Thank you for joining us today at

Ledgent CPE University

Accounting & Auditing Report

LEDGENT
FINANCE & ACCOUNTING
A Roth Staffing Company

866.702.6670

Ledgent.com

CPE Quizzer Answer Sheet

CHECKPOINT LEARNING

CPE Network Accounting & Auditing Report
CPEN010
01/22

**You will have one year from your date of receipt to
complete this program and submit the quizzer in order to obtain credit.**

First Name:

Last Name:

Firm Name:

Firm Address:

City: State /ZIP:

Firm Phone: Fax No:

Firm Fax No:

Email:

Licensing State: License No:

CFP License (if applicable): PTIN No. (if applicable):

A Certificate of Completion will be issued with a passing grade of 70 percent or better **within three (3) weeks of submission**. You will be sent a make-up test if you fail. You are responsible for submitting a CPE Reporting Form to your State Board or professional organization. Contact your State Board for complete information regarding your status or requirements.

Mail to: Thomson Reuters-PO Box 115008, Carrollton, TX 75011-5008

Email: CPLGrading@thomsonreuters.com   **FAX:** 1-888-286-9070

ANSWERS:

Please indicate your answer by filling in the appropriate circle as shown: Fill in like this ● not like this / ✓ X

	A	B	C	D		A	B	C	D		A	B	C	D		A	B	C	D
1.	○	○	○	○	5.	○	○	○	○	9.	○	○	○	○	13.	○	○	○	○
2.	○	○	○	○	6.	○	○	○	○	10.	○	○	○	○	14.	○	○	○	○
3.	○	○	○	○	7.	○	○	○	○	11.	○	○	○	○	15.	○	○	○	○
4.	○	○	○	○	8.	○	○	○	○	12.	○	○	○	○					

CHECKPOINT LEARNING

CPE NETWORK
ACCOUNTING & AUDITING REPORT

JANUARY 2022   **VOLUME 35, ISSUE 1**

Topics for future editions may include:

- Accounting for Contingencies
- Compilation Engagement Letters

THOMSON REUTERS

EXECUTIVE SUMMARY

PART 1. ACCOUNTING

Russ Madray, CPA discusses FASB guidance on accruals for compensated absences including vacation, holiday, sick leave, sabbaticals, jury duty, and military leave. [*Running time: 28:00*]

Learning Objective: Upon completion of this segment, the user should be able to:

- Identify the general guidance related to compensation, the conditions, and timing of accrual

- Identify the rate to be used in making an accrual for compensated absences

- Identify the benefits that do not accumulate

PART 2. AUDITING

Jennifer Louis, CPA considers remote auditing, what considerations auditors should have, and how technology has helped enable more efficient and effective audits in the COVID-19 era. [*Running time: 36:43*]

Learning Objectives: Upon completion of this segment, the user should be able to:

- Identify tech sources for auditors to be reliant on

- Identify the impact of remote auditing on audits

- Identify key considerations related to video conferencing tools

- Identify challenges in managing audit teams remotely

- Identify special considerations related to communicating identified risks and related findings

PART 3. SMALL BUSINESS

Kurt Oestriecher, CPA, reviews what inquiries are used for in review engagements, who to inquire of, and what types of things they can detect. [*Running time: 28:32*]

Learning Objectives: Upon completion of this segment, the user should be able to:

- Identify key takeaways from inquiries and the major areas of GAAP

- Identify areas of the financial statements impacting more entities than ever as a result of COVID-19

- Identify common means of review documentation

- Identify areas that inquiries are useful in detecting potential departures where analytical procedures typically are not

ABOUT THE SPEAKERS

Russ Madray, CPA, CGFM, has more than 30 years of professional experience, including stints at two Big 4 accounting firms. Russ is a nationally-known accounting and auditing thought leader, writer, and advisor helping CPAs throughout the country understand and implement technical accounting and auditing issues.

Jennifer Louis, CPA, is a CPA and president of Emergent Solutions Group, LLC. She has more than 25 years experience in designing and instructing high-quality training programs. Ms. Louis was previously executive vice president and director of training services at AuditWatch Inc., a premier training and consulting firm serving the auditing profession. She also served as financial/operational audit manager for the AARP, and as an audit manager for Deloitte.

Kurt Oestriecher, CPA is a CPA and partner with the accounting firm of Oestriecher and Company in Alexandria, Louisiana. He is in charge of accounting and auditing services, and is also involved in litigation support and small business consulting engagements. In addition to his client responsibilities, Kurt has served as a discussion leader for numerous accounting and auditing courses. He has served on the AICPA Accounting and Review Services Committee and is currently serving a three-year term on the AICPA Council.

Be sure to include the completed sheet when you request certificates for this event.

Title of Course (Enter full title)	
Date of Class (MM/DD/YYYY)	
Time (Enter time of class)	
Location (Enter location of class)	

Learning Objectives (Refer to executive summary)	
Program Description (Refer to executive summary)	
Instructional delivery method	Group Live
Recommended CPE credit	3.0 Credits
Recommended field of study(ies) (Refer to executive summary)	
Program Level	Update
Prerequisites (Circle One)	• Basic Accounting and Auditing professional experience
	• Basic Tax professional experience
	• Basic Governmental professional experience
Advance preparation	None required
Course registration and, where applicable, attendance requirements [1]	

(1) Insert instructions for your students to register for the class and any other attendance requirements (e.g., bring your laptop, be prepared to work in groups, you will be required to sign in and sign out of the session, etc.)

PART 1. ACCOUNTING

Accounting for Compensated Absences

As we discussed last month, working and living under COVID-19 restrictions, resulted in a lot of deferred vacation and sick days until restrictions were likely to be loosened or fully lifted. Accountants need to take special care in computing and disclosing liabilities for compensated absences.

For a closer look at the calculation and recording of these absences, let's join Russ Madray, a CPA in Greenville, South Carolina, and CPE Network's Debi Grove Casey.

Ms. Grove Casey

So today we want to talk about accounting for compensated absences and FASB ASC 710 addresses an employer's accounting for [its] obligation to compensate employees for future absences, such as vacation, sick days, holidays, sabbatical leave, and similar paid time off. So to start, could you give us an overview of the guidance related to compensated absences?

Mr. Madray

Sure. I'll be glad to do that. As you mentioned, we're going to be looking at Topic 710, but to kind of put it in perspective, let's take a look at this slide that shows the topics that address various types of employee compensation. Topic 710 is referred to as compensation general. You see Topic 712 deals with non-retirement post-employment benefits. Topic 715 deals with retirement benefits and Topic 718 deals with stock-based compensation. So we might want to consider somewhere down the road another discussion on maybe some of these other compensation related topics, but today looking at compensated absences that guidance is found in Topic 710, along with some other things. So let's go to the next slide and you see how Topic 710 breaks down. Topic 710 contains an overall subtopic and then guidance on some general compensation related matters that are not in one of those other topics like 712, 715, 718.

That overall subtopic has two subsections. As you see on the slide here, there's the general subsection and then the deferred compensation related to rabbi trusts. In the general subtopic, we find the guidance for compensated absences for deferred compensation arrangements that are not a part of a rabbi trust, and then, lump sum payments under union contracts. So we have to kind of drill down into this Topic 710 to get to the guidance on

compensated absences. And there is quite a bit there and some specific things that we need to be aware of. In fact, we do know from looking at peer review statistics, this is an area that folks tend to mess up on, so to speak, not quite getting it right when it comes to accounting for these various types of compensated absences.

And as you mentioned a moment ago, these subsections that we saw on the slide they do address an employer's accounting for obligations related to future absences, things like vacation, sick pay, holiday, sabbatical, and others. And generally the rule is the employer needs to accrue a liability for these future compensated absences if certain conditions are satisfied. Also keep in mind, there's a specific definition in the master glossary of the term compensated absences, and basically it includes what we just mentioned, employee absences, such as vacation, illness, and holidays for which it is expected that employees will actually be paid. So that's where we find the guidance. Again, there's quite a bit in there and we can spend some time talking about those pieces, if you like.

Ms. Grove Casey

Sure. To begin with, maybe let's talk about how an employer must accrue a liability for these absences if certain conditions are satisfied, because you mentioned that earlier. Can you discuss those conditions?

Mr. Madray

Yes, in fact, we have these on this next slide, essentially, an employer needs to accrue a liability and of course, compensation expense as part of that if all of these conditions are satisfied. There's four of them – A, B, C, and D. So the first one, the employer's obligation to provide compensation for future absences results from the employee's past services. So again, it has to be

related to past service already provided by the employee. Second, the employee's rights to the paid absences, either vest or accumulate. Now let's pause here a moment because [we get] this question sometimes about, what's the difference in vesting or accumulating. Vesting rights are those for which the employer has an obligation to make payment to the employee, even if the employment is terminated, therefore, vested rights are not contingent on an employee's future service. Accumulated rights on the other hand are those that are earned, but unused; rights to compensated absences that can be carried forward to one or more future periods.

So for example assuming the employee has earned five days of vacation pay as of December 31, the end of the employer's fiscal year. Further let's assume that the employee will be paid for this vacation time, even if the employee is terminated in this situation. Those five days are considered to be vested and must be accrued. Now assume on the other hand that the vacation days are not vested, but the employee can carry those five days over into later periods. Now, although those rights are not vested, they are considered to be accumulated rights, in which case the employer must provide for an accrual while allowing for estimates of forfeitures due to employee turnover. So again, the obligation results from employee's past service. Those rights, either vest or accumulate, keeping in mind those that accumulate, not just those that vest. Next, the employer's payment of the compensation is probable. And finally, the employer can reasonably estimate the amount of that obligation. Now there are cases where the first three conditions are satisfied, but the employer can't reasonably estimate the amount for a variety of reasons. And if that's the case, the employer doesn't accrue a liability for those compensated absences, because they can't develop a reasonable estimate, then they need to disclose that fact and their inability to make that estimate.

On the next slide we have an example of what that disclosure might look like. Employees of the company were entitled to paid vacation, personal, and sick days off, depending on job status, length of service and other factors due to numerous differing union contracts and other agreements with non-union employees. It is impractical to estimate the amount of compensation for future absences and accordingly, no liability has been reported in the accompanying financial statements. The company's policy is to recognize the cost of compensated absences when actually paid to employees. Compensated absence payments to employees totaled the amount you see here, $347,876 in 2021.

So four conditions related to past service, the rights vest or accumulate, it's probable the payments will be made, and a reasonable estimate of the amount can be made. All of those four conditions are met. We accrue a liability in the associated compensation expense in the period that it's earned. If we have all of that, but we're unable to make an estimate then a disclosure, like we just looked at, would be appropriate in that case. And another thing to keep in mind here that can complicate this a bit further is, most of the time this is going to lead to recognizing the expense for compensated absences in the financial statements before those costs can be deducted on the tax return, because the IRS doesn't like for you to deduct compensation costs before you pay the employee. So that can result in the need to recognize a deferred tax asset, which again, would be accounted for under Topic 740, along with the associated disclosures necessary as related to that deferred tax asset as well.

Ms. Grove Casey

Well, what about the timing of recognition of the compensation expense? When would the expense be recognized?

Mr. Madray

Again, assuming the four conditions of accrual are met, then we would recognize that expense and that accrual, that related liability, for those compensated absences in the period where it's earned by the employees. So for example, if new employees receive two weeks vacation at the beginning of their second year of employment, then that vacation pay is considered to be earned during the first year of employment. And of course, as we mentioned before, the employer would also consider anticipated forfeitures in determining ultimately the amount that they would need to accrue. Now, the guidance in Topic 710 doesn't provide any detailed measurement guidelines related to the employer's liability for those compensated absences. The guidance that is there does indicate that the employer would utilize the general principles in Topic 450 on loss contingencies to estimate the amount of the obligation for those compensated absences.

So kind of using those principles from Topic 450, then that liability for compensated absences would generally be accrued using current salary rates. And then the

accrual will be adjusted when and if those salary rates change in the future again. The guidance in Topic 710 doesn't address the issue of salary rates that are used in the accrual. So again, you know employers can use the current rate or they could accrue the benefits based on salary rates that are expected to be in effect when the employee actually uses those compensated absences. That's not very common cause that gets more complicated and introduces even more estimates. So the most common approach is for the employer to make the accrual based on current salary rates, and then, make adjustments as necessary in the future when any of those rates do change.

So we have an example on this next slide that shows you how we might actually do that using some very simple numbers. So let's assume that ABC company began operations on January 1, 2021. The company employs, 10 individuals. They are each paid $1,000 per week. Vacation weeks earned by all employees during that year of 2021 total 20 weeks, but none of those vacation weeks were used during that particular year. In 2022, let's assume the vacation weeks were used when the current rate of pay was $1,120 per week for each employee. So given that, those assumptions in the entry at December 31, 2021 to accrue for that accumulated vacation pay would be a debit to wages expense, and a credit to vacation wages payable in the amount of $20,000, which is the 20 weeks times the thousand dollars per week, which was the current salary rate at the end of 2021. That would lead to reporting a liability on the balance sheet in the amount of $20,000 as well as that compensation expense on the income statement for 2021. In 2022, the vacation pay related to that 2021 accrual would be recorded as you see on this slide, the vacation wages payable is debited, the cash is credited for the actual cash payment for the wages during those vacation weeks at $1,120 per week times the 20 weeks used. The difference here is going to go through wages expense. So again, assuming this all played out then in 2022, the vacation weeks were used and that liability is completely extinguished. Again, the difference between the amount of cash paid and the reduction in the liability account is recorded as an adjustment to wages expense in the period when it's paid. And again, that difference comes up because the liability was accrued at the wage rate in effect during the period when the vacation time was earned. But, of course, employees want to be paid what their actual pay rate is. So the cash paid is based on the rates in effect when the compensation or compensated time is actually used. Along the lines too, of this estimating and

accruing the amount are some other issues that can come up related to the employer's estimation of that liability. There's significant judgment that's going to be required to estimate future pay rates and usage patterns for this paid time off. The employer is going to have to determine also whether to discount that future compensation cost to present value. And if so, what discount rate would you use in doing that? There are cases where employers require employees to either use or lose some types of compensated absences, like vacation within one year.

Although keep in mind, some state employment laws do not allow employers to mandate that policy, but in states where it's allowed by employment law, again, employers may mandate a use-it-or-lose-it policy. In that case, then any kind of discounting for time value of money would not be necessary. But assuming they can carry it forward and, they don't fall into that use-or-lose policy, those compensated absences could carry on for several years, even through a termination or a retirement. In those kinds of cases, the employer really would need to consider discounting that liability to present value. And again, the issue comes up, but what discount rate would be appropriate in that case? So there are some complicating factors in this overall estimating the accrual for these compensated absences. Of course, the employer, needs to look at all the facts and circumstances to determine when employees are earning nonvesting rights in exchange for their performance.

The employer will determine whether to accrue a liability for nonvesting rights ultimately based on whether the unused rights expire at the end of the year, or if they can carry them forward to subsequent years if the employee didn't carry the rights forward, then the amount of the benefits in subsequent years are going to be greater than the benefits that would otherwise be available. If the employee's rights do expire, the employer would not accrue a liability for those future absences at the end of the year. Again, accrual would not be necessary because the benefits paid and no subsequent years would not represent compensation for prior year services.

Another little side note here, benefits for things like jury duty or military service do not accumulate. If those benefits remain unused and, and don't accumulate, then the employer would not accrue a liability related to those kinds of things at year end either. On the other hand, if there are unused rights that do accumulate and

they do provide an employee with greater benefits in a subsequent year, then the employer would accrue the liability provided they're able to estimate the amount of that particular liability. It's going to represent the amount of paid absences for which it's probable the employer will compensate the employees in subsequent years, and the employer can, again, reasonably estimate that amount.

So let's look at another example on this next slide of all of that. You have a two-partner law firm, they have two full-time employees, a secretary, and a paralegal. Both employees have worked for the firm for more than three years. Partners have consistently permitted each employee to take two weeks paid vacation and additional paid time off for religious observances, family events, family emergencies, things like that. The employees also have unlimited sick days. The office does keep an informal calendar to track those employees' days off and generally allows employees to roll over those unused vacation days to the following year. Over the last three years, let's assume each employee has taken about 16 days off with full pay.

Again, this is an example of even though these compensated absences don't vest when this firm prepares its financial statements in accordance with U.S. GAAP, then it would need to accrue the estimated amount of compensated absences that the firm will probably provide to its employees again, because of that probability threshold and the way we evaluate these accumulated types of benefits. So that's a whole mouthful of things to cover. You started off asking about recognition and timing of recognition, and I kind of just took off from there, but felt like all of that was important to understand as part of that overall recognition of the accrual and compensation expense.

Ms. Grove Casey

Well, there are a number of different types of jobs that permit what's known as sabbatical leave. And I understand that ASC 710 provides some specific guidance related to those types of leave. Can you discuss that guidance?

Mr. Madray

Sure. First of all we need to agree on what is meant by sabbatical leave and that's defined again in the master glossary in the Codification. We have that definition here on this next slide. We're defining sabbatical leave as a benefit in the form of a compensated absence whereby the employee is entitled to paid time off after working for an entity for a specified period of time. During the sabbatical, the individual continues to become a compensated employee, but it's not required to perform any duties for the entity. You see this especially in academia. You see it in religious entities, churches, and synagogues and so on and others, but to be accounted for as sabbatical leave, it needs to meet those definitions. And the key part is the employee is not required to perform any duties for the entity during this leave.

So, ultimately, the accounting for sabbatical leave depends on the purpose of the absence. So for example, leave for the purpose of performing research or enhancing the employer's reputations through service is not considered to be compensation for employee's past services. Therefore, the employer would not accrue a liability in advance if the employee sabbatical leave is for these. On the other hand, the employer would accrue a liability for sabbatical leave if first, the employee's leave is unrestricted in nature and does represent compensation for prior services; and two, those other conditions for accrual are satisfied that we talked about earlier A through D for generally accruing any kind of compensated absence. It's important here to note also that under the Family Medical Leave Act of 1993 an employee can take an extended leave for certain specified reasons in that Act like medical illness, maternity leave, paternity leave adoption, things like that.

In addition, U.S. employees do have rights under federal and state law regarding unpaid absence for military service. In these cases, the employer has no obligation under the law to compensate the employee for these types of extended leaves. Therefore, if the leave is not compensated, the employer clearly would not accrue a liability. However, a number of employers do elect to provide at least some partial compensation during these types of absences. And if that's the case, the employer would need to comply with the conditions that we just mentioned to determine if the accrual of liability would be required. So essentially when we're talking about sabbatical leave, or even some of these other types of leave even paternity/maternity leave, that kind of thing would be a crude or need to be accrued if it satisfies all the conditions we see on the slide here.

The leave arrangement does require the completion of a minimum service period. That's the thing that's tying it to past services. Second, the benefit for leave does not

increase with additional years beyond that minimum service period. Next, the benefit accumulates, next the individual's status as a compensated employee continues during that leave period. Next, the employee is not required to perform any direct or indirect services for the employer during that leave period. And then, finally, there were other conditions for accrual that we talked about earlier A through D would be satisfied related to past service, probable we'd be paid, we can estimate the amount, all of those things would need to be in place as well. And assuming all that's met and the accrual was made and the employer would accrue compensation costs over that required minimum service period as compensation expense.

Ms. Grove Casey

I think there's some also some specific guidance related to sick leave. Could you address that guidance?

Mr. Madray

Sure. There is an exception to that general rule for accrual of compensated absences as it relates to sick leave essentially if sick pay benefits vest, and the cruel is required. On the other hand, if sick pay benefits accumulate, but don't vest, then accrual is permitted, but it's not required. See, that's different because generally any other type of compensated absence like vacation one of those accrual conditions is, if it vests or accumulates here. In other words, sick pay is only in a case where it vests. The reason for that distinction is because compensation that's designated as sick pay can be administered in one of two ways. In some companies, employees receive sick pay only if they're absent due to illness. Accrual of the liability would be permitted there, but not required because the payment is contingent upon you know, future employees' illnesses, and you can't predict that. In other companies, employees are allowed to accumulate sick pay and take compensated time off from work, even if they're not sick.

