services
  - e. Other services (describe)
  - f. Not applicable – no non-attest services were provided

#### Oversight Results (completed by Subject Matter Experts)

1. Was this engagement performed and reported on in conformity with applicable professional standards in all material respects?
  - a. Yes
  - b. No
2. What was the level of non-conformity noted on this engagement?
  - a. Multiple instances of material non-conformity noted
  - b. One instance of material non-conformity noted
  - c. Immaterial non-conformity noted
  - d. No non-conformity noted
3. Describe the complexity of this engagement.
  - a. Very high
  - b. High
  - c. Moderate
  - d. Low
  - e. Very low

#### Providing Anonymized Data to Support Academic Research (completed by firm)

The AICPA has created an Assurance Research Advisory Group (ARAG), which seeks to drive research relative to assurance issues that are most pressing to the profession by requesting and funding research proposals from academia. In addition to providing funding, the AICPA facilitates the voluntary disclosure of anonymized peer review data to research teams who submit an approved proposal. The goal of this voluntary process is to encourage research into the correlations between firm policies/characteristics and performance (as measured by peer review results), thereby identifying factors which influence audit quality in support of the Enhancing Audit Quality initiative.

Unless you opt out below, responses to this questionnaire will be provided to approved research teams. Data will be anonymized before it is provided to researchers such that there will be no indication of a firm's name, employer identification number, location or the names of its personnel. All members of the research teams will be required to sign a confidentiality agreement before receiving the data.

**Please note that by submitting this form, you voluntarily agree that the responses to this questionnaire will be shared with approved research teams UNLESS YOU CHECK THIS BOX TO OPT OUT**

If you do not opt out, responses to this questionnaire will be provided to research teams that submit a proposal which is approved by ARAG. At any time after the completion of this form, you may contact [prptechnical@aicpa.org](mailto:prptechnical@aicpa.org) with a request to opt out and responses to this questionnaire will be excluded from any future submissions to research teams.

If you opt out, responses to this questionnaire will not be provided to research teams that submit a proposal which is approved by ARAG.