There are some cases where an employer might even permit employees to use up all their accumulated and unused sick leave before a planned termination, like a retirement. In that type of arrangement, a liability does need to be accrued because it's going to be paid whether or not the employee's ever become ill, making it again, essentially, a vesting right as opposed to an accumulated right. So to reiterate all that, an employer's accrual of an employee's nonvesting right to sick pay is not mandatory even if those rights accumulate, and

even if all the other conditions are satisfied, the employer is not required to accrue a liability. However, Topic 710, doesn't prohibit employers from recognizing a liability for these nonvesting accumulating sick pay benefits, assuming the other conditions for accrual are met. So a specific exception there when it comes to sick pay but most of your other compensated absences fall under those general conditions for accrual that we discussed earlier.

Compensated Absences

by J. Russell Madray, CPA, CGMA

The Financial Accounting Standards Board *Accounting Standards Codification* (FASB ASC) provides guidance regarding employee compensation in the following four topics:

- FASB ASC 710, *Compensation—General*

- FASB ASC 712, *Compensation—Nonretirement Postemployment Benefits*

- FASB ASC 715, *Compensation—Retirement Benefits*

- FASB ASC 718, *Compensation—Stock Compensation*

FASB ASC 710 contains only the "Overall Subtopic" and provides guidance on general compensation-related matters that are not within the scope of the topics listed above. The "Overall Subtopic" contains the following two Subsections to segregate the guidance:

- General

  o Compensated absences

  o Deferred compensation arrangements

  o Lump-sum payments under union contracts

- Deferred Compensation—Rabbi Trusts

The General Subsections in FASB ASC 710-10, *Compensation–General—Overall*, address an employer's accounting for its obligation to compensate employees for future absences, such as vacation, sick days, holidays, sabbatical leave, and similar paid time off. The employer must accrue a liability for these absences if certain conditions are satisfied.

Observation: The FASB ASC Master Glossary defines "compensated absences" as "employee absences, such as vacation, illness, and holidays, for which it is expected that employees will be paid."

Accrual Conditions

An employer must accrue a liability (and compensation expense) if all of the following conditions are satisfied:

a. The employer's obligation to provide compensation for future absences results from the employees' past services

b. The employees' rights to the paid absences either vest or accumulate

Observation: Vested rights are those for which the employer has an obligation to make payment to the employee even if employment is terminated; thus, vested rights are not contingent on an employee's future service. Accumulated rights, on the other hand, are those earned but unused rights to compensated absences that may be carried forward to one or more periods. For example, assume that an employee has earned 5 days of vacation pay as of December 31, the end of the employer's fiscal year. Further, assume that the employee will be paid for this vacation time even if the employee is terminated. In this situation, the 5 days of vacation pay are considered vested and must be accrued. Now assume that the vacation days are not vested, but that the employee may carry the 5 days over into later periods. Although the rights are not vested, they are accumulated rights for which the employer must provide an accrual, allowing for estimates of forfeitures due to turnover.

c. The employer's payment of the compensation is probable

d. The employer can reasonably estimate the amount of its obligation

In some cases, conditions (a) through (c) are satisfied but the employer cannot reasonably estimate the amount of the liability as condition (d) requires. If the employer does not accrue a liability for compensated absences because it cannot develop a reasonable estimate, it must disclose its inability to do so. An example of such a disclosure is the following:

> Employees of the Company are entitled to paid vacation, personal, and sick days off, depending on job status, length of service, and other factors. Due to numerous differing union contracts and other agreements with non-union employees, it is impractical to estimate the amount of compensation for future absences, and, accordingly, no liability has been reported in the accompanying financial statements. The Company's policy is to recognize the cost of compensated absences when actually paid to employees; compensated absence payments to employees totaled $347,876 in 2021.

Often, an entity must recognize compensated absences as an expense for financial reporting before it can deduct the cost on its tax return. This timing difference can result in the recognition of a deferred tax asset. If so, the entity must provide disclosure in accordance with FASB ASC 740, *Income Taxes.*

Recognition and Measurement

The expense and related liability for compensated absences should be recognized in the period in which it is earned by the employees. For example, if new employees receive rights to two-weeks' vacation at the beginning of their second year of employment, the vacation pay is considered to be earned during the first year of employment. The employer also must consider anticipated forfeitures in determining the amount to accrue.

FASB ASC 710-10 does not provide detailed measurement guidelines regarding an employer's liability for compensated absences. FASB ASC 710-10-25-1(c) to 25-1(d) indicate that the employer utilizes the general principles in FASB 450-20, *Contingencies—Loss Contingencies*, to estimate the amount of its obligation for compensated absences.

The liability for compensated absences is generally accrued using current salary rates, and the accrual is adjusted when the rates change. FASB ASC 710-10 does not address the issue of salary rates to be used in the accrual; therefore, it is likely that employers will use the current rather than a future salary rate. However, it is equally acceptable, although less common, to accrue such benefits based on the salary rates expected to be in effect when the employee uses the vacation or sick days.

In keeping with the rule of constructive receipt, the IRS has consistently concluded the value of accrued leave is taxable to all employees when it's earned, regardless of when or even whether employees take leave. Constructive receipt is a tax timing issue. In addition to withholding when employees are actually paid, constructive receipt requires withholding when wages are constructively paid—that is, when wages are credited to the account of, or set apart for, employees so they can draw on them at any time.

For example, assume that ABC Company began operations on January 1, 2021. The company employs 10 individuals who are paid $1,000 per week. Vacation weeks earned by all employees in 2021 were 20 weeks, but none were used during the year. In 2022, the vacation weeks were used when the current rate of pay was $1,120 per week for each employee. The entry at December 31, 2021 to accrue the accumulated vacation pay is as follows:

Wages Expense	20,000	
Vacation Wages Payable ($1,000 x 20)		20,000

At December 31, 2021 the company would report on its balance sheet a liability of $20,000. In 2022, the vacation pay related to 2021 would be recorded as follows:

Vacation Wages Payable	20,000	
Wages Expense	2,400	
Cash ($1,120 x 20)		22,400

In 2022 the vacation weeks were used; therefore, the liability is extinguished. Note that the difference between the amount of cash paid and the reduction in the liability account is recorded as an adjustment to Wages Expense in the period when paid. This difference arises because the liability was accrued at the wage rate in effect during the period when the compensated time was earned. However, the cash paid is based on the rates in effect during the period when the compensated time is used.

Several issues arise in connection with an employer's estimation of its liability for compensated absences. First, significant judgment is required to estimate the future pay rates and usage patterns for paid time off. Second, the employer must determine whether to discount the future compensation costs to present value and the appropriate discount rate to apply. Many employers require employees to "use or lose" several types of conventional compensated absences, such as vacation, within one year. As a result, discounting for the time value of money is unnecessary. Other employers may permit employees to carry unused compensated absences for several years through termination or retirement. If an employer's plan permits an employee to carry compensated absences forward for multiple years, the employer must consider discounting the liability to present value.

Observation: Some states do not permit employers to "use or lose" compensated absences.

An employer must assess the facts and circumstances to determine when employees earn non-vesting rights to compensated absences in exchange for performance. The employer determines whether to accrue a liability for non-vesting rights based on whether unused rights expire at the end of the year or, alternatively, if employees may carry them forward to subsequent years. If the employee can carry the rights forward, the amount of the benefits in the subsequent years are greater than the benefits that would otherwise be available.

If the employee's rights expire, the employer does not accrue a liability for future absences at year-end. The accrual is unnecessary because the benefits paid in subsequent years do not represent compensation for prior period services. Generally, benefits for jury duty or military service do not accumulate. If the benefits remain unused and do not accumulate, the employer does not accrue a liability for them at year-end.

Conversely, if unused rights accumulate and provide an employee with greater benefits in a subsequent year, the employer accrues a liability at the end of the year, provided that the employer is able to estimate the amount. The liability represents the amount of paid absences for which it is probable that the employer will compensate employees in subsequent years and that the employer can estimate reasonably.

Consider the following illustration:

> A two-partner law firm has two full-time employees: a secretary and a paralegal. Both employees have worked for the firm for more than three years. The partners have consistently permitted each employee to take two weeks paid vacation and additional paid time-off for religious observances, family events, or family emergencies. The employees also have unlimited sick days. The office keeps an informal calendar to track each employees' days off and, generally, allows the employees to roll over unused vacation time for the following year. Over the last three years, each employee has taken approximately 16 days off with full pay. Although these compensated absences do not vest, when the firm prepares its financial statements in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP), it must accrue the estimated amount of compensated absences that the firm will probably provide to its employees.

Sabbatical Leave

The FASB ASC Master Glossary defines "sabbatical leave" as "a benefit in the form of a compensated absence whereby the employee is entitled to paid time off after working for an entity for a specified period of time. During the sabbatical, the individual continues to be a compensated employee and is not required to perform any duties for the entity."

An employer's accounting for an employee's sabbatical leave depends on the purpose of the absence. A leave for the purpose of performing research or enhancing the employer's reputation through public service is not compensation for an employee's past services. Accordingly, an employer does not accrue a liability in advance if an employee's sabbatical leave is for these activities. On the other hand, the employer must accrue a liability for sabbatical leave if:

- The employee's leave is unrestricted in nature and represents compensation for prior services

- The other conditions for the accrual of a liability are satisfied

Under the *Family and Medical Leave Act of 1993*, an employee may take an extended leave for certain specified reasons, such as a serious medical illness, maternity or paternity, and adoption. Similarly, U.S. employees have rights under federal (and state) law regarding unpaid absence for military service. An employer has no obligation under the law to compensate the employee for these types of extended leaves. If the leave is uncompensated, the employer does not accrue a liability. However, an employer may elect to provide some partial compensation for such absences. If so, the employer must comply with the conditions described above to determine if the accrual of a liability is required.

An employer must accrue compensation costs for an employee's sabbatical leave that satisfies all of the following conditions:

- The leave arrangement requires the completion of a minimum service period

- The benefit for leave does not increase with additional years beyond the minimum service period

- The benefit accumulates

- The individual's status as a compensated employee continues during the leave period

- The employee is not required to perform any direct or indirect services for the employer during the leave period

- The other conditions for accrual described above are satisfied

The employer must accrue compensation costs related to the sabbatical leave over the required service period.

Sick Pay

An exception to the general rule for accrual of compensated absences relates to the issue of sick pay. If sick pay benefits vest, accrual is required. If sick pay benefits accumulate but do not vest, accrual is permitted but not required. The reason for this distinction is that compensation that is designated as sick pay may be administered in one of two ways. In some companies, employees receive sick pay only if they are absent due to illness. Accrual of a liability is permitted but not required because its payment is contingent upon future employees' illnesses. In other companies, employees are allowed to accumulate unused sick pay and take compensated time off from work even if they are not sick. Additionally, an employer may permit employees to use up all accumulated and unused sick leave before a planned termination, such as retirement. For this type of "sick pay," a liability must be accrued because it will be paid whether or not the employees ever become ill.

To reiterate, an employer's accrual of its employees' non-vesting rights to compensated absences for illness (sick pay benefits) is not mandatory. Even if the rights accumulate and the conditions described above are satisfied, an employer is not required to accrue a liability. However, FASB ASC 710 does not prohibit an employer from recognizing a liability for non-vesting accumulating sick pay benefits, provided that the compensation arrangement satisfies the conditions for accrual.

Compensation Guidance

- FASB ASC 710, Compensation–General

- FASB ASC 712, Compensation—Nonretirement Postemployment Benefits

- FASB ASC 715, Compensation—Retirement Benefits

- FASB ASC 718, Compensation—Stock Compensation

ASC 710 Overall Subtopic

- General
  - Compensated absences
  - Deferred compensation arrangements
  - Lump-sum payments under union contracts
- Deferred Compensation—Rabbi Trusts

Accrual Conditions

The employer's obligation to provide compensation for future absences results from the employees' past services

The employees' rights to the paid absences either vest or accumulate

The employer's payment of the compensation is probable

The employer can reasonably estimate the amount of its obligation

Disclosure Example

- Employees of the Company are entitled to paid vacation, personal, and sick days off, depending on job status, length of service, and other factors. Due to numerous differing union contracts and other agreements with non-union employees, it is impractical to estimate the amount of compensation for future absences, and, accordingly, no liability has been reported in the accompanying financial statements. The Company's policy is to recognize the cost of compensated absences when actually paid to employees; compensated absence payments to employees totaled $347,876 in 2021.

Example 1

- ABC Company began operations on January 1, 2021
- Company employs 10 individuals who are paid $1,000 per week
- Vacation weeks earned by all employees in 2021 were 20 weeks, but none were used during the year
- In 2022, the vacation weeks were used when the current rate of pay was $1,120 per week for each employee
- Entry at December 31, 2021 to accrue the accumulated vacation pay is as follows:

Wages Expense	20,000	
Vacation Wages Payable ($1,000 x 20)		20,000

- At December 31, 2021 the company would report on its balance sheet a liability of $20,000

Example 1

- In 2022, the vacation pay related to 2021 would be recorded as follows:

Vacation Wages Payable	20,000	
Wages Expense	2,400	
Cash ($1,120 x 20)		22,400

Example 2

- A two-partner law firm has two full-time employees: a secretary and a paralegal
- Both employees have worked for the firm for more than three years
- The partners have consistently permitted each employee to take two weeks paid vacation and additional paid time-off for religious observances, family events, or family emergencies
- The employees also have unlimited sick days
- The office keeps an informal calendar to track each employees' days off and, generally, allows the employees to roll over unused vacation time for the following year
- Over the last three years, each employee has taken approximately 16 days off with full pay

Sabbatical Leave

- "A benefit in the form of a compensated absence whereby the employee is entitled to paid time off after working for an entity for a specified period of time. During the sabbatical, the individual continues to be a compensated employee and is not required to perform any duties for the entity."

Accrual Conditions – Sabbatical Leave

The leave arrangement requires the completion of a minimum service period

The benefit for leave does not increase with additional years beyond the minimum service period

The benefit accumulates

The individual's status as a compensated employee continues during the leave period

The employee is not required to perform any direct or indirect services for the employer during the leave period

The other conditions for accrual are satisfied

A.   Discussion Problems

1. Describe the conditions necessary for an employer to accrue a liability (and compensation expense) related to compensated absences.

2. Describe an employer's accounting for an employee's sabbatical leave.

3. Explain the accounting treatment for compensated absences for illness (sick pay benefits).

B.   Suggested Answers to Discussion Problems

1. An employer must accrue a liability (and compensation expense) if all of the following conditions are satisfied:

    a. The employer's obligation to provide compensation for future absences results from the employees' past services

    b. The employees' rights to the paid absences either vest or accumulate

    c. The employer's payment of the compensation is probable

    d. The employer can reasonably estimate the amount of its obligation

2. An employer's accounting for an employee's sabbatical leave depends on the purpose of the absence. A leave for the purpose of performing research or enhancing the employer's reputation through public service is not compensation for an employee's past services. Accordingly, an employer does not accrue a liability in advance if an employee's sabbatical leave is for these activities. On the other hand, the employer must accrue a liability for sabbatical leave if:

    *   The employee's leave is unrestricted in nature and represents compensation for prior services

    *   The other conditions for the accrual of a liability are satisfied

3. An employer's accrual of its employees' non-vesting rights to compensated absences for illness (sick pay benefits) is not mandatory. Even if the rights accumulate and the conditions described above are satisfied, an employer is not required to accrue a liability. However, FASB ASC 710 does not prohibit an employer from recognizing a liability for non-vesting accumulating sick pay benefits, provided that the compensation arrangement satisfies the conditions for accrual.

PART 2. AUDITING

Remote Auditing

While the COVID-19 pandemic has impacted the way entities and auditors conduct their businesses and practices, remote auditing is not entirely new. Auditors have taken advantage of technology tools for efficiency purposes for quite some time; however, the pandemic pushed the need for reliance on these tools and techniques to new heights.

For more on remote auditing, let's join Jennifer F. Louis, a CPA with Emergent Solutions Group, LLC, and CPE Network's Debi Grove Casey.

Ms. Grove Casey

So today we want to talk about a topic that has maybe [received] a lot more attention recently due to the pandemic, and that is remote auditing. So is remote auditing new due to the pandemic? And do you think auditing will ever go back to normal?

Ms. Louis

Well, remote auditing I wouldn't say is necessarily new. I mean, for years, both internal and external auditors have taken advantage of technology and other ways in order to save time and money using smart technologies to extract data remotely to analyze it. But certainly due to the epidemic, it's substantially increased the need for us to rely more on these different types of techniques. And certainly both auditors, whether you're internal audit or external audit have been faced with the same restrictions on the ability to physically visit certain premises and had to adopt some of these more remote auditing techniques. A lot of the changes I think that businesses have made to adapt to the pandemic are expected to be a part of what you hear in the term 'new normal' going forward. And it seems like auditors will continue to take advantage of cost savings and efficiencies that can be gained by using these remote auditing techniques.

Ms. Grove Casey

Well, all organizations not just audit organizations have moved to remote working. So what general challenges has that created for accounting and finance in particular?

Ms. Louis

Certainly, as we think about the remote working in and of itself, there was in that transition, a big challenge because of having to look at security and disruptions to normal systems of controls, a lot of critical finance and accounting functions ultimately, now had to be done virtually. And then the year end audits, the quarterly reviews, those also were being done virtually. I want to recognize that it was a challenge for both the entities that were being audited, the accounting and finance functions of those organizations, as well as the auditors, but certainly having the right technology, having the skills that were even already embedded and learned by the different employees. Those organizations had a better ability to be able to navigate this transition that occurred to the virtual working, and many firms, ultimately are realizing that there is no going back necessarily to the way it was before. That there are some functions that are likely to stay virtual, even as organizations are looking to return to the workplace. There is going to have a longer-term effect on operations to consider as we are looking at never going back a hundred percent to what the previous form was.

Ms. Grove Casey

Well, many new automated tools and applications had to be adopted to conform to that remote working environment. And I know for some, there were supply issues for a while. What ongoing challenges has that created specifically for internal and external audit organizations?

Ms. Louis

A lot of it had to be the ongoing level of effort that was needed in embracing technologies to enable this remote working. It's not enough to simply put in like here's some new applications and some tools it's, ultimately that the people know how to use it. Are they trained in it? Has there been solid communication about levels of use of certain technologies? And so, yes, we still have certain communications and workflow automation technologies that made it easier for auditors to work remotely, and that's largely a part of the fact that certain

audit organizations already had technology as a part of their day-to-day working using virtual meeting technologies, using audit specific tools to schedule meetings, coordinate with clients. Those were all able to be shifted to pretty easily in maintaining quality. But what you're also finding is that you're having to be more reliant on a lot of cloud technology solutions that ultimately were ways of me to not just work autonomously, but to also remain connected and engaged with various staff and various clients. And, so the ongoing support of these cloud-based solutions and focus on this new world of remote working is probably what will be a continued struggle because you have ongoing concerns about disruption and security and other matters as we think about various cybersecurity risks, for example.

Ms. Grove Casey

Well, let's talk about some examples of ways that auditors can continue to leverage technology for effective remote auditing. You mentioned that we have used it in the past, and that seemed to be primarily from an efficiency standpoint, not necessarily so much an effectiveness standpoint.

Ms. Louis

That is absolutely true. We think about things like having portals, where an auditor and the client can exchange data and information in a secure manner, the collaboration tools that you have with your clients and doing that in a way of operating in this cloud. But there also was the use of technology to just better analyze and what I would say, visualize client data to take data and information sort it, group it, scrub it, you know, all the things that you could do as you're now exploring the underlying data and information that might be say comprising the financial statements themselves to ultimately be able to find outliers and inconsistent patterns. As we think about just various organizations that there's some particular industries, certain organizations that are just, in essence, focusing more on automation and big data.

Ms. Louis

Like you could have a manufacturer, for example, that enters thousands of journal entries into an accounting system each month. And auditors can use these big data technologies to take this large amount of data from multiple sources and with the right hardware and software, they can take this data and analyze all of the

data rather than just a small sample, right? Because we have always had sampling techniques that we might've used polls, certain transactions and events to look at in the course of the audit, but now big data and automation allows for you to look at it all, as opposed to a subset of that information, but you're still going to see technology to run sample applications. You're going to also see sometimes where there could be cloud-based technology that allows an auditor to do real time auditing regardless of where you're physically located, that I can access and get into your systems.

So there also is the sense of reporting and the value that you can provide as you're now working remotely with the fact of, am I using all this automated technology? So what's the outputs and the reports that I can provide that I'm using in the audit that also might be useful to my clients as we think about some things that management and governance might be value added to help them know and understand in the end. I think what ultimately may happen is to say, not what can be done remotely, which is what the initial struggle was, but ultimately, what can't be done remotely going forward?

Ms. Grove Casey

Well, in order to conduct virtual business effectively, you need a workforce that's up to the task. And I know I've seen a number of different learning courses available on something called digital fluency, which has a lot to do with understanding and a different mindset in terms of conducting business using e-commerce among other things. Do you think that auditors feel sufficiently empowered and up-skilled to fill that need?

Ms. Louis

Yes, we're going to definitely be reliant on that. There needs to be the sense of empowerment to figure out how do I use these various automation tools to help maybe the effectiveness and efficiency of what we're doing. So, for example, it might be that there is an auditor that really understands a particular data extraction tool and can create a bot that helps enhance what we can do to test PPE. So, we can provide the technology, but people have to actually use the technology. And it is an opportunity for auditors to solve some of the challenges. As they're honing their skills and the capabilities and the use of these technologies, this digital mindset, ultimately, that auditors might have, will ultimately lead to the ability to say, well, what's next? Like what could we do to take this further, as

we're looking at using this variety of platforms and technologies that are out there, not just with how we can better collaborate with each other and how it is that we can maybe review work papers virtually. But, even beyond that, there's a lot of capabilities in not just what we do from the soft skill side around supervision, review collaboration, communication, but also what are we doing from the technological side of actually getting audit evidence?

Ms. Grove Casey

Well, how has an auditor's obligation to evaluate design and implementation of internal controls been influenced by remote auditing?

Ms. Louis

The move, just in general, as we said, for organizations to move more towards remote working led to remote process flows, and it increased the work volume that might've existed around things where you're using more automation to do the preparation and fair presentation of your financial statements, which means that I need to now think about the controls that are relevant to my ability to understand what's going on in the entity, the environment, its controls, its system of controls in order for me to have an adequate basis to determine where do I have more risks because of this remote working environment and where is it that I need to perhaps have something flagged as being on the higher end of that spectrum of risk, where I might need to get more persuasive evidence. So as we might also have concerns where sometimes there may be some things that are still being done manually, and then there's other cases where we figured out how to leverage technology to move to a virtual environment.

And there may be in the intervening timeframe, a hybrid model where there might be a combination of manual and automated things that eventually may move to be more and more automated over the course of time. But as we have these enhancements and changes in our systems, you are ultimately having to think about the controls that exist, not just in the transitioning of how we're doing things, but also when I'm in this new world of doing things, and maybe I'm doing a virtual close, what are the controls that are needed for both fraud and error type reasons in order to manage the risks that might be created by that virtual environment? That ultimately could be an important thing because for the auditors, there's a lot more to maybe understand as you're going through this migration. We are continuing

to see organizations that started trying to figure out how to do things remotely and are still continuing to figure out for what is still manual, how can we switch it to remote?

Ms. Grove Casey

Well, I know that in the past, when we were conducting audits, I mean, not that planning didn't take a substantial amount of time, but it always seemed like you were out in the field and that was the bulk of the audit. By the time you left the field, I don't want to say writing up the report and having the evidence reviewed was all that was left because that's not a small thing, but the bulk of the man hours were spent out doing field work. Have auditors been finding that it takes more or less time to prepare for and perform a remote audit because you're not actually there. So if you have an issue, you can't just run and ask, right?

Ms. Louis

Exactly. So certainly the level of communication and the flexibility of things that we can do might be more limited as we're looking at purely a remote environment. Audits can take longer in this environment. The clients ultimately might be that they need more time to pull documents and respond to questions, particularly if they haven't been in the office where records might be easily available, as we're asking questions about things that were prior to the remote working, which is why it goes back to I'm saying the controls sometimes, or a hybrid of things that we're doing. So the client ultimately might take more time, which means that it just takes more time. And so with the audit logistics it is important that we do try to find a way of how we can work with client staff using video conferencing and other ways that we can coordinate together. Ultimately, if it's not feasible to supply electronic records, well how are we going to coordinate getting actual physical records then? How do we pick up and exchange documents as we might also be still trying to follow social distancing type rules, but the planning and logistics might be more complicated because of those types of issues.

Ms. Grove Casey

Well, it seems that robust communication is vital to a successful audit now more than ever. So do you have any general tips for improving communication with the auditee?

Ms. Louis

So certainly as we think about today's environment, I think the planning part, the pre-audit communications and meetings, are going to be that much more important because of the fact that that is when we're going to talk about the timing and the logistics, and to talk about the document request list and make a plan of how are we going to get what we need. Then we need to understand these requests that we normally would just hand a list to the client and say, here's what we anticipate we need. We do want to make sure that it's comprehensive in what it is that we're going to need, because as you mentioned previously, it's not that you can just go, oh, I need this too, and then walk down the hallway and ask for it. Like the client might need more advance notice in order to locate and retrieve certain documents around certain matters.

So I want to think about what I need to start the audit, but also what am I going to need later on in the audit? And ultimately it might seem that this list might be longer and it might seem overwhelming, but that's why we need to sit down and work with the client to talk about how are we going to coordinate to tackle this and the audit status meetings that we need to have might need to be more frequent because we're not just passing each other in the hallway to ask a quick question about, Hey, how's that going with those invoices? We need to purposely schedule status meetings to talk about the progress and outstanding questions and requests and potential areas for concern or recommendations and to allow, not just the auditors to interact with the client, but to also allow the client to interact and ask questions and clarification of the auditors as well.

Ms. Grove Casey

Well, since so much audit evidence will be gathered through video conferencing, do you have any tips for improving those interactions?

Ms. Louis

Oh yes. There's a wide variety of different virtual conferencing tools that we've all been exposed to over the past year, from Zoom to Teams. When selecting your tool make sure that access to it is secure. Is security going be key, right? It's the way we think about it. We might want to have certain [protections] where you need to have a password to get into this meeting, because we're going to be sharing screenshots of things that are confidential, private information. We also want to make sure that we focus on you might need to, with

these video conferencing, split certain things into several smaller sessions around very specific topics, and to make sure that I have the right person in that right section, that right part of what we're talking about in a given area. Try to keep to a minimum those that need to simultaneously participate, because I'm sure we've all experienced where too many people are trying to talk and it's hard to jump in and interact.

So we want it to be smaller. We want it to be more focused. And we want to think about, as I said, what is it that I'm going to be sharing and having conversations about, and what would be appropriate for certain people in a conversation to be there? Like, would it be appropriate to have them there live? If not, they shouldn't be there virtually either.

Ms. Grove Casey

Well, and you get a bandwidth issue depending on if you're doing a video conference, right? So the more people you have on the conference or in the call, the issues with bandwidth become more apparent. So that's another thing that you may want to consider in terms of the size.

Ms. Louis

Absolutely.

Ms. Grove Casey

Would you have any special considerations related to document sharing that you want to mention?

Ms. Louis

I do. And just one other thing I want to also follow up on with the video sessions is in recording the session to facilitate your note taking. So this could be something where you're even storing like an actual interview, actual video-audio file, all that you're sharing as opposed to writing something up in a memo that the forms of your documentation can actually be more flexible in this environment. And then as far as document sharing itself, as we think about remote auditing, and yes, it might be that I need them to physically upload certain files or information to share with me in some sort of secure way, like these portals that exist, but also is it that I need to get temporary access to a certain database. And, could I just access something in a secure way where I can directly go in and look at certain databases of information that might be there, like your HR files or your AR subsidiary records?

So there can be direct access that could be granted. There may be that they upload and share things to us, as we're trying to figure out the ways in which we're gathering data in and getting documentation and the accessibility of the data, but also the security of things. And the fact that it might be that as we're thinking about some of the records that we have to keep to digitize them. To digitize these records might be time-consuming for the client, might be time-consuming for the auditor. And we need to figure out for information sharing where there might potentially be some alternative solutions to that because of the fact that the client may have difficulty uploading and sharing certain things in a way that's not overly burdensome for them either. We have to think about the burden on the client as much as we need to think about ourselves.

Ms. Grove Casey

Well, the challenges in remote auditing, aren't just with technology and client communications. We talked about how you're like going down the hall and when you're not in the office, not having that capability of just, oh, I had a question about this audit that you can just ask. So what types of issues are you seeing with managing engagement teams remotely? You know, you mentioned scheduling deliberate meetings where you're talking with a team about how things are going.

Ms. Louis

Yes. I think that the lack of spontaneity and informal communications is a struggle. I also think misunderstandings and issues that can arise because we're relying too much on texting and emailing. But also having things like Zoom fatigue, and trying to juggle home and work responsibilities. These all create challenges that ultimately we need to try and work towards a large part, as we think about the lack of access to your supervisor or your manager, because it's not just that we have to focus on task support, telling people what to do and here's your deadline. Everything can be task-oriented complete this audit program, but also we need to have a relationship focus. There has to be relationship support and all, and we learn a lot from on-the-job training and experiences. Providing this relationship support is going to be more difficult. It already was more difficult in the live environment, but it's going to be even that much more difficult in this virtual environment. And so it is harder I think for supervisors/managers to be able to identify and quickly respond to people that might need that emotional support. Therefore, we need to think about how

supervisors can quickly lose sight of the need for them to provide that support. People can feel more isolated in the remote working environment, but also you know, just as we might start hitting a stride and figure out how to work together, we're now disbanding and moving on to a different engagement. So, the sense of being able to establish relationships is taking longer and just as you're establishing them, you're moving on. And the lack of social opportunities around building mutual trust and respect is something that that informal relationship building ultimately we find is really critical to having mutual knowledge, to have trust and respect for each other because it ends up where we might be more, each of us is functioning in a silo, and as we function in a silo, right, we get further and further away from being able to think about cross-sharing of data and information that might be critical to the audit and the audit process.

Ms. Grove Casey

Yes. It's been a long time since I was out in audit practice, but I will say that certainly, I don't want to say team lunches, but like when you go out to lunch together, when you go out for drinks or for dinner, when you're out doing field work there is that opportunity to share additional information that right now, unless you're scheduling a meeting, or you're scheduling to have that time together, and even then, because only one person can be talking at a time or else you, really can't understand what the other people are saying, you don't get that relationship building experience that a lot of new audit staff used to have. So can you give some possible best practices to counteract maybe some of these challenges that stem from managing those remote engagement teams?

Ms. Louis

You have to purposely figure out how do I establish those opportunities for spontaneous communication? And that seems odd, right? But it is the things of, maybe we do have daily end of day briefings or stand up calls, where people can come in and these daily briefs, you don't want to make them cumbersome, but a brief daily meeting where team members can share questions and clarify priorities and ask for support as they have emerging challenges and issues, exchange information, knowing that they're having this end of the day briefing also gives a sense of deadlines and accountability as you're trying to move projects forward. Knowing that I'm going to have to give an update about what it is that I'm doing. The other thing would be to make sure that

you keep up the team building, that you encourage team members. Do you use the same virtual platforms to get to know each other? You might have to do things like having remote work movie nights or trivia games that you play in Teams and try to have a friendly competition of things that will allow people to still have this virtual interaction. So we want to try to foster activities that will foster friendship and trust with each other as well.

Ms. Grove Casey

It would seem even with helping train audit staff and tasks, it's harder to keep people from spinning their wheels. And I'm sure that part of that has to do with not being in the same, not being co-located in the same space when you're trying to conduct these audits. Do you agree with that related to the harder to keep them from spinning their wheels bit?

Ms. Louis

Absolutely. I mean, as a remote supervisor, you lose that capability to see firsthand and when somebody might be struggling. We might be now laying out broad objectives; we're giving timelines; and then, we sometimes are surprised that we're not getting back what it is that we expected. So we do need to figure out how do we become more tactical in how we provide direction and be prepared to provide more details about what's required to maybe give a more detailed roadmap and then doing more frequent check-ins and monitoring progress than we might do, if we were all sitting in the same conference room somewhere.

Ms. Grove Casey

Well, it seems a bit like it's been going this way for a while, but really the pandemic kind of made it a sudden use of all this new communications and other technology, but that also complicates the ability to lead those remote teams, because you're still dealing with people who are trying to get the technology to work on a regular basis. So what are you seeing as a trend in this area of concern?

Ms. Louis

It certainly is that firms are beginning to see certain limitations. We can't just simply move all communications to schedule video calls. Like there's issues that are caused that can be more complex than just the fact that we brought this technology that lays us to do these things right now. What do we do? And it is,

as you mentioned, the training, the guidance on these new communication technologies that we want to make sure that people learn how to do the basic functionalities, but we also want to encourage them to get more advanced levels of proficiency, because that's really where you're going to see the benefits of your investment and to take ultimately around creating guidelines and common protocols, but also taking a more holistic approach to demonstrate even things like what choice of technology is best suited for different tasks. As I have multiple forms of technology that might be available to me, what's the guidelines that we would have that will get consistency, that will drive efficiency.

Ms. Grove Casey

Well, do you have any other general tips related to managing remote teams?

Ms. Louis

I think that also, you always are going to struggle with, how do your staff see how their work fits into the big picture, because they don't have the same context. And so without the context, ultimately they may not realize how it is that what I'm doing directly affects somebody else's ability to complete their assignment. And so we do need to focus on coordinating the entire team and finding ways for them to take initiative, to reach out to each other, that not everything has to flow through the supervisor. Like we need to have multi-directional communication between team members and to try to figure out a way for that to occur. And we gave one of those examples earlier about having like a daily group call, at the end of the day is just an example of where it is that we can ultimately ensure that when we have these calls, that it's not just the team leader, that's talking. We want them to encourage and involve everybody in these conversations. Plus we want to make sure that the supervisors are modeling behaviors that they want other people to do, as well as you're creating this culture. To understand that it's not just what we say, but it's also don't forget your nonverbal cues and emotions that might be still coming across these technological platforms.

Ms. Grove Casey

And you may need to actually reach out to people who aren't necessarily forthcoming. Right. Right. So just because they give you an update on what they're doing, doesn't necessarily mean that's the end of what you need to be asking about.

Ms. Louis

Absolutely.

Ms. Grove Casey

So let's switch to focusing on internal audit more specifically for a moment. What are some of the effects you're seeing on internal audit planning?

Ms. Louis

Well, obviously a lot of the same issues as external auditors to a large degree. But what you are finding is that in the circumstances, some of your internal audit plans may need to have been revisited because there might be an increased need for consulting activities like crisis management. And it might be that our business is having to adjust to a new situation and internal audit can play a proactive role in helping with some of these challenges that the businesses are facing with, with new risks that are being created.

Ms. Grove Casey

Well, are there any other additional points to consider that are more specific to internal audit?

Ms. Louis

So I think a lot of it may be that we need to make sure that we're thinking about the questions that we're asking the process owners, senior management. But we also want to challenge, ultimately, as we are planning the audit that we need to think about, sometimes something that might be a bigger audit to focus the scope on certain key risks. It might be better to split an audit and to do separate audits and spread it over a course of a year than trying to tackle too much all at once. Because that certainly will, will be an overarching concern.

Ms. Grove Casey

Well, for the tools that will be used, it's important to ensure both the auditor and senior management are kind of co-aligned when it comes to performing a risk-based approach in establishing internal audit plans in the current environment. Do you have any suggestions there?

Ms. Louis

So related to the tools it is that we need to think about secure user-friendly solutions that you're going to have for like your document sharing, but to also ensure that you've talked to your IT group, as we think about

security and confidentiality guidelines and what is even going to be allowed for me to use, because there may be internally some technology that I want to implement and use, but my IT group may not allow for that to happen.

Ms. Grove Casey

Well, are there any special considerations as it relates to communicating identified risks and related findings as a result of audit work?

Ms. Louis

It is that we have to understand that businesses are already in a sense of stress. And so we don't want to overload them with too many findings and risks that they've got to focus on. We need to be able to have a sense of prioritization and, and what's the key things that need to exist because of the fact that there is a sense of people feeling overwhelmed, and we don't want to contribute to that.

Ms. Grove Casey

Well, as we wrap up, did you have any final thoughts about the tone and communication required for remote audits? You know, you don't really get that in-person energy or vibe, but just the feeling that you would get if you were in person delivering the message versus a remote audit.

Ms. Louis

Yes, absolutely remote communication is more impersonal just by definition. We need to figure out a way of being approachable, being understanding. We want to focus on using simple terms, not overly technical language and jargon just as you would in a real life interaction, but it becomes even that much more important in a remote environment where in a live interaction they may feel more comfortable saying, Hey, could you clarify that? But, in a virtual environment where they're being recorded, people may feel more intimidated around asking some of those clarifying type questions. It also is important that as we think about, as we're communicating around just this essential tone might exist, that we want to make sure that we're working on developing that trust relationship and that we focus on fixing issues instead of reprimanding people whenever possible. Because of the fact that people may feel more sensitive and defensive that I'm trying to do the best I can in the given circumstance, and we want to be empathetic to that as well.

Remote Auditing

by Jennifer F. Louis, CPA

Background

The COVID-19 pandemic has had a big impact on the way companies conduct business – and audit firms or internal audit organizations are no exception. Restrictions on the ability of auditors to physically visit premises have, in many cases, forced them to adopt remote auditing techniques.

Remote auditing is not necessarily new. For years, internal and external auditors have taken advantage of technology tools to perform some audit activities remotely to save time and money. For example, by using smart technologies to extract data remotely, analyze it and uncover insights that we can share and analyze with clients, where appropriate. But, the pandemic has substantially increased the need to rely on these techniques.

Many of the changes that businesses made to adapt to the pandemic environment are expected to be part of the "new normal" going forward. It seems likely that auditors will continue to take advantage of the efficiencies and cost savings that can be gained by using remote auditing techniques.

Challenge of Remote Employees

One of the biggest shifts to come out of the COVID-19 pandemic for organizations of all nature and size was the move to remote work. Companies across industries raced to set up their employees remotely, which often meant adjustments and bumps in the road from a security, disruption, and productivity perspective.

Critical finance and accounting functions, as well as year-end audits and quarterly reviews, had to be done virtually—a challenge for employees who could not be physically on-site with clients and teams. However, with the right technology, tools and skills, some companies were able to navigate this transition to virtual work smoothly and successfully.

Many firms now realize that there's no going back to the way they worked before. Some functions will likely stay virtual, even as companies start to plan out a physical return to the workplace. Setting up for short-term virtual work is one thing; having a virtual work operation that allows you to consistently deliver quality experiences for clients and employees is another.

Embracing Technology Must Be an On-going Effort

Technology is key to helping enable remote work, but it's not enough to simply implement new tools and applications. You need to take a longer-term view and commit to continuously innovating and equipping your people to make the most of it. For example, communications and workflow automation technologies have made it easier for auditors to work remotely since the beginning of the crisis, and that's largely because that tech was already part of their day-to-day work.

Using virtual meeting technologies and audit-specific tools allowed auditors to have scheduled meetings, coordinate with clients and even conduct some inventory counts remotely—all while maintaining quality.

Given the current environment, auditors must evolve to working within a new normal. Cloud technology solutions have allowed auditors to not only work autonomously, but also remain connected and engaged with staff and clients.

There are many focus areas where audit teams are leveraging technology to maintain effective delivery of audit services while remote, for example:

- Client collaboration. Regardless of where audits are performed, auditors need to receive the correct information from clients to perform the job effectively. Cloud technology allows for transparency and project management functionality.

- Exploratory analytics. With technology, auditors can better analyze and visualize client data. This allows auditors to easily answer questions and obtain breakdowns. From this analysis, your firm can provide clients more strategic insights and advice based on strong data.

- Focus on automation and big data. Manufacturers enter thousands of journal entries into their accounting systems each month. Fortunately, auditors can use big data technologies to analyze large amounts of data from multiple sources. With the right software and hardware, auditors can quickly analyze all of a company's financial data, rather than a small sample, to identify risks and anomalies.

- Sampling automation. Audit technology allows you to run sample selections across balance sheet areas or transaction classes and seamlessly submit the selected item to clients for support or approval. Furthermore, cloud technology allows this process to be completed in "real-time," so you always have the most up-to-date information regardless of where you are working.

- Management override of control. Firms are utilizing remote technology to instantly identify high risks Avoid risk of fraud or error efficiently and from anywhere.

- Client reporting. Showing the value of your audit service is even more important when your service is being performed remotely. The right technology allows you to provide insightful outputs and reports. Also, you provide peace of mind to your clients by ensuring them you are using the most competitive tools and consultation services in audit technology.

The question then becomes what *can't* be audited remotely? Remote auditing might become one of those aspects which becomes far more business as usual.

The Importance of Empowered and Upskilled People

In order to conduct virtual business effectively, you need a workforce that is up to the task. For example, one auditor may use automation tools to enhance the efficiency and effectiveness of the testing process, while another auditor may develop an extraction bot that helped enhance substantive audit testing of property, plant and equipment.

Many auditors viewed the new way of remote working as an opportunity to solve new challenges with the skills they'd honed. The digital mindset that auditors have developed is crucial to being ready for what's next

and being willing (and eager) to try new things, such as using virtual reality for soft skills and compliance training.

In order to make up for a lack of in-person contact, it's critical to prioritize communication and collaboration in a virtual work environment. And that requires more than just having a video meeting here and there. It's about establishing transparency and connection when you can't be face to face.

Digital collaboration platforms can help with collaboration, supervision and review among teams, can help centralize and simplify communication flows and integrate third-party chat, email and calendar tools. It's not just about communicating with the team— communication with clients and other stakeholders is equally (or even more) important.

Evaluating Design and Implementation of Internal Controls

A company's and customers' control environment likely changed over the course of the pandemic, including the move to remote work and process flows, as well as changes to business conditions and work volume. It's critical to evaluate internal controls as you move to a hybrid model that combines both remote and on-site work. For example:

- Leverage technology to move toward virtual processes, both internally and externally.

- Review manual processes and controls and establish a process to use digital tools to execute those tasks when possible.

- Confirm that your team has remote access to key systems and data.

- Redesign finance processes to account for a virtual close, confirming there is a robust close checklist with clear owners and dates.

The pandemic has led to new fraud risks, requiring auditors to reevaluate their risk assessments and, in some cases, modify planned procedures. Potential reasons for a heightened risk of fraud include increased financial pressure on employees and internal control challenges in a remote work environment.

By nature, videoconference tools do offer distinct perks compared to traditional auditing for evaluating internal control, for example the ability to record and share meetings with your team, allowing you to bypass the need for evidence of control processes—most often screenshots—since the recording itself provides it. You will still need to tag and store such recordings properly, but that is quite akin to due process already as requests and client-submitted evidence also need appropriate labeling, and such conference tools may even be able to provide some solutions in that area as well.

Virtual environments are fortunately quite suitable for both this aspect of remote auditing and for maintaining visibility into those who perform the control processes. Nonetheless, the COVID-19 outbreak has magnified an issue that already existed in this line of work, namely, that some control owners might be unavailable. It is thus in your best interest to have your main point of contact clarify exactly who you will need to contact for evidence for each control process so that you can adjust your testing plan accordingly. Remote auditing does provide the unique perk of remote availability and flexible schedules, so open communication lines with your client should be highly encouraged.

Increased Time Commitment to Prepare For and Complete an Audit May Be Needed

Audits sometimes take a little longer in this environment. In adapting to auditing in a remote environment, flexibility and robust communication have been key to performing timely audits.

When audits are taking longer, the cause often is that clients need more time to pull documents and respond to questions, especially since they might not be in the office where records are easily available.

Each client needs to be prepared to be flexible regarding audit logistics. This includes working through client staff availability, video conferencing needs, and coordinating how to best share documents. For example, when it is not feasible to supply electronic records, how will you coordinate obtaining physical records (such as picking up or exchanging documents from your workplace) while following social distancing rules?

Better Communication Is Critical

Robust communication is vital to a successful audit, now more than ever. Although these are not new strategies, the following are ways auditors are communicating with clients in this remote environment to help the process go smoothly:

- *Pre-audit meetings.* These meetings are valuable in ensuring audits get off to a good start. In today's environment, planning is particularly important. Generally, this is where auditors set up a meeting to discuss the timing and logistics of the audit. During this meeting, auditors also discuss the document request list and make a plan for how to share documents needed to complete the audit.

- *Document request lists.* Auditors often compile and give clients a list of documents that auditors anticipate needing for the audit. Generally, the list starts with items needed to plan the audit, such as meeting minutes, responses to prior audit recommendations, and answers to some general questions about events that occurred during the audit period. Auditors also include other documents that they know they will need later in the audit, such as bank statements, reconciliations, and debt agreements for a financial statement audit. It is important to note that sometimes these lists can appear overwhelming at first glance. Clients need to work with the auditors to coordinate how to tackle this list.

- *Audit status meetings.* These meetings should be held at least weekly, although they can take place more frequently. This is a good time for us to discuss the progress of the audit, any outstanding requests or questions, and any potential areas of concern or recommendations. These meetings are a perfect time for clients to ask questions or let auditors know if something is not working so adjustments can be made.

Video Conferencing Tips

Video conferencing tools such as Skype for business, Zoom, Teams or Cisco WebEx will replace face-to-face interviews. When selecting your tool make sure that access to, as well as data transferred through, these tools is sufficiently secured. When selecting a suitable tool and planning video meetings it is important to factor in the following guidelines:

- Try to avoid long and intensive video conferences. Try to split them into several sessions around different topics.

- Try to keep the number of simultaneous participants to a minimum and mute those that are not speaking.

- Try to anticipate the effects of technical issues (e.g., connectivity, sound quality, etc.) by testing beforehand.

- Make sure you are familiar with the functionalities of the tool and can guide people who are having difficulties with it (e.g., camera or sharing their screens or documents, etc.)

- Try to create a relaxed atmosphere and set the right tone, as not everyone is comfortable talking through video.

- Investigate the possibility of recording video sessions, to facilitate your note taking. If the interview will be recorded, make sure to get the consent of the participants beforehand and consider data security and privacy issues.

- Interaction and attention to personal circumstances is of great importance. Being understanding and empathetic can go a long way.

Document Sharing Considerations

Digital files could be uploaded on a shared platform or the remote auditor could receive temporary access to the databases of the audited firm. It is however crucial that sufficient attention is paid to the following points:

- Accessibility and security of the platform as well as confidentiality of the information provided. Make sure access is sufficiently restricted and secured by encrypting the data that is sent across the network (in transit), preferably end-to-end; enforce multi-factor authentication and make sure that information is removed in a timely manner from the platform and stored according to applicable archiving standards and data protection requirements.

- Any restrictions that might be in place on data accessibility and transfer between countries.

- While a remote audit requires digital documentation, it is possible that auditees maintain paper records. The digitalization of these records

can be time consuming, which is why the burden for auditees should be minimized by being flexible and providing alternative solutions for information sharing.

Performing Required Procedures

One of the biggest challenges in a remote audit environment, especially for clients in the manufacturing sector, is the physical inventory count. The inability of auditors to observe the physical count in person has led to a variety of creative solutions, including the use of body cameras by personnel conducting the count and even the use of drones by auditors.

The Challenges of Managing a Team Remotely

Auditors have many stories about the problems they have observed with managing an audit team and clients remotely: a lack of spontaneous and informal communication; misunderstandings that arise because of too much reliance on emails; juggling home and work responsibilities; and Zoom fatigue. Effectively addressing these challenges requires going past the most obvious observations to try to get at the root causes of the problem.

For example:

Lack of access to managerial support. Team members need both task and relationship support. Providing task support—telling people what to do, and in some cases, how to do it—generally is much easier in an environment that is overtly task-oriented ("complete the audit program") and organized hierarchically according to knowledge and experience. Auditors are accustomed to working in an environment in which someone with more experience provides guidance on how to perform certain tasks.

However, providing the relationship support is always more difficult, whether in a live or virtual environment. When auditors work long days together in a live environment, supervisors are able to identify and respond quickly to those who need emotional support. Planned calls in a virtual environment tend to be more highly structured and much shorter. Everyone is on their best behavior; team members can hide their struggles and failures. Supervisors can quickly lose sight of the need for them to provide relationship support, which in turn contributes to the sense of

isolation many remote workers feel. To complicate matters further, audit teams are constantly changing. Just when the team starts to hit its stride, the audit ends, the team disbands, and the auditors scatter to form new teams and start all over.

Lack of mutual knowledge. In a remote working environment, it takes extra time and effort to get information from the client and from other team members. Sometimes proceeding without all the necessary information may seem like the best path forward to meet budgets and deadlines, at least in the short term. It is easy for information silos to form. Working remotely increases the barriers to experienced team members sharing knowledge about the audit and the client with those new to the team.

Lack of social opportunities. Auditing is a team effort, built around mutual trust and respect. A lack of trust and respect, not only makes the work less enjoyable, it makes the team less efficient. The informal relationship building that occurs during breaks, quick walks to get coffee, or over lunch can be taken for granted. When remote auditing first occurred, many did not really understand how profoundly working remotely erodes relationships. The impact those compromised relationships have on audit effectiveness and efficiency are still being figured out.

Working from home. We all face challenges working from home, whether it's tuning out distractions from roommates, homeschooling the kids, or just finding the physical workspace to be productive. What's important to remember is that everyone has some form of challenge working from home. The most common way to manage these challenges is to adjust one's schedule to meet the various demands. Blurring the boundary between work and home can cause both parts of one's life to suffer.

Limitations in Technology. Investing in new communications technology is like investing in new equipment: helpful, but just a start. As with any technology, the key to improved performance rests with how you use the technology and not the technology itself. Firms are already beginning to see the limitations of simply moving all communication to scheduled video calls. The issues caused by remote working conditions are complex, and the ability to resolve them will require firms to change existing communications processes and norms.

Tips for Overcoming Challenges in Managing Remote Teams

Establish opportunities for spontaneous communication. When working side by side with someone, you have the ability to see in real time when some sort of communication is necessary. Spontaneous communication is possible. If the communication takes more or less time than what you had originally planned, that usually is not a problem. Spontaneity and adjusting timing as the situation demands are a norm that can actually lead to a consistent pattern. The frequency and consistency of communications matter in a remote working environment.

There is value in having daily stand-up calls or end-of-day debriefs. Brief daily meetings for your team can be invaluable, where team members can share questions, grievances, and priorities. This will provide your team with opportunities to ask for urgent support when faced with emerging challenges, as well as to stay informed on new developments.

While the exchange of information in these meetings is important, of equal importance is the work structure it imposes on individual team members. Knowing that the team will have an end-of-day debrief imposes deadlines and accountabilities that keep the project moving forward. Such options can help your team maintain a sense of schedule and teamwork obligation when remote work may diminish it due to physical distance. Teams that incorporate this structure tend to stay on track.

Similarly, such virtual tools can provide central locations for critical documents and assets that your team needs to have access to, which is both vital and productive.

Keep up teambuilding. As far as team-building efforts are concerned, there are indeed many options you can explore to help build solidarity within the team with minimal effort and time investments. For example, encourage team members to use the same virtual platforms to get to know each other; from introductions to remote movie nights and showcasing one's personal space, it is always welcome to be able to put a face on a name. You can also encourage team members to engage in friendly competition through trivia games, share their skills through brief presentations, or even arrange one-on-one virtual meetings over coffee. All such activities can help foster friendship within the team and keep its members engaged and productive.

Still show vs. tell. When sharing a conference room with someone, it's easy to see if they're spinning their wheels. Supervisors can intervene to "show" and not just "tell." A remote supervisor loses the ability to see first-hand when a staff member is struggling, and supervisors who are accustomed to merely laying out broad objectives and timelines for their staff may be surprised at the work they get back. All team members with oversight responsibility should consider the need to be more tactical in how they provide direction to those who work for them, including clients who are providing assistance. Be prepared to provide more details about what is required, a roadmap for how to get there, and frequent check-ins to monitor progress.

Don't overlook training and guidance on new communication technologies. New communication technologies are designed to be simple and intuitive to use, but that does not mean firms should let people learn how to use them via YouTube or trial and error. Eventually, most people learn how to perform the basic functions of video conferencing or collaboration tools, but the quicker you can get everyone at the same level of moderate to advanced proficiency, the faster you can begin to realize the benefits of your investment. Training must go beyond software training to include the situations where each tool is most appropriate. A holistic approach to communications is required where case studies demonstrate the choice of technology best suited for each task and use of the appropriate technology. Create guidelines and common protocols on the use of each communication type. Having firm guidelines will establish much-needed consistency that will drive efficiency across the firm.

Emphasize integrated objectives of tasks. Audit staff often find it difficult to see how their work fits into the big picture, and this lack of context has a direct impact on team performance. For example, when auditors perform a walkthrough, they may not realize the information they obtain has a direct impact on the team's ability to identify risk and design audit procedures. The auditor may see their work as an isolated task that must be completed to satisfy the audit requirements. Team leaders should focus on coordinating the functions of the entire team and find ways for them to take the initiative to reach out to each other.

Conduct multidirectional communication. Team leaders will have to find ways to encourage and conduct multidirectional communication between team members. In some instances that may involve finding ways to literally recreate informal communication. For example, by setting aside time during a group call for each person to describe for the group (not just the team leader) the elements of the audit they have been working on and what they have learned—not just about the account balance and audit differences, but broader topics such as the general state of the client's accounting records or their willingness and ability to complete client assistance requests on time.

Model and reinforce new behaviors. Working together in the same location provides a foundation for building effective communication, collaboration between team members, and a culture of trust and support. Take away this foundation, group dynamics begin to erode and lower realization is sure to follow. The ability to observe and respond to nonverbal cues and emotions should be replaced with new communication processes and norms. Team leaders must be prepared to model and reinforce new behaviors, adjust them where necessary, and promote consistency across the entire organization.

Impact on Internal Audit Planning

Annual internal audit plans should be reviewed in light of the current circumstances. There might be an increased need for consulting activities (e.g., related to crisis management). The COVID-19 outbreak has shaken up entire business operations, processes have been adjusted to this new situation and new risks have entered the risk landscape of organizations. Therefore, it is essential that internal audit takes up a proactive role by challenging the business and giving insights in relation to new risks but also challenging changed or back-up processes, changes in the internal control environment, etc.

The best way to refresh an internal audit focus is to perform a risk assessment by keeping questions such as these in mind when approaching different levels within your organization:

Process owners:

- How have your processes shifted to accommodate recent business changes?

- How did this impact the control environment?

- Where have traditional divisions of responsibilities shifted due to changes in team availability?

- Which issues did you encounter linked to the business changes?

- What new tools have been adopted to perform your usual activities?

Senior management:

- What are the top risks related to this crisis for your business area?

- Which cost-cutting measures are being implemented?

- Where are there concerns that changes made may have unforeseen implications?

- What are the main strategic risks you've observed and what role could internal audit play in this?

Invest sufficient time in preparing for the audit and clarifying the new process. The remote auditor has to take into account some practicalities, such as who are my key stakeholders, what information is already available, etc.? When it comes to preparing for remote audits, there are a few additional points to consider:

- Check availability of auditees: Check availability of your key stakeholders. How will we cope with differences in time zones, if any? Which impact does the new situation have on their work schedule and availability?

- Use of tools: Which channels will you use for interaction? Even with remote audits it is important not to forget the visual aspect of a meeting. It is also important to look into a secure and user-friendly solution for document sharing. For the tools that will be used, it's important to ensure that they are in line with the required security and confidentiality guidelines (confirm with the security department) and that they are easily accessible to all auditees.

- Planning of the audit: As a baseline, keep the duration of remote audits concise by well scoping your audit on key risks. It's better to split the audit into two separate audits and to spread them over the year, as a remote audit might require more investment from your auditees. The effects of technical issues (e.g. connectivity, sound quality, etc.) could have a larger impact and may require more time to resolve.

- Clarify the new process: An important matter to consider is the kick-off meeting with all stakeholders where the scope and planning of the audit are discussed. The remote audit approach should be clearly explained to the participants, as well as the differences with face-to-face audits.

Optimize use of available tools during execution of the audit. The execution phase of a remote audit is quite similar to that of a traditional audit. With the main differences being that video conferencing will replace the interviews and documentation needs to be transferred to you through a document sharing platform. This requires some adjustments from the auditors and the auditees.

Risk assessment and findings. Reporting protocols might need to be revisited with regard to their frequency and the way in which audit teams report to the auditee as sufficient interaction is crucial.

- **Focus on key risks:** As businesses are already distressed, focus should be put on key risks rather than overloading them with lower risk findings. Additionally, the audit team should acknowledge that management has potentially limited capacity to remediate these issues on short notice.

- **Validation of findings:** Each observation needs to be discussed and validated with the auditees before finalizing the report. This is important because the use of video conferences may lead to misunderstandings between participants. Any feedback received should be incorporated in the report, and previously identified risks and opportunities should be updated accordingly.

- **Documentation of new processes:** It is also important to capture the extent to which different tools were used during the remote audit and whether they were effective or not in achieving the audit objectives. If for any reason, some processes could not be audited remotely, this should be mentioned too.

- **Look for continuous improvement:** Once the audit is concluded, practitioners should debrief on the remote audit procedure to assess its effectiveness and to identify opportunities for improvement. It is important to set-up the remote audit process (as well as the related tools) as thoroughly as possible with long term success in

mind, thinking not only in terms of months, but also years. It might be worthwhile investing in new technology to better support this process.

Remote Audit Scope Creep, Communication, and Tone. There are notable obstacles with remote auditing that come with the process itself. Namely, potential audit scope creep, a lack of proper communication, and the audit tone itself—all potential obstacles if left unchecked.

It is vital to define your audit scope and adhere to it throughout each engagement. An audit may easily be derailed, and a remote audit even more so, which can, in turn, cost you time and money.

A lack of proper communication on your part is just as likely to be a deterring factor as your clients' conduct. Remote communication is more impersonal by definition, so it is in your best interest to try to be approachable and understanding. If you use too much technical language, field-specific jargon, or lesser-known acronyms, the people in the process you are auditing may be intimidated, making your work needlessly harder. Try to use simpler terms whenever possible and try to keep the expertise of staff members you communicate with in mind. This will bolster trust in your work relationship and make remote auditing less of a challenge.

Lastly, it is essential that your audit assessment's tone remains balanced. Focusing on remediation instead of reprimands, whenever possible, will prevent audit fatigue and help maintain your profile as a provider of support and guidance. Especially given that remote audits lack personal communication, doing so prevents misconceptions over your intentions and ignored findings and guarantees a trusting working relationship.

Digital Fluency

Empowering auditors to use automation tools to improve efficiency and effectiveness

Communication Tips

- Planning and pre-audit meetings critical
- Identify starting items
- Additional evidence
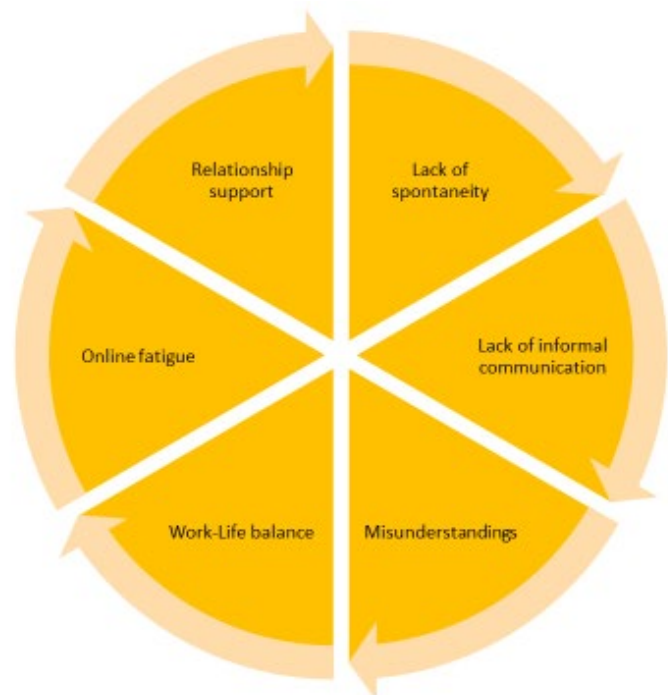- Status/progress meetings

Video conferencing tips

- Select the right tool
- Secure access
- Small focused group for the right participation
- Record the session to facilitate documentation

Challenges in Remote Engagements

Relationship support

Lack of spontaneity

Online fatigue

Lack of informal communication

Work-Life balance
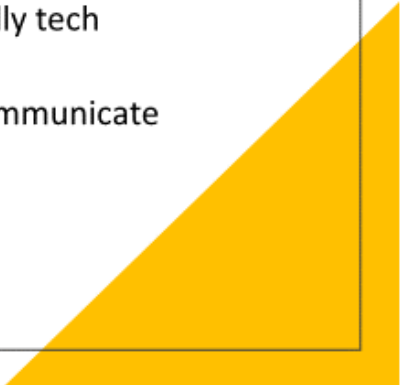
Misunderstandings

A.   Discussion Problems

1. Discuss where audit teams can leverage technology to maintain effective delivery of audit services while remote.

2. Discuss some tips for overcoming challenges in managing remote teams.

3. Discuss considerations to refresh an internal audit focus when approaching different levels within an organization.

B.   Suggested Answers to Discussion Problems

1. Audit teams are leveraging technology to maintain effective delivery of audit services while remote in the following areas:

   a. Client collaboration. Regardless of where audits are performed, auditors need to receive the correct information from clients to perform the job effectively. Cloud technology allows for transparency and project management functionality.

   b. Exploratory analytics. With technology, auditors can better analyze and visualize client data. This allows auditors to easily answer questions and obtain breakdowns. From this analysis, your firm can provide clients more strategic insights and advice based on strong data.

   c. Focus on automation and big data. Manufacturers enter thousands of journal entries into their accounting systems each month. Fortunately, auditors can use big data technologies to analyze large amounts of data from multiple sources. With the right software and hardware, auditors can quickly analyze all of a company's financial data, rather than a small sample, to identify risks and anomalies.

   d. Sampling automation. Audit technology allows you to run sample selections across balance sheet areas or transaction classes and seamlessly submit the selected item to clients for support or approval. Furthermore, cloud technology allows this process to be completed in "real-time," so you always have the most up-to-date information regardless of where you are working.

   e. Management override of control. Firms are utilizing remote technology to instantly identify high risks Avoid risk of fraud or error efficiently and from anywhere.

   f. Client reporting. Showing the value of your audit service is even more important when your service is being performed remotely. The right technology allows you to provide insightful outputs and reports. Also, you provide peace of mind to your clients by ensuring them you are using the most competitive tools and consultation services in audit technology.

2. *Establish opportunities for spontaneous communication.* When working side by side with someone, you have the ability to see in real time when some sort of communication is necessary. Spontaneous communication is possible. If the communication takes more or less time than what you had originally planned, that usually is not a problem. Spontaneity and adjusting timing as the situation demands are a norm that can actually lead to a consistent pattern. The frequency and consistency of communications matter in a remote working environment.

There is value in having daily stand-up calls or end-of-day debriefs. Brief daily meetings for your team can be invaluable, where team members can share questions, grievances, and priorities. This will provide your team with opportunities to ask for urgent support when faced with emerging challenges, as well as to stay informed on new developments.

While the exchange of information in these meetings is important, of equal importance is the work structure it imposes on individual team members. Knowing that the team will have an end-of-day debrief imposes deadlines and accountabilities that keep the project moving forward. Such options can help your team maintain a sense of schedule and teamwork obligation when remote work may diminish it due to physical distance. Teams that incorporate this structure tend to stay on track.

Similarly, such virtual tools can provide central locations for critical documents and assets that your team needs to have access to, which is both vital and productive.

Keep up teambuilding. As far as team-building efforts are concerned, there are indeed many options you can explore to help build solidarity within the team with minimal effort and time investments. For example, encourage team members to use the same virtual platforms to get to know each other; from introductions to remote movie nights and showcasing one's personal space, it is always welcome to be able to put a face on a name. You can also encourage team members to

engage in friendly competition through trivia games, share their skills through brief presentations, or even arrange one-on-one virtual meetings over coffee. All such activities can help foster friendship within the team and keep its members engaged and productive.

Still show vs. tell. When sharing a conference room with someone, it's easy to see if they're spinning their wheels. Supervisors can intervene to "show" and not just "tell." A remote supervisor loses the ability to see first-hand when a staff member is struggling, and supervisors who are accustomed to merely laying out broad objectives and timelines for their staff may be surprised at the work they get back. All team members with oversight responsibility should consider the need to be more tactical in how they provide direction to those who work for them, including clients who are providing assistance. Be prepared to provide more details about what is required, a roadmap for how to get there, and frequent check-ins to monitor progress.

Don't overlook training and guidance on new communication technologies. New communication technologies are designed to be simple and intuitive to use, but that does not mean firms should let people learn how to use them via YouTube or trial and error. Eventually, most people learn how to perform the basic functions of video conferencing or collaboration tools, but the quicker you can get everyone at the same level of moderate to advanced proficiency, the faster you can begin to realize the benefits of your investment. Training must go beyond software training to include the situations where each tool is most appropriate. A holistic approach to communications is required where case studies demonstrate the choice of technology best suited for each task and use of the appropriate technology. Create guidelines and common protocols on the use of each communication type. Having firm guidelines will establish much-needed consistency that will drive efficiency across the firm.

Emphasize integrated objectives of tasks. Audit staff often find it difficult to see how their work fits into the big picture, and this lack of context has a direct impact on team performance. For example, when auditors perform a walkthrough, they may not realize the information they obtain has a direct impact on the team's ability to identify risk and design audit procedures. The auditor may see their work as an isolated task that must be completed to satisfy the audit requirements. Team leaders should focus on coordinating the functions of the entire team and find ways for them to take the initiative to reach out to each other.

Conduct multidirectional communication. Team leaders will have to find ways to encourage and conduct multidirectional communication between team members. In some instances that may involve finding ways to literally recreate informal communication. For example, by setting aside time during a group call for each person to describe for the group (not just the team leader) the elements of the audit they have been working on and what they have learned—not just about the account balance and audit differences, but broader topics such as the general state of the client's accounting records or their willingness and ability to complete client assistance requests on time.

Model and reinforce new behaviors. Working together in the same location provides a foundation for building effective communication, collaboration between team members, and a culture of trust and support. Take away this foundation, group dynamics begin to erode and lower realization is sure to follow. The ability to observe and respond to nonverbal cues and emotions should be replaced with new communication processes and norms. Team leaders must be prepared to model and reinforce new behaviors, adjust them where necessary, and promote consistency across the entire organization.

3.   The best way to refresh an internal audit focus is to perform a risk assessment by keeping questions such as these in mind when approaching different levels within your organization:

a.   Process owners:

i.   How have your processes shifted to accommodate recent business changes?

ii.   How did this impact the control environment?

iii.   Where have traditional divisions of responsibilities shifted due to changes in team availability?

    iv. Which issues did you encounter linked to the business changes?

    v. What new tools have been adopted to perform your usual activities?

b. Senior management:

    i. What are the top risks related to this crisis for your business area?

    ii. Which cost-cutting measures are being implemented?

    iii. Where are there concerns that changes made may have unforeseen implications?

    iv. What are the main strategic risks you've observed and what role could internal audit play in this?

    v. Invest sufficient time in preparing for the audit and clarifying the new process. The remote auditor has to take into account some practicalities, such as who are my key stakeholders, what information is already available, etc.?

PART 3. SMALL BUSINESS

SSARS Inquiries

The Statements on Standards for Accounting and Review Services, better known as the SSARS, address 3 types of engagements—preparations, compilations, and reviews. Compilations and reviews use two very key types of procedures—inquiries and analytical procedures to address areas of risk. This year as a result of the pandemic we may see new inquiries having increased value to practitioners.

For a closer look at the inquiries used in SSARS engagements, let's join Kurt Oestriecher, CPA and a partner with Oestriecher and Company in Alexandria, Louisiana, and CPE Network's Debi Grove Casey.

Ms. Grove Casey

So today we want to talk a little bit about something that doesn't receive the attention it deserves when it comes to review engagements. Now, review engagements are those that provide limited assurance. And so we don't do the same kind of procedures that we do in an audit, but we do have to do analytical procedures and inquiries. Analytical procedures are very powerful procedures and so are inquiries, but mostly we hear about analytical procedures. We don't really hear about inquiries very much. Let's talk a little bit more about inquiries and it's really not even just the inquiries, it's the responses to those inquiries and then what we do as a result of those responses. Let's talk a little bit about what inquiries are.

Mr. Oestriecher

And that's what's important, because it is what we do with it. Believe it or not everything we talk about here today is going to be in AR-C 90. We're talking about SSARS review engagements, not the reviews of quarterly, interim financial information of public companies. And they actually define inquiries as inquiry consists of seeking information of knowledgeable persons within or outside the entity. So the key takeaways from there are knowledgeable person. So if you're asking questions of someone in an area that's completely unrelated to their expertise, well, they might give you an answer because they're scared because by the way, even though you're the reviewer, you're called the auditor. Trust me, anytime you're talking about financial statements, it can be a compilation, review, or audit, you are the auditor and our clients don't like the auditor because the auditor is trying to find where they screwed up.

So I think that's just something we have to accept. They're going to answer the questions. They're not going to say they don't know. So you have to make sure you're talking about knowledgeable people. And the definition also expands the scope to not only within the organization, but outside the entity. So while it's most common to have almost all of your inquiries directed to those within the organization, you're certainly not precluded from making inquiries of those outside the organization, which could be a banking relationship, could be an insurance relationship. It could be with a third-party payroll provider could be with a third party that's handling accounts payable, it could be with another CPA firm that is handling their adjusting journal entries at the end of the year, because you believe that the entity does not have someone with suitable skill, knowledge, and or experience to oversee the closing process. So you get them to hire another CPA firm and quite frankly for those, and we have that relationship with many of our clients, and most of those inquiries now are directed to that CPA firm, because they're the ones that are handling everything, they're handling the accounts payable, the payroll, the closing of the books. So, it's very important that we understand the scope of those inquiries can go well beyond just those inside the organization.

Ms. Grove Casey

Did you want to talk a little bit about the scope that's in AR-C 90?

Mr. Oestriecher

Yes. When you look at the inquiries, you remember we are reviewing financial statements and we're not reviewing trial balances. And, typically, our inquiries focus on those items that are in the trial balance. And maybe even as they're grouped up as they're going to be

presented on the financial statements, but we're still only talking about the measurement issues. GAAP has three major areas – presentation, disclosure, and measurement. So we focus on the measurement and I think, as a whole, our profession does a great job on making inquiries of those items that are measured in the financial statements. Overall, I think the presentation is very good because there just aren't a lot of options or ways to screw up. It's going to be a balance sheet and income statement or statement of comprehensive income, statement of cash flows, statement of changes in stockholders' equity, retained earnings. It all depends on your capital structure there.

So we know that we need to have a classified balance sheet. I think most of us understand the statement of cash flows needs to have the operating, investing and financing activities. So not a whole lot of inquiries there. But it's that last element, the disclosures, that's where sometimes I think the inquiries aren't as focused as they need to be because an analytical procedure is not going to indicate to me the existence of related parties, unless I'm just comparing to last year. And last year they informed me of related parties. I'm going to know about related parties through inquiries. I'm going to understand a subsequent event through inquiries. I'm going to better understand the going concern issues through inquiries. So to me, while the inquiries, obviously, play an important role on the measurement side, they play a vastly more important role than analytical procedures as it comes to the disclosures and AR-C 90.25 even specifically talks about in designing your inquiries for all material, financial statement items, including disclosures.

The next area, you want to look at are areas that are at risk, that it talks about risk. We don't have specific risk assessment within the review standards as we do within the auditing standards, but AR-C 90.25 does talk about these inquiries need to be where they are directed and focused on areas of the financial statement, where the accountant believes there are increased risks of material misstatement, and that's where it stops and just talks about increased risk of material misstatement. So the way I interpret that, I mean, it's not just the areas where you have increased risk, but anything that's subject to management estimates. So when you're talking about impairment or things that maybe should have an impairment write down and any time there's an implementation of new standards, those are the areas where I tend to believe that there's increased risk. Even though there are many more examples out there.

Sometimes I can tell with one inquiry – and they're still your bookkeeper? Yeah. Well then I know that she has coded the note payment for the Ford F350 to auto expense rather than principal and interest. So you always have those very entity specific risks that you may have, but then it is the non-entity specific risks where we really want to focus those inquiries.

Ms. Grove Casey

Well, and then in this last year in particular, we've had a lot of, I would call them environmental. I don't mean like due to climate change. I mean, environmental, like the business entity's environment has changed. A lot of entities have had a lot more risks, right? Just because things aren't operating the way they have in the past. And that's even without potential turnover in employees, which is another risk. You mentioned that you have a risk tied to a specific entity because of a specific person, but when your people keep changing or your people aren't able to come in and do that function now you've got a different kind of risk that you need to be looking for.

Mr. Oestriecher

And how that relates to the financial statements. We always talk about concentrations and labor concentration up until this past year, we always thought, oh, is that where a union can go on strike? And we never thought of a non-unionized area or a company as having any risk of employee or labor shortage. But we have learned that that is absolutely the case now. And, there's a local restaurant in my hometown that depending on what day you go, there might be a sign up saying staff shortage. They have a minimum number of people and they determined that we can only operate with this number of people. If so and so does not show up and you can't force people to come to work and you can't grab them off the street, then they close. And when they are open, it's only usually half the restaurant is open. So that is a financial statement disclosure. So those are the type of inquiries. Have you had disruption in your business due to COVID-19? Do you believe that disruption will continue? Are you having to change your business model? And you're right. These are inquiries that we've never had before we had COVID-19. I think a lot more people are going to have labor concentrations than they've ever had before for these non-unionized shops.

Ms. Grove Casey

We had that issue last Friday when my husband and I tried to go out because we were looking for a specific

type of cuisine and we got to the restaurant and that's what it said, closed due to staff shortage. And so certainly I think you're right, we're seeing more and more businesses with that kind of an issue. Let's talk about the required inquiries under AR-C 90.

Mr. Oestriecher

Whenever we're talking about a SSARS engagement I'll refer to an accountant instead of an auditor, because we're not auditing. There's a lot of accountant judgment, but there are very specific inquiries that are required. And if you're using a third-party practice aid, trust me, that's going to be in your general inquiries. You're generally using third party practice aids and there's a general inquiries program. Then they have very specific inquiries for like cash and inventory and receivables. Trust me, those account specific inquiries are not in here, but the general that you have to cover, first of all, and this is going to be in the representation letter, whether or not the financial statements have been prepared in accordance with blank. It is whatever your applicable financial reporting framework is. In almost all cases for reviewed financial statements it is United States GAAP because a bank or a bonding company, or a regulator is requiring the reviewed financial statements and generally whatever that loan document or whatever it is that requires it, also says by the way, the financial statements have to be in accordance with U.S. GAAP, but understand, you can have reviewed financial statements under tax basis, FRF for SMEs, or any other basis. So, identify what the basis is, and then inquire, have the financial statements been prepared in accordance with that framework and consistently applied? It is going to be identical to the very first representation you'd have. And I have never had a client when I asked that question go, no. Generally their answer is, well, are they? And that's your first clue that you might actually have an independence problem if they have no clue. So that leads to some of those discussions, but, yes, and we also have to acknowledge here that it is quite often that the review firm will perform as a separate non-attest service, the preparation, or assisting the client in preparing the financial statements. As long as the client has someone with suitable skill, knowledge, and or experience to oversee that service, then you're okay. Whoever that person is with suitable skill, knowledge, and experience to oversee that service that's who you need to be asking that question to. Remember, we said earlier in the definition of the appropriate knowledgeable person. So if I'm asking an accounts payable clerk, whether or not

the financial statements have been prepared in accordance with GAAP, that's the wrong person. So this is where, what I would call the synchronization of your inquiries to the appropriate person that's where we've seen some patterns where maybe we could do it a little bit better. Identification of any related party transactions, related party disclosures required inquiry, whether or not there are any significant or unusual transactions or events or any matters that would have an effect on the financial statements.

Then this is where the standard includes the following – so they have very specific items that you're going to ask for any changes in the business activities and operations. You just alluded to COVID-19. I can think of very few entities out there that have not had significant changes either for better or for worse. I mean, it seems like there's very few entities that are in between. They're just like, wow. COVID has really had either a positive or negative impact. So I think in most cases, you're going to have that any significant changes to terms of any contracts that materially affect the financial statements. So this could be a revenue contract with a major customer. It could be a loan lending contract, whatever it might be, any significant journal entries or other adjustments that were made at year end. The reason why that's an important inquiry is remember if management is trying to manipulate the books.

And that's a really nice way of saying that management fraud thing, journal entries is your weapon of choice. If you are going to go hunting, you need to bring a gun, a bow and arrow or something like that. You're not going to bring a dart. Okay. Just a little throw dart. It ain't gonna work. Okay. So journal entries are how management will do that. So unusual, meaning what's not routine? Well when, uh, when asked that, what do you mean by unusual? Is that okay? Probably every month you have 11 journal entries that you're going to make every month and you have them numbered and journal entry number seven is always prepaid insurance. Number eight is always depreciation. Whatever it might be, those are not unusual. It's the ones where after you analyze the financial statements or analyze your trial balance, you go, Ooh, I had to make this journal entry, or Wow! This is to transition to the new lease standard. Those are the things that we're trying to ask the client. And again, the range of sophistication of your review clients, or at least for my firm is very wide. We have those that have very limited knowledge. And so we've asked other CPA firms to get involved just because there was an independence issue. Then we have some that are above that level that, Hey,

they have an individual with suitable skill, knowledge, and or experience, but we know they're going to need help with some items. And then we've got those that, Hey, they've got five CPAs on staff. And we actually get financial statements from those clients. They don't give us just a trial balance. So depending on the skill level, the more likely that I'm going to have to double down and focus on those significant journal entries.

Okay. Any significant transactions occurring during the end or near the end of the period. So that's the only before year end, but after year end that was when, when I started on this committee, Debbie, we actually specifically put that in SSARS 10. The language was before the year end, but now we understand that, Hey, you can manipulate financial statements by doing transactions just after year end. the status of any uncorrected adjustments from prior year in general. That's, anything you gave us, we posted, that's not an issue. And, this is other transactions with related parties or effects of probable implications for the entity with related parties. So those are the five or six items that cover the unusual items in the weapon that management would use to distort the financial statements, if that was their intent. And again, if you go in believing that, Hey, management is probably lying, don't do the review.

That's part of your client acceptance. If you believe there's a management integrity problem, don't accept the review engagement, but we have to acknowledge that, there's gray areas. That's what I'm really trying to focus on here is identify those gray areas and exactly how much did management wander in those gray areas, and do the financial statements contain the elements that allow for wandering, in other words, are there significant allowance for doubtful accounts or other areas that have significant judgements. The more straightforward and less judgment, the less likely that some of these areas might impact it, but we still have to make the important judgments.

Ms. Grove Casey

Did you want to talk a little bit about any required inquiries that we have related to fraud? Because you're right. If we go into it thinking that there's a potential problem, why would you ever accept the client? Or continue because that is a decision you're supposed to be making every year.

Mr. Oestriecher

Right. And then that, again, something from SSARS 10, Chuck Landis was the director of auditing and attest standards. And we're talking about in 2002,

now we're talking 20 years ago. Yes, right there, there was no mention or fraud or anything in the review standards. And just, it was three or four years prior to that. They didn't even use the F word in the audit standards. We just, we were like, oh, we can't say fraud at all. We use things like malfeasance, and other words, defalcation, so yes, we have specific inquiries about the existence of fraud, suspected fraud or illegal acts. And again, this is where you may not want to ask the person that's in charge of the financials, because they're the ones that are least likely to respond. This is where you might ask this to more than one person. Certainly, you ask the person that's responsible for the financials, but that may not be the only person I ask.... And you also have inquiries related to any questions that arise in applying other review procedures. And, of course, your other review procedures we're talking about here are analytical procedures and we've actually changed the mechanism of how we make those inquiries. Now, as a result of COVID, I used to just keep these on a Word document, and then I go visit with the client physically go to their client without a mask. Remember those days. Ask the question and I would type their response, always type their response in italic, and then any disposition that would be put in bold or italic, you that, Hey, their response was so satisfactory, I don't think there's anything else we need to do. For the procedures that are warranted, document those procedures.

But we don't meet face to face with clients that is the first thing. I was going to do this in a Zoom meeting, but then I realized, wait a second, as soon as I have a question, I want to send the client an email, whoever I'm going to ask that inquiry to and generally it's one person with your smaller clients that you're sending most of the inquiries to. So I send the inquiry by doing it separately. Now they're focused on that one thing. I have noticed both because of my failures as a human being and it's client, the, I won't call them failures because clients don't like that, but if you send me an email and you have five things you want me to do in there, generally I do the first one and send it back and don't read the others. So one thought per one email, I'll put into the tagline, you know, allowance for doubtful accounts. And I ask the question and they email me back. Once I have their response to actually print that email to a PDF file and then type in, or if I respond to the clients. Okay, that's great; no further procedures needed, whatever that final resolution is. That is what is now printed as a PDF file and saved as management inquiry. Number one management inquiry, number two management inquiry, number three. So I found it is a

great way to document it. Now it's date and timestamped. You can see who you talked to and when you talked to them. So it's great review documentation to do it in that manner, rather than putting it all in a Word document. And quite frankly, after COVID restrictions, once we become more comfortable, if we ever become more comfortable meeting face to face, I think I'm going to continue to do that and my clients love it. They are so glad they don't have to split an hour out of their day or an hour and a half to meet with me. I'm generally sending these at 10:30 at night because that's when I can actually work on client work after I finish webinars and emails, and all of the stuff that's happening during the day. So the clients like it for the convenience, they don't have the pressure of answering me right then. And I do say, look, if you can please get back to me in about 24 hours, because there may be another follow-up question. So that is worked out. There's no silver linings to COVID-19 there. There's nothing good that has happened. But this is an area that I think I did find something that improved. And I think it's fair to say, prior to COVID-19 a client may feel that I dissed them if I just sent an email. While they don't like us there, they feel happy when my CPA came to see me. My CPA's doing their job.

Ms. Grove Casey

They're getting attention.

Mr. Oestriecher

Exactly. They feel special because the CPA came and saw them. So I just think it's just amazing. How, what are considered business norms now have changed so much? So it's now quite acceptable. Two years ago I would not have dared. Now one follow-up email always would have happened at least one or two follow up emails, but to have the bulk of my inquiries in the form of single emails, I don't think my clients would have accepted that a couple of years ago.

Ms. Grove Casey

Well, and it seems like it would be a great way to do documentation because you're right, you have a time and date stamped and, you know, if you need to do a follow-up clarification, you can do that and you can actually have them all in the same file. I assume you're using some kind of electronic work paper type thing. So it's easier to attach the file. You've got your documentation attached, right where you need it for the reviewer.

Mr. Oestriecher

Right. Yes. All of our review documentation is in the form of a PDF. Obviously we use email; we use Word documents; we use Excel documents. We use PPC Smart Practice Aids, which is, of course, a Thomson Reuters product. But ultimately everything is a PDF file that saves the documentation. Just a few more required inquiries. There's so many of them, I wanted to go through them, but subsequent events, anything that they've identified that either adjusted the financial statements or required disclosure; going concern, what was their evaluation of going concern? How they identified conditions or events. If they have identified conditions or events, what is their mitigation process? Whether or not they have any litigation, claims, assessments? And, again, how else would you know that? You're not going to send an attorney letter in a review, nor do you do have to ask about litigation, any relevant issues that happen at board of directors' meetings? Assuming they've had board meetings. And again, it's perfectly acceptable for them to say we haven't had any board meetings and then anything else that you may consider to be necessary. And then that's when it branches off into, okay, I'm going to ask questions about cash. I'm going to ask, have your bank accounts been reconciled? I'm going to ask, do you have any restrictions on cash? I'm going to ask about proper cutoff of receivables. Did you take inventory? Did you have proper cutoff of payables? So that last one, any other matters you consider necessary, ask them folks. We no longer make inquiries about prepaid expenses or prepaid expenses is less than 1% of your balance sheet. And remember, you're always going to do at least one analytical procedure on every item in the financial statements, because you're required to compare this year to last year. And generally, we do a five-year comparison. I know that I have analytical procedures covering every element of the financial statements. So I am not going to make inquiries as it's deemed necessary. So I'm not going to make inquiries on small assets, small liability accounts that are not going to have a potential for a material misstatement. I'm going to direct those other inquiries on areas that have a high volume of transactions, where there could be cutoff issues, where it's subject to management estimate. And again, that's where professional judgment comes in.

Ms. Grove Casey

Well, what kinds of things is the accountant responsible for here?

Mr. Oestriecher

That's always the key question. When people say, okay, Kurt, you ask the client has the bank account been reconciled? And the client says, yes. What do I have to do? What is my responsibility to corroborate and make sure management isn't lying to me folks. This is a review engagement and AR-C 90.3, it specifically says you had not intended to obtain evidence to support management's responses to inquiries. I don't have to get a copy of that bank reconciliation. I don't have to get a copy of the note payment that's being paid off. If they said it's been paid off, no evidence is necessary. And when I make this point in a live class, I can see the blood draining from people's faces. I can see they're sharp, but Kurt, they could lie to you again. I understand that it's humans. That's why it's very important you look at the overall risk of this engagement and management integrity. If I think that they're going to lie and it's high risk, I'm not going to perform a review, but once I accept that, yes, I'm going to do that I don't get evidence. Okay.

So the next thing that says, but then there could be misstatements that aren't detected. I say yes, and that's why I'm doing it. You know, the bank or the bonding company that asks for a review, I'm assuming they understand the limitations of a review. It's clearly spelled out in the review report. It's clearly spelled out in the engagement letter. If that third party had wanted evidence to support all this, they should have asked for an audit, but they went through the menu and they just asked for the cheeseburger. They didn't ask for the big Mac. Okay. They wanted the big Mac. I charged them for the big Mac. I give them the big Mac, which is the audit. They asked for the cheeseburger, okay. The kiddie meal is the compilation, by the way. We'll get into that later. The preparation isn't even on the menu, because that's the apple pie they throw in. So put things in those kinds of perspective. So, once you try to start getting evidence, now you've kind of opened up a can of worms and you have now created a higher standard of due care for this review than the standards intended. And so if you decided there's one area that I'm going to actually get evidence on, but not the other areas that's acceptable as long as you document the reason. In other words, there was an inconsistency in the response or the management response didn't match up with my analytical procedures, then go get the other evidence. But if based on their inquiry, they were responses, which your expectation was, you simply have no responsibility to obtain evidence other than it is specifically in the AR-C 90.30.

Ms. Grove Casey

Well, did you want to do a little bit of a summary now that we're kind of at the end of our discussion about inquiries in these review engagements?

Mr. Oestriecher

Yes. Well, what I want to focus on is that folks, if it's possible to have one procedure that's sexier than another one in the review engagement, analytical procedures are sexier because you're looking at, predicting revenues and you're looking at all this data and boy aren't inquiries boring. And I'm just sitting there asking a person, documenting that they answered. So understand that it is important, it can detect, or I shouldn't say detect, it could lead you to potential departures in areas that analytical procedures simply cannot, such as related party, subsequent events. Always make sure that, not only are you asking the question to the appropriate person, but within your firm, you have the right person asking the question. We don't let two-year staff or less, and that's a general line, go out and perform reviews because they can be intimidated. They don't even understand. They're just asking questions off a checklist. They really don't understand how that relates. The responses could relate to potential misstatements in the financial statements. So assign the appropriate level of staff; identify the appropriate person within or persons outside the organization to address the questions; have a strategy for your inquiries and perform the proper follow up when your inquiries do not match up with other responses or your analytical procedures. And then lastly, be comfortable that you have followed standards. You don't have to follow up on any inquiries, if it's a clean engagement and nothing comes to your attention as a result of inquiry and analytical procedures, and I made all my required analytical inquiries and I've made all the other, we'll call them account specific inquiries and just because I don't have any other evidence in the work papers, it didn't support or get evidence to support management inquiries. I am still within standards. We have to get comfortable with that. And I think reading through the standards and understanding all that, we become more efficient and then we perform review engagements within the scope and provide that limited assurance that is anticipated by the standards.

Inquiries in SSARS Review Engagements

by Kurt Oestriecher, CPA

Introduction

An accountant performing a review engagement under SSARS is required to use two primary procedures in obtaining review evidence, inquiries and analytical procedures. This course will focus on the required inquiries and additional requirements related to those and other inquiries.

The inquiries should be designed to obtain information related to the financial statements and the related disclosures. It is a common mistake to only inquire about the financial statements that are presented – the balance sheet, income statement, statement of cash flows, and statement of changes in equity. Sufficiency and appropriateness of disclosures should also be considered.

Required Inquiries

The guidance for required inquiries is found in AR-C 90.29. The following minimum inquiries should be made by the accountant:

a. **"Whether the financial statements have been prepared and fairly presented in accordance with the applicable financial reporting framework consistently applied, including how management determined that significant accounting estimates are reasonable in the circumstances"**

There are two elements to this required element, so we will break down each element.

Prepared and presented in accordance with the applicable financial reporting framework

Management is required to determine the appropriate framework. Review engagements are typically performed at the request of a third party, and that third party will often require that United States GAAP be used as the accounting framework. Absent, such a request, management may choose any available framework, with the income tax basis the most likely alternative to United States GAAP. The accountant should be familiar with the framework chosen by management, as the accountant must design the inquiries to determine if departures from the framework exist.

"How management determined that significant accounting estimates are reasonable in the circumstances"

In order to properly design such inquiries, the accountant is required to have knowledge of the specific elements of the financial statements that require management estimates based on the underlying framework. In applying United States GAAP, the following areas typically require estimates:

- Revenue recognition

- Allowance for doubtful accounts

- Depreciation

- Asset impairments

- Accruals such as asset retirement obligations

- Defined benefit pension plans

- Lease accounting

    o Type of lease

    o Exercise of renewal options

- Deferred taxes

The inquiries should focus on the process used by management to develop the estimates and the overall reasonableness of the resulting financial statement element.

b. **"The identification of related party transactions, including the purpose of those transactions."**

This inquiry is related to presentation and disclosure. Most frameworks, including United States GAAP, require either separate presentation or disclosure of related party transactions. In addition to the inquiry of the presence of related party transactions and disclosures, many accountants also inquire about how a company has designed the accounting system to identify related party transactions when it is believed that significant related party transactions may be occurring.

c. *whether there are significant, unusual, or complex transactions, events, or matters that have affected or may affect the entity's financial statements, including the following:*

   i. *Significant changes in the entity's business activities or operations*

   ii. *Significant changes to the terms of contracts that materially affect the entity's financial statements, including terms of finance and debt contracts or covenants*

   iii. *Significant journal entries or other adjustments to the financial statements*

   iv. *Significant transactions occurring or recognized during the period, particularly those in the last several days of the reporting period*

   v. *The status of any uncorrected misstatements identified during the previous review (that is, whether adjustments were recorded subsequent to the periods covered by the prior review and, if adjustments were recorded, the amounts recorded and period in which such adjustments were recorded)*

   vi. *Effects or possible implications for the entity of transactions or relationships with related parties*

This series of inquiries has many required elements. The presence of significant changes in the entity or business activities is used to assist in developing expectations for comparing trends. Inquiries related to significant journal entries are designed to determine the reason for adjustments near the end of the period that are outside the normal closing process.

d. *"matters about which questions have arisen in the course of applying the review procedures."*

As analytical procedures are performed and standard inquiries are made, additional questions often arise. The accountant should design inquiries that will appropriately follow up on questions. The responses to these inquiries will often determine whether or not the accountant must perform procedures normally encountered in an audit engagement, but not anticipated in review engagements.

e. *"the existence of any actual, suspected, or alleged*

   i. *fraud or noncompliance with laws and regulations affecting the entity*

   ii. *noncompliance with provisions of laws and regulations that are generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements, such as tax and pension laws and regulations."*

The accountant should be aware that the reason for these inquiries is to determine if the fraud could be related to misstatements or the lack of compliance may lead to unrecorded liabilities such as IRS or other fines and penalties.

f. *"whether management has identified and addressed events subsequent to the date of the financial statements that require adjustment of, or disclosure in, the financial statements."*

The accountant will want to make sure that management understands the requirements of the financial reporting framework requirements for subsequent events. United States GAAP defines two types of subsequent events, and both types are covered by this inquiry. Due to the nature of this inquiry, timing is important and this inquiry should be made as near to the date of the review report as possible.

g. *"the basis for management's assessment of the entity's ability to continue as a going concern and whether there are events or conditions that appear to cast doubt on the entity's ability to continue as a going concern"*

AR-C 90 actually has these inquiries listed separately, but they both deal with going concern. The accountant should evaluate the response of management in context with responses of other inquiries and the results of analytical procedures. In the rare circumstance that management has determined that substantial doubt exists and that management does not have a sufficient plan to

mitigate substantial doubt, the resulting disclosure should be referred to with an emphasis-of-matter paragraph in the review report.

h. *material commitments, contractual obligations, or contingencies that have affected or may affect the entity's financial statements, including disclosures.*

This inquiry is very straight-forward, but does cover multiple elements. The inquiry related to contingencies is often highlighted, but commitments and obligations must also be disclosed.

i. *material nonmonetary transactions or transactions for no consideration in the financial reporting period under consideration.*

This inquiry may lead to the discovery of unrecorded transactions. If such transactions also impact financing and investing activities, the accountant should consider the adequacy of disclosures to supplement the Statement of Cash Flows.

j. *communications from regulatory agencies, if applicable.*

The primary purpose of this inquiry is related to the completeness of disclosures, but it may also alert the accountant to unrecorded liabilities.

k. *any litigation, claims, and assessments that existed at the date of the balance sheet being reported on and during the period from the balance sheet date to the date of management's response to the accountant's inquiry.*

This inquiry should be related to the inquiry of subsequent events.

l. *actions taken at meetings of stockholders, the board of directors, committees of the board of directors, or comparable meetings that may affect the financial statements.*

Many entities that are subject to a review engagement do not have formal meetings. The accountant should document the reason for not making this inquiry if no meetings are held.

m. *any other matters that the accountant may consider necessary.*

This is an open-ended question that rarely leads to a response from management that would lead the accountant to perform other review procedures. If management does make the accountant aware of other matters in response to this inquiry, the accountant should carefully follow up and perform any additional procedures deemed necessary.

Other inquiries

In addition to the required inquiries, the accountant should make inquiries on elements and disclosures in the financial statements that the accountant believes could be subject to material departures.

Accountant responsibilities

The standards require that the accountant consider the reasonableness of the responses of management, but the accountant is not required to corroborate management's responses with other evidence such as the procedures normally performed in an audit. The accountant should also consider the results of analytical procedures when determining the appropriateness of management responses.

Summary

Inquiries represent a substantial portion of the review evidence obtained by an accountant. Knowledge of the required and appropriate inquiries and the impact of management responses on any further procedures performed in a review engagement are crucial to performing a review in accordance with SSARS. Careful consideration should be made in determining, not only which members of management or others in the organization will be asked to respond to the inquiries, but also determining the appropriate level of staff chosen to perform the inquiries.

Definition

Inquiry consists of seeking information of knowledgeable persons *within* or *outside the entity*

Scope AR-C 90.25

In obtaining sufficient appropriate review evidence as a basis for a conclusion on the financial statements as a whole, the accountant should design and perform the analytical procedures and *inquiries* to address the following:

- All material items in the financial statements, *including disclosures*
- Areas in the financial statements where the accountant believes there are *increased risks* of material misstatements
  - Areas subject to management estimates
  - New standards

Required Inquiries – AR-C 90.25
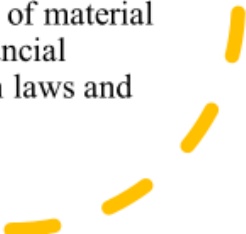
- Whether the financial statements have been prepared and fairly presented in accordance with the applicable financial reporting framework consistently applied, including how management determined that significant accounting estimates are reasonable in the circumstances.

- The identification of related parties and related party transactions, including the purpose of those transactions

Required Inquiries – AR-C 90.25

- Whether there are significant, unusual, or complex transactions, events, or matters that have affected or may affect the entity's financial statements, including the following: (Ref: par. .A57)
    - Significant changes in the entity's business activities or operations
    - Significant changes to the terms of contracts that materially affect the entity's financial statements, including terms of finance and debt contracts or covenants
    - Significant journal entries or other adjustments to the financial statements
    - Significant transactions occurring or recognized during the period, particularly those in the last several days of the reporting period
    - The status of any uncorrected misstatements identified during the previous review (that is, whether adjustments were recorded subsequent to the periods covered by the prior review and, if adjustments were recorded, the amounts recorded and period in which such adjustments were recorded)
    - Effects or possible implications for the entity of transactions or relationships with related parties

Required Inquiries – AR-C 90.25

- Matters about which questions have arisen in the course of applying the review procedures.
- The existence of any actual, suspected, or alleged
  - fraud or noncompliance with laws and regulations affecting the entity and ii. noncompliance with provisions of laws and regulations that are generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements, such as tax and pension laws and regulations.
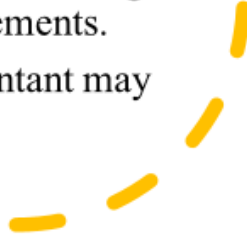
Required Inquiries – AR-C 90.25

- Whether management has identified and addressed events subsequent to the date of the financial statements that require adjustment of, or disclosure in, the financial statements.
- The basis for management's assessment of the entity's ability to continue as a going concern.
- Whether there are events or conditions that appear to cast doubt on the entity's ability to continue as a going concern.
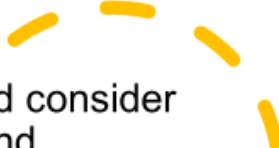
Required Inquiries – AR-C 90.25

- Any litigation, claims, and assessments that existed at the date of the balance sheet being reported on and during the period from the balance sheet date to the date of management's response to the accountant's inquiry.

- Actions taken at meetings of stockholders, the board of directors, committees of the board of directors, or comparable meetings that may affect the financial statements.

- Any other matters that the accountant may consider necessary.

Accountant Responsibility AR-C 90.30

- The accountant should consider the reasonableness and consistency of management's responses in light of the results of other review procedures and the accountant's knowledge of the entity's business. However, the accountant is not required to corroborate management's responses with other evidence.

Summary

- Inquiries are one of the two primary procedures in a review
- Reviews provide ***limited***, not reasonable assurance
- Inquiries should be directed to the appropriate persons, and performed by experienced accountants
- Follow up procedures should be applied when the responses to inquiries are inconsistent with other review evidence obtained

A.   Discussion Problems

1. Discuss what inquiries in a review engagement should be designed to obtain information about.

2. Discuss the areas in U.S. GAAP that typically require management estimate, and therefore, would be an area the accountant would want to inquire about in a review engagement.

3. Discuss the accountant's responsibilities for evidence under the standards in a review engagement.

B.   Suggested Answers to Discussion Problems

1. The inquiries should be designed to obtain information related to the financial statements and the related disclosures. It is a common mistake to only inquire about the financial statements that are presented – the balance sheet, income statement, statement of cash flows, and statement of changes in equity. Sufficiency and appropriateness of disclosures should also be considered.

2. The inquiries should focus on the process used by management to develop the estimates and the overall reasonableness of the resulting financial statement element. In applying United States GAAP, the following areas typically require estimates:

    a. Revenue recognition

    b. Allowance for doubtful accounts

    c. Depreciation

    d. Asset impairments

    e. Accruals such as asset retirement obligations

    f. Defined benefit pension plans

    g. Lease accounting

        i.   Type of lease

        ii. Exercise of renewal options

    h. Deferred taxes

3. The standards require that the accountant consider the reasonableness of the responses of management, but the accountant is not required to corroborate management's responses with other evidence such as the procedures normally performed in an audit. The accountant should also consider the results of analytical procedures when determining the appropriateness of management responses.

GLOSSARY OF KEY TERMS

Analytical Procedures—consist of evaluations of financial information made by a study of plausible relationships among both financial and nonfinancial data. Examples include ratios, trend analysis, and comparisons to expectations.

Audit Engagement—an agreement between a client and an independent third-party auditor to perform an audit of some element of the client's business, such as accounting records, financial statements, internal controls, regulatory compliance, information systems, operational processes, etc.

Compensated Absences—employee absences, such as vacation, illness, and holidays, for which it is expected that employees will be paid

Inquiries—seeking information of knowledgeable persons within or outside the entity

Review Engagement—a type of engagement that provides a limited level of assurance that a company's financial statements comply with the applicable financial reporting framework. It gives users limited assurance on the accuracy or correctness of financial statements.

Sabbatical Leave—a benefit in the form of a compensated absence whereby the employee is entitled to paid time off after working for an entity for a specified period of time. During the sabbatical, the individual continues to be a compensated employee and is not required to perform any duties for the entity.

CUMULATIVE INDEX 2022

BY TOPIC

BY CITATION

BY SPEAKER

Choose the best response and record your answer in the space provided on the answer sheet.

1. According to Russ Madray, which of the following topics discusses the general guidance on compensation and deferred compensation on Rabbi trusts?

    A.   ASC 710.
    B.   ASC 712.
    C.   ASC 715.
    D.   ASC 718.

2. According to Russ Madray, which of the following is ***not*** a condition of accruing compensation expense?

    A.   The employee's rights to the paid absences either vest or accumulate.
    B.   The employer's payment is probable.
    C.   The amount of compensation can be reasonably estimated.
    D.   The employer's obligation to provide compensation results from the employee's future services.

3. According to Russ Madray, if the conditions for accrual are met, the expense and related accrual would be made in which of the following?

    A.   The period prior to when it is taken.
    B.   The period when it is earned.
    C.   The period after it is taken.
    D.   The period prior to when it is earned.

4. According to Russ Madray, the salary rate required to be used in accruing compensated absences is which of the following?

    A.   The current salary rate for the employee.
    B.   The projected salary rate for the employee at the time the absence occurs.
    C.   The salary rate at the time the accrued compensation was earned.
    D.   The salary rate to be used in the accrual is not addressed in the guidance.

5. According to Russ Madray, benefits for which of the following do ***not*** accumulate?

    A.   Sick leave.
    B.   Vacation.
    C.   Jury duty.
    D.   Holidays.

6. According to Jennifer Louis, with remote auditing, which of the following will auditors continue to be reliant on to both work and remain connected to clients and staff?

    A. Cell phone technology.
    B. Email.
    C. Cloud-based solutions.
    D. Paper and pencil.

7. According to Jennifer Louis, remote auditing has impacted audits in which of the following ways?

    A. Audits can take longer in the remote environment.
    B. Clients will need less time to pull documents.
    C. Level of communication may be less limited in a purely remote environment.
    D. Flexibility may be less limited in a purely remote environment.

8. According to Jennifer Louis, when selecting a video conferencing tool for gathering audit evidence, which of the following is a key consideration?

    A. How many people can participate at the same time..
    B. Secure access.
    C. Including all interested parties in the conversation.
    D. Only considering the auditors' burden for information collection.

9. According to Jennifer Louis, which of the following is *not* a challenge in managing audit engagement teams remotely?

    A. Zoom fatigue.
    B. Balancing work/home responsibilities.
    C. Lack of spontaneous and informal communication.
    D. Completing task-oriented audit programs.

10. According to Jennifer Louis, which of the following is a special consideration as it relates to communicating identified risks and related findings as a result of audit work?

    A. Consult IT about tools to be used for documentation.
    B. Use of technical jargon in communications.
    C. Prioritizing key things to be addressed and that need to exist.
    D. Confidentiality guidelines.

11. According to Kurt Oestriecher, a key takeaway from inquiries includes which of the following?

    A. Reviewing balances.
    B. Seeking information from knowledgeable people.
    C. Asking about significant events.
    D. Considering the economic environment.

12. According to Kurt Oestriecher, GAAP has how many major areas?

      A.   Two.
      B.   Three.
      C.   Four.
      D.   Five.

13. According to Kurt Oestriecher, due to COVID-19, which of the following may impact more entities than ever before?

      A.   Debt concentrations.
      B.   Debt covenant violations.
      C.   Labor concentrations for non-unionized shops.
      D.   Inventory valuation issues.

14. According to Kurt Oestriecher, all of his review documentation is ultimately in the form of which of the following?

      A.   A Word document.
      B.   An Excel spreadsheet.
      C.   PPC Smart Practice Aids.
      D.   A PDF file.

15. According to Kurt Oestriecher, inquiries are useful in detecting potential departures in which of the following areas that analytical procedures typically can not?

      A.   Prepaid assets.
      B.   Related parties.
      C.   Debt covenants.
      D.   Land.

Subscriber Survey
Evaluation Form

Please take a few minutes to complete this survey related to **CPE Network® A&A Report** and return with your quizzer or group attendance sheet to 2395 Midway Road, Carrollton, Texas 75006. All responses will be kept confidential. Comments in addition to the answers to these questions are also welcome. Please send comments to **CPLgrading@thomsonreuters.com.**

How would you rate the topics covered in the January 2022 **CPE Network® A&A Report?** Rate each topic on a scale of 1–5 (5=highest):

	Topic Relevance	Topic Content/ Coverage	Topic Timeliness	Video Quality	Audio Quality	Written Material
Accounting for Compensated Absences	|_____|	|_____|	|_____|	|_____|	|_____|	|_____|
Remote Auditing	|_____|	|_____|	|_____|	|_____|	|_____|	|_____|
SSARS Inquiries	|_____|	|_____|	|_____|	|_____|	|_____|	|_____|

Which segments of the January 2022 issue of **CPE Network® A&A Report** did you like the most, and why?

_____

_____

_____

_____

Which segments of the January 2022 issue of **CPE Network® A&A Report** did you like the least, and why?

_____

_____

_____

_____

What would you like to see included or changed in future issues of **CPE Network® A&A Report?**

_____

_____

_____

_____

How would you rate the effectiveness of the speakers in the January 2022 **CPE Network® A&A Report?** Rate each speaker on a scale of 1–5 (5 highest):

	Overall	**Knowledge of Topic**	**Presentation Skills**
Russ Madray	|_____|	|_____|	|_____|
Jennifer Louis	|_____|	|_____|	|_____|
Kurt Oestriecher	|_____|	|_____|	|_____|

Which of the following methods would you use for viewing CPE Network® A&A Report? DVD ☐ Streaming ☐ Both ☐

Are you using **CPE Network® A&A Report** for: CPE Credit ☐ Information ☐ Both ☐

_____

Were the stated learning objectives met? Yes No _____

If applicable, were prerequisite requirements appropriate? Yes ☐ No ☐ _____

Were program materials accurate and audio/video effective? Yes ☐ No ☐ _____

Were program materials relevant and contribute to the achievement of the learning objectives? Yes ☐ No ☐

_____

Were the time allocations for the program appropriate? Yes ☐ No ☐ _____

Were the supplemental reading materials satisfactory? Yes ☐ No ☐ _____

Were the discussion questions and answers satisfactory? Yes ☐ No ☐ _____

Specific Comments: _____

_____

Name/Company _____

Address _____

City/State/Zip _____

Email _____

Once Again, Thank You…

Your Input Can Have a Direct Influence on Future Issues!

CPE Network®
CPE Group Attendance Sheet

Firm/Company Name: _____

Account #: _____

Location: _____

Program Title: _____   Date: _____

Name	**Email**	**Total Hrs**	**IRS PTIN ID** **(if applicable Tax only)**	**Sign In**	**Sign Out**

I certify that the above individuals viewed and were participants in the group discussion with this issue/segment of the CPE Network® newsletter, and earned the number of hours shown.

Instructor Name: _____   Date: _____

E-mail address: _____

License State and Number: _____

Group Study PO Box 115008, Carrollton, TX 75011 -5008   Fax (888) 286.9070 cl.tr.com or CPLgrading@tr.com

CPE Network/Webinar Delivery Tracking Report

Course Title	
Course Date:	
Start Time:	
End Time:	
Moderator Name, Credentials, and Signature Attestation of Attendance:	
Delivery Method:	Group Internet Based
Total CPE Credit:	3.0
Instructions:	During the webinar, the moderator must verify student presence a minimum of <u>3 times per CPE hour</u>. This is achieved via polling questions. Sponsors must have a report which documents the responses from each student. The timing of the polling questions should be random and not made known to students prior to delivery of the course. Record the polling question responses below. Refer to the CPL Network User Guide for more instructions. Partial credit will not be issued for students who do not respond to at least 3 polling questions per CPE hour.
Brief Description of Method of Polling	Example: Zoom: During this webinar, moderator asked students to raise their hands 3 times per CPE hour. The instructor then noted the hands that were raised in the columns below.

			First CPE Hour			CPE Hour 2			CPE Hour 3			FOR TR USE ONLY
First Name	**Last Name**	**Student Email**	Poll 1	Poll 2	Poll 3	Poll 1	Poll 2	Poll 3	Poll 1	Poll 2	Poll 3	Certificate Issued?

CHECKPOINT LEARNING NETWORK

CPE NETWORK®
USER GUIDE

REVISED SEPTEMBER 3, 2021

Welcome to CPE Network!

CPE Network programs enable you to deliver training programs to those in your firm in a manageable way. You can choose how you want to deliver the training in a way that suits your firm's needs: in the classroom, virtual, or self-study. You must review and understand the requirements of each of these delivery methods before conducting your training to ensure you meet (and document) all the requirements.

This User Guide has the following sections:

- **"Group Live" Format:** The instructor and all the participants are gathered into a common area, such as a conference room or training room at a location of your choice.
- **"Group Internet Based" Format:** Deliver your training over the internet via Zoom, Teams, Webex, or other application that allows the instructor to present materials that all the participants can view at the same time.
- **"Self-Study" Format:** Each participant can take the self-study version of the CPE Network program on their own computers at a time and place of their convenience. No instructor is required for self-study.
- **What Does It Mean to Be a CPE Sponsor?:** Should you decide to vary from any of the requirements in the 3 methods noted above (for example, provide less than 3 full CPE credits, alter subject areas, offer hybrid or variations to the methods described above), Checkpoint Learning Network will not be the sponsor and will not issue certificates. In this scenario, your firm will become the sponsor and must issue its own certificates of completion. This section outlines the sponsor's responsibilities that you must adhere to if you choose not to follow the requirements for the delivery methods.
- **Getting Help:** Refer to this section to get your questions answered.

IMPORTANT: This User Guide outlines in detail what is required for each of the 3 formats above. Additionally, because you will be delivering the training within your firm, you should review the Sponsor Responsibilities section as well. To get certificates of completion for your participants

following your training, you must submit all the required documentation. (This is noted at the end of each section.) Checkpoint Learning Network will review your training documentation for completeness and adherence to all requirements. If all your materials are received and complete, certificates of completion will be issued for the participants attending your training. Failure to submit the required completed documentation will result in delays and/or denial of certificates.

IMPORTANT: If you vary from the instructions noted above, your firm will become the sponsor of the training event and you will have to create your own certificates of completions for your participants. In this case, you do not need to submit any documentation back to Thomson Reuters.

If you have any questions on this documentation or requirements, refer to the "Getting Help" section at the end of this User Guide **BEFORE** you conduct your training.

We are happy that you chose CPE Network for your training solutions. Thank you for your business and HAPPY LEARNING!

Copyrighted Materials

CPE Network program materials are copyrighted and may not be reproduced in another document or manuscript in any form without the permission of the publisher. As a subscriber of the **CPE Network Series,** you may reproduce the necessary number of participant manuals needed to conduct your group study session.

"Group Live" Format

CPE Credit

All CPE Network products are developed and intended to be delivered as 3 CPE credits. You should allocate sufficient time in your delivery so that there is no less than 2.5 clock hours:

50 minutes per CPE credit TIMES 3 credits = 150 minutes = 2.5 clock hours

If you wish to have a break during your training session, you should increase the length of the training beyond 2.5 hours as necessary. For example, you may wish to schedule your training from 9 AM to 12 PM and provide a ½ hour break from 10:15 to 10:45.

***Effective November 1, 2018:** Checkpoint Learning CPE Network products 'group live' sessions must be delivered as 3 CPE credits and accredited to the field(s) of study as designated by Checkpoint Learning Network. Checkpoint Learning Network will not issue certificates for "group live" deliveries of less than 3 CPE credits (unless the course was delivered as 3 credits and there are partial credit exceptions (such as late arrivals and early departures). Therefore, if you decide to deliver the "group live" session with less than 3 CPE credits, your firm will be the sponsor as Checkpoint Learning Network will not issue certificates to your participants.

Advertising / Promotional Page

Create a promotion page (use the template after the executive summary of the transcript). You should circulate (e.g., email) to potential participants prior to training day. You will need to submit a copy of this page when you request certificates.

Monitoring Attendance

You must monitor individual participant attendance at "group live" programs to assign the correct number of CPE credits. A participant's self-certification of attendance alone is not sufficient.

Use the **attendance sheet.** This lists the instructor(s) name and credentials, as well as the first and last name of each participant attending the seminar. The participant is expected to initial the sheet for their morning attendance and provide their signature for their afternoon attendance. If a participant arrives late, leaves early, or is a "no show," the actual hours they

attended should be documented on the sign-in sheet and will be reflected on the participant's CPE certificate.

Real Time Instructor During Program Presentation

"Group live" programs must have a **qualified, real time instructor while the program is being presented.** Program participants must be able to interact with the instructor while the course is in progress (including the opportunity to ask questions and receive answers during the presentation).

Elements of Engagement

A "group live" program must include at least one element of engagement related to course content during each credit of CPE (for example, group discussion, polling questions, instructor-posed question with time for participant reflection, or use of a case study with different engagement elements throughout the program).

Make-Up Sessions

Individuals who are unable to attend the group study session may use the program materials for self-study either in print or online.

- If the print materials are used, the user should read the materials, watch the video, and answer the quizzer questions on the CPE Quizzer Answer Sheet. Send the answer sheet and course evaluation to the address listed on the answer sheet and the CPE certificate will be mailed or emailed to the user. Detailed instructions are provided on Network Program Self-Study Options.
- If the online materials are used, the user should log on to her/his individual Checkpoint Learning account to read the materials, watch the interviews, and answer the quizzer questions. The user will be able to print her/his/their CPE certificate upon completion of the quizzer. (If you need help setting up individual user accounts, please contact your firm administrator or customer service.)

Awarding CPE Certificates

The CPE certificate is the participant's record of attendance and is awarded by Checkpoint Learning Network after the "group live" documentation is received (and providing the course is delivered as 3 CPE credits). The certificate of completion will reflect the credit hours earned by the individual, with special calculation of credits for those who arrived late or left early.

Subscriber Survey Evaluation Forms

Use the evaluation form. You must include a means for evaluating quality. At the conclusion of the "group live" session, evaluations should be distributed and any that are completed are collected from participants. Those evaluations that are completed by participants should be returned to Checkpoint Learning Network along with the other course materials. While it is required that you circulate the evaluation form to all participants, it is NOT required that the participants fill it out. A preprinted evaluation form is included in the transcript each month for your convenience.

Retention of Records

Regardless of whether Checkpoint Learning Network is the sponsor for the "group live" session, it is required that the firm hosting the "group live" session retain the following information for a period of five years from the date the program is completed unless state law dictates otherwise:

- Record of participation (Group Study Attendance sheets; indicating any late arrivals and/or early departures)
- Copy of the program materials
- Timed agenda with topics covered and elements of engagement used
- Date and location of course presentation
- Number of CPE credits and field of study breakdown earned by participants
- Instructor name and credentials
- Results of program evaluations.

Finding the Transcript

When the DVD is inserted into a DVD drive, the video will immediately begin to play and the menu screen will pop up, taking the entire screen. Hitting the Esc key should minimize it to a smaller window. To locate the pdf file of the transcript either to save or email to others, go to the start button on the computer. In My Computer, open the drive with the DVD. The Adobe Acrobat files are the transcript files. If you do not currently have Adobe Acrobat Reader (Mac versions of the reader are also available), a free version of the reader may be downloaded at:

- https://get.adobe.com/reader/

Requesting Participant CPE Certificates

When delivered as 3 CPE credits, documentation of your "group live" session should be sent to Checkpoint Learning Network by one of the following means:

      Mail: Thomson Reuters
              PO Box 115008
              Carrollton, TX 75011-5008

      Email: CPLgrading@tr.com

      Fax: 888.286.9070

When sending your package to Thomson Reuters, you must include ALL of the following items:

Form Name	Included?	Notes
Advertising / Promotional Page		Complete this form and circulate to your audience before the training event.
Attendance Sheet		Use this form to track attendance during your training session.
Subscriber Survey Evaluation Form		Circulate the evaluation form at the end of your training session so that participants can review and comment on the training. Return to Thomson Reuters any evaluations that were completed. You do not have to return an evaluation for every participant.

Incomplete submissions will be returned to you.

"Group Internet Based" Format

CPE Credit

All CPE Network products are developed and intended to be delivered as 3 CPE credits. You should allocate sufficient time in your delivery so that there is no less than 2.5 clock hours:

50 minutes per CPE credit TIMES 3 credits = 150 minutes = 2.5 clock hours

If you wish to have a break during your training session, you should increase the length of the training beyond 2.5 hours as necessary. For example, you may wish to schedule your training from 9 AM to 12 PM and provide a ½ hour break from 10:15 to 10:45.

*Effective November 1, 2018: Checkpoint Learning CPE Network products 'group live' sessions must be delivered as 3 CPE credits and accredited to the field(s) of study as designated by Checkpoint Learning Network. Checkpoint Learning Network will not issue certificates for "group live" deliveries of less than 3 CPE credits (unless the course was delivered as 3 credits and there are partial credit exceptions (such as late arrivals and early departures). Therefore, if you decide to deliver the "group live" session with less than 3 CPE credits, your firm will be the sponsor as Checkpoint Learning Network will not issue certificates to your participants.

Advertising / Promotional Page

Create a promotion page (use the template following the executive summary in the transcript). You should circulate (e.g., email) to potential participants prior to training day. You will need to submit a copy of this page when you request certificates.

Monitoring Attendance in a Webinar

You must monitor individual participant attendance at "group internet based" programs to assign the correct number of CPE credits. A participant's self-certification of attendance alone is not sufficient.

Use the **Webinar Delivery Tracking Report.** This form lists the moderator(s) name and credentials, as well as the first and last name of each participant attending the seminar. During a webinar you must set up a monitoring mechanism (or polling mechanism) to periodically check the participants' engagement throughout the delivery of the program.

In order for CPE credit to be granted, you must confirm the presence of each participant **3 times per CPE hour and the participant must reply to the polling question**. Participants that respond to less than 3 polling questions in a CPE hour will not be granted CPE credit. For example, if a participant only replies to 2 of the 3 polling questions in the first CPE hour, credit for the first CPE hour will not be granted. (Refer to the Webinar Delivery Tracking Report for examples.)

Examples of polling questions:

1. You are using **Zoom** for your webinar. The moderator pauses approximately every 15 minutes and ask that participants confirm their attendance by using the "raise hands" feature. Once the participants raise their hands, the moderator records the participants who have their hands up in the **webinar delivery tracking report** by putting a YES in the webinar delivery tracking report. After documenting in the spreadsheet, the instructor (or moderator) drops everyone's hands and continues the training.
2. You are using **Teams** for your webinar. The moderator will pause approximately every 15 minutes and ask that participants confirm their attendance by typing "Present" into the Teams chat box. The moderator records the participants who have entered "Present" into the chat box into the **webinar delivery tracking report**. After documenting in the spreadsheet, the instructor (or moderator) continues the training.
3. If you are using an application that has a way to automatically send out polling questions to the participants, you can use that application/mechanism. However, following the event, you should create a **webinar delivery tracking report** from your app's report.

Additional Notes on Monitoring Mechanisms:

1. The monitoring mechanism does not have to be "content specific." Rather, the intention is to ensure that the remote participants are present and paying attention to the training.
2. You should only give a minute or so for each participant to reply to the prompt. If, after a minute, a participant does not reply to the prompt, you should put a NO in the webinar delivery tracking report.
3. While this process may seem unwieldy at first, it is a required element that sponsors must adhere to. And after some practice, it should not cause any significant disruption to the training session.
4. **You must include the Webinar Delivery Tracking report with your course submission if you are requesting certificates of completion for a "group internet based" delivery format.**

Real Time Moderator During Program Presentation

"Group internet based" programs must have a **qualified, real time moderator while the program is being presented.** Program participants must be able to interact with the moderator while the course is in progress (including the opportunity to ask questions and receive answers

during the presentation). This can be achieved via the webinar chat box, and/or by unmuting participants and allowing them to speak directly to the moderator.

Make-Up Sessions

Individuals who are unable to attend the "group internet based" session may use the program materials for self-study either in print or online.

- If print materials are used, the user should read the materials, watch the video, and answer the quizzer questions on the CPE Quizzer Answer Sheet. Send the answer sheet and course evaluation to the address listed on the answer sheet and the CPE certificate will be mailed or emailed to the user. Detailed instructions are provided on Network Program Self-Study Options.
- If the online materials are used, the user should log on to her/his individual Checkpoint Learning account to read the materials, watch the interviews, and answer the quizzer questions. The user will be able to print her/his CPE certificate upon completion of the quizzer. (If you need help setting up individual user accounts, please contact your firm administrator or customer service.)

Awarding CPE Certificates

The CPE certificate is the participant's record of attendance and is awarded by Checkpoint Learning Network after the "group internet based" documentation is received (and providing the course is delivered as 3 CPE credits). The certificate of completion will reflect the credit hours earned by the individual, with special calculation of credits for those who may not have answered the required amount of polling questions.

Subscriber Survey Evaluation Forms

Use the evaluation form. You must include a means for evaluating quality. At the conclusion of the "group live" session, evaluations should be distributed and any that are completed are collected from participants. Those evaluations that are completed by participants should be returned to Checkpoint Learning Network along with the other course materials. While it is required that you circulate the evaluation form to all participants, it is NOT required that the participants fill it out. A preprinted evaluation form is included in the transcript each month for your convenience.

Retention of Records

Regardless of whether Checkpoint Learning Network is the sponsor for the "group internet based" session, it is required that the firm hosting the session retain the following information for a period of five years from the date the program is completed unless state law dictates otherwise:

- Record of participation (Webinar Delivery Tracking Report)
- Copy of the program materials
- Timed agenda with topics covered
- Date and location (which would be "virtual") of course presentation
- Number of CPE credits and field of study breakdown earned by participants
- Instructor name and credentials
- Results of program evaluations

Finding the Transcript

When the DVD is inserted into a DVD drive, the video will immediately begin to play and the menu screen will pop up, taking the entire screen. Hitting the Esc key should minimize it to a smaller window. To locate the pdf file of the transcript either to save or email to others, go to the start button on the computer. In My Computer, open the drive with the DVD. It should look something like the screenshot below. The Adobe Acrobat files are the transcript files. If you do not currently have Adobe Acrobat Reader (Mac versions of the reader are also available), a free version of the reader may be downloaded at:

- https://get.adobe.com/reader/

Alternatively, for those without a DVD drive, the email sent to administrators each month has a link to the pdf for the newsletter. The email may be forwarded to participants who may download the materials or print them as needed.

Requesting Participant CPE Certificates

When delivered as 3 CPE credits, documentation of your "group internet based" session should be sent to Checkpoint Learning Network by one of the following means:

Mail: Thomson Reuters
PO Box 115008
Carrollton, TX 75011-5008
Email: CPLgrading@tr.com

Fax: 888.286.9070

When sending your package to Thomson Reuters, you must include ALL the following items:

Form Name	Included?	Notes
Advertising / Promotional Page		Complete this form and circulate to your audience before the training event.
Webinar Delivery Tracking Report		Use this form to track the attendance (i.e., polling questions) during your training webinar.
Evaluation Form		Circulate the evaluation form at the end of your training session so that participants can review and comment on the training. Return to Thomson Reuters any evaluations that were completed. You do not have to return an evaluation for every participant.

Incomplete submissions will be returned to you.

"Self-Study" Format

If you are unable to attend the live group study session, we offer two options for you to complete your Network Report program.

Self-Study—Print

Follow these simple steps to use the printed transcript and DVD:

- Watch the DVD.
- Review the supplemental materials.
- Read the discussion problems and the suggested answers.
- Complete the quizzer by filling out the bubble sheet enclosed with the transcript package.
- Complete the survey. We welcome your feedback and suggestions for topics of interest to you.
- Mail your completed quizzer and survey to:

  Thomson Reuters
  PO Box 115008
  Carrollton, TX 75011-5008

Self-Study—Online

Follow these simple steps to use the online program:

- Go to www.checkpointlearning.thomsonreuters.com .
- Log in using your username and password assigned by your firm's administrator in the upper right-hand margin ("Sign In or Register").

Home   Search Courses   Products & Services   Support

🔍 Search courses

Need to get up to speed on new revenue standards?

We can help.

Virtual Conference: Nov. 13 – 14

Register Now

‹   ›

● ● ● ●

Move forward

Checkpoint Learning provides training and tools to keep you and your team up to date and looking forward in an industry full of change and opportunity.

Webinars
Fit learning into your schedule with instructor-led webinars ranging from one to eight hours.

Seminars and conferences
In-person networking, dynamic instructors, nationwide locations plus vacation destinations.

- In the **Network** tab, select the Network Report for the month desired.
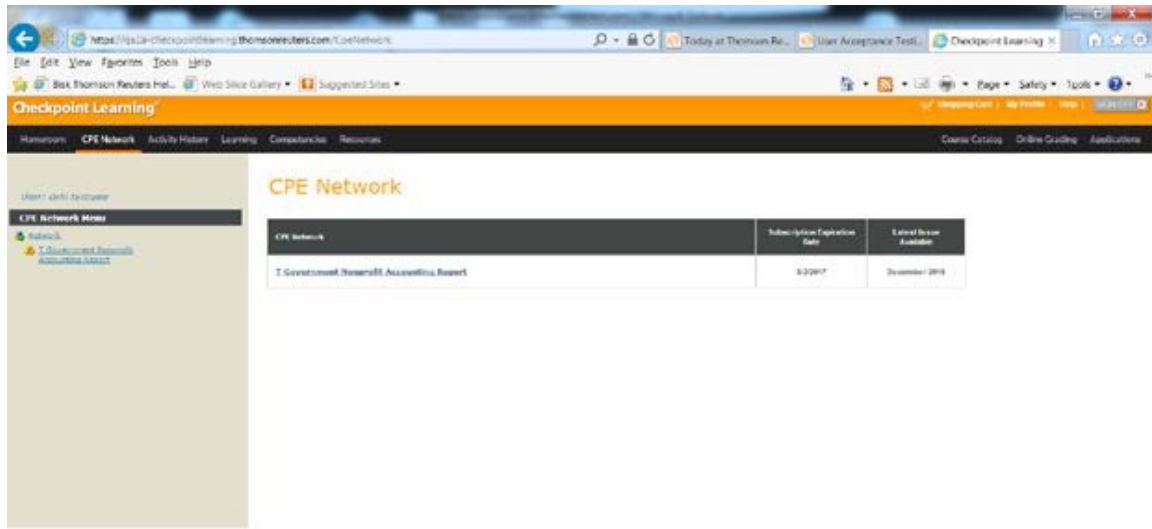
The Chapter Menu is in the gray bar at the left of your screen:
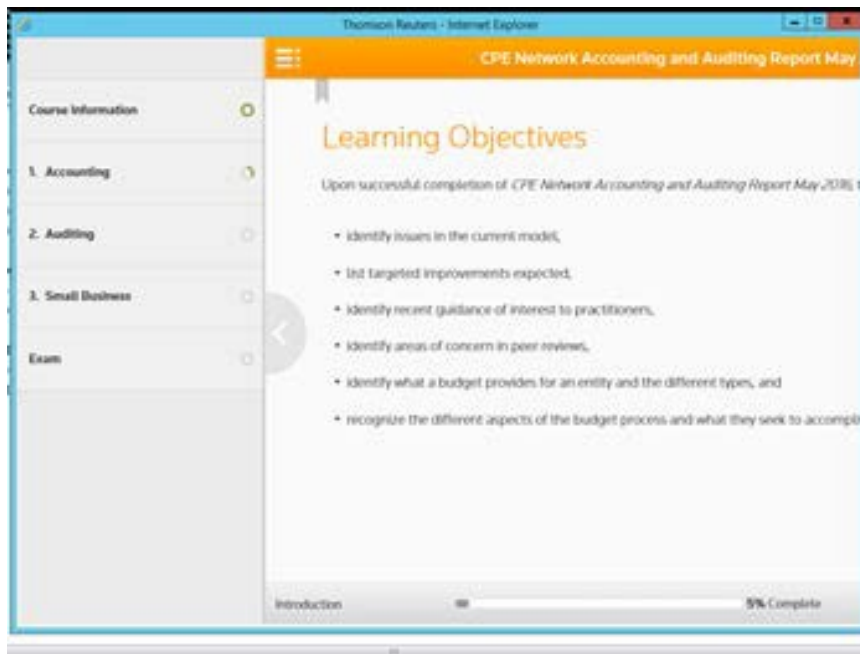
Click down to access the dropdown menu and move between the program Chapters.

- **Course Information** is the course Overview, including information about the authors and the program learning objectives
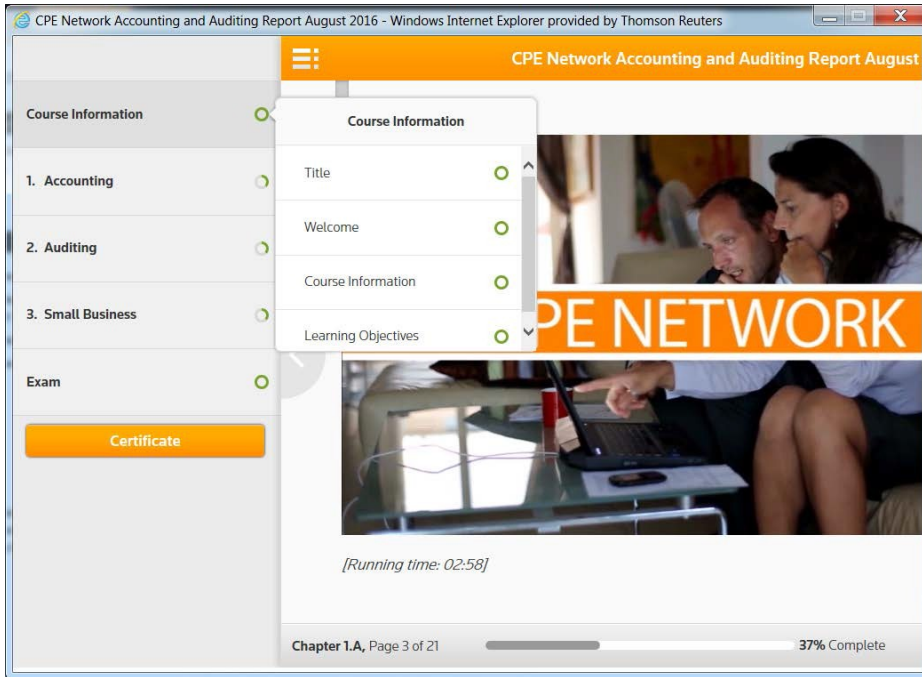
- **Each Chapter is now self-contained.** Years ago, when on the CPEasy site, the interview segments were all together, then all the supplemental materials, etc. Today, each chapter contains the executive summary and learning objectives for that segment, followed by the interview, the related supplemental materials, and then the discussion questions. This more streamlined approach allows administrators and users to more easily access the related materials.
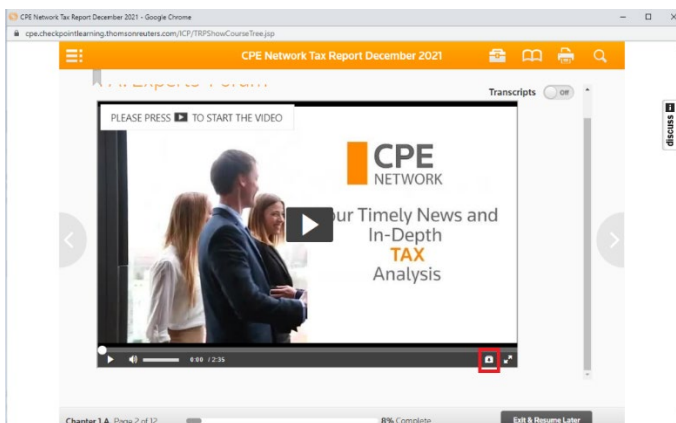
Video segments may be downloaded from the CPL player by clicking on the download button.

Transcripts for the interview segments can be viewed at the right side of the screen via a toggle button at the top labeled **Transcripts** or via the link to the pdf below the video (also available in the toolbox in the resources section). The pdf will appear in a separate pop-up window.

Click the arrow at the bottom of the video to play it, or click the arrow to the right side of the screen to advance to the supplemental material. As with the transcripts, the supplemental materials are also available via the toolbox and the link will pop up the pdf version in a separate window.
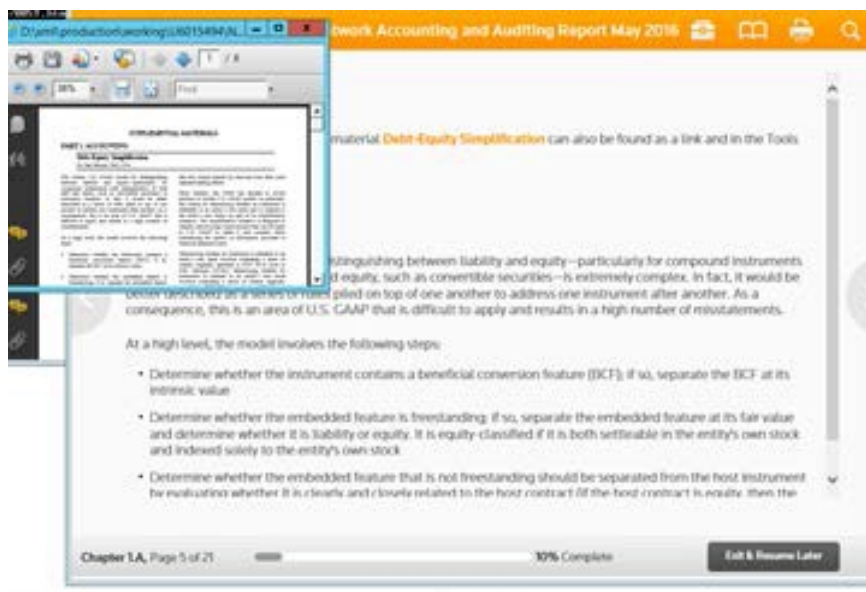
Continuing to click the arrow to the right side of the screen will bring the user to the Discussion p roblems related to the segment.

The Suggested Answers to the Discussion Problems follow the Discussion Problems.

The **Exam** is accessed by clicking the last gray bar on the menu at the left of the screen or clicking through to it. Click the orange button to begin.

When you have completed the quizzer, click the button labeled **Grade or the Review button**.

o   Click the button labeled **Certificate** to print your CPE certificate.
o   The final quizzer grade is displayed and you may view the graded answers by clicking the button labeled **view graded answer**.

Additional Features Search

Checkpoint Learning offers powerful search options. Click the **magnifying glass** at the upper right of the screen to begin your search. Enter your choice in the **Search For:** box.

Search Results are displayed with the number of hits.

Print

To display the print menu, click the printer icon in the upper bar of your screen. You can print the entire course, the transcript, the glossary, all resources, or selected portions of the course. Click your choice and click the orange **Print**.

What Does It Mean to Be a CPE Sponsor?

If your organization chooses to vary from the instructions outlined in this User Guide, your firm will become the CPE Sponsor for this monthly series. The sponsor rules and requirements noted below are only highlights and reflect those of NASBA, the national body that sets guidance for development, presentation, and documentation for CPE programs. **For any specific questions about state sponsor requirements, please contact your state board. They are the final authority regarding CPE Sponsor requirements.** Generally, the following responsibilities are required of the sponsor:

- Arrange for a location for the presentation
- Advertise the course to your anticipated participants and disclose significant features of the program in advance
- Set the start time
- Establish participant sign-in procedures
- Coordinate audio-visual requirements with the facilitator
- Arrange appropriate breaks
- Have a real-time instructor during program presentation
- Ensure that the instructor delivers and documents elements of engagement
- Monitor participant attendance (make notations of late arrivals, early departures, and "no shows")
- Solicit course evaluations from participants
- Award CPE credit and issue certificates of completion
- Retain records for five years

The following information includes instructions and generic forms to assist you in fulfilling your responsibilities as program sponsor.

CPE Sponsor Requirements

Determining CPE Credit Increments

Sponsored seminars are measured by program length, with one 50-minute period equal to one CPE credit. One-half CPE credit increments (equal to 25 minutes) are permitted after the first credit has been earned. Sponsors must monitor the program length and the participants' attendance in order to award the appropriate number of CPE credits.

Program Presentation

CPE program sponsors must provide descriptive materials that enable CPAs to assess the appropriateness of learning activities. CPE program sponsors must make the following

information   available in advance:

- Learning objectives.
- Instructional delivery methods.
- Recommended CPE credit and recommended field of study.
- Prerequisites.
- Program level.
- Advance preparation.
- Program description.
- Course registration and, where applicable, attendance requirements.
- Refund policy for courses sold for a fee/cancellation policy.
- Complaint resolution policy.
- Official NASBA sponsor statement, if an approved NASBA sponsor (explaining final authority of acceptance of CPE credits**).**

Disclose Significant Features of Program in Advance

For potential participants to effectively plan their CPE, the program sponsor must disclose the significant   features of the program in advance (e.g., through the use of brochures, website, electronic notices,   invitations, direct mail, or other announcements). When CPE programs are offered in conjunction with   non-educational activities, or when several CPE programs are offered concurrently, participants must   receive an appropriate schedule of events indicating those components that are recommended for CPE   credit. The CPE program sponsor's registration and attendance policies and procedures must be   formalized, published, and made available to participants and include refund/cancellation policies as well   as complaint resolution policies.

Monitor Attendance

While it is the participant's responsibility to report the appropriate number of credits earned, CPE program sponsors must maintain a process to monitor individual attendance at group programs to assign the correct number of CPE credits. A participant's self-certification of attendance alone is not sufficient. The sign-in sheet should list the names of each instructor and her/his credentials, as well as the name of each participant attending the seminar. The participant is expected to initial the sheet for their morning attendance and provide their signature for their afternoon attendance. If a participant leaves early, the hours they attended should be documented on the sign-in sheet and on the participant's CPE certificate.

Real Time Instructor During Program Presentation

 "Group live" programs must have a qualified, real time instructor while the program is being presented. Program participants must be able to interact with the real time instructor while the course is in progress (including the opportunity to ask questions and receive answers during the presentation).

Elements of Engagement

A "group live" program must include at least one element of engagement related to course content during each credit of CPE (for example, group discussion, polling questions, instructor-posed question with time for participant reflection, or use of a case study with different engagement elements throughout the program).

Awarding CPE Certificates

The CPE certificate is the participant's record of attendance and is awarded at the conclusion of the seminar. It should reflect the credit hours earned by the individual, with special calculation of credits for those who arrived late or left early. Attached is a sample *Certificate of Attendance* you may use for your convenience.

CFP credit is available if the firm registers with the CFP board as a sponsor and meets the CFP board requirements. IRS credit is available only if the firm registers with the IRS as a sponsor and satisfies their requirements.

Seminar Quality Evaluations for Firm Sponsor

NASBA requires the seminar to include a means for evaluating quality. At the seminar conclusion, evaluations should be solicited from participants and retained by the sponsor for five years. The following statements are required on the evaluation and are used to determine whether:

1. Stated learning objectives were met.
2. Prerequisite requirements were appropriate.
3. Program materials were accurate.
4. Program materials were relevant and contributed to the achievement of the learning objectives.
5. Time allotted to the learning activity was appropriate.
6. Individual instructors were effective.
7. Facilities and/or technological equipment were appropriate.
8. Handout or advance preparation materials were satisfactory.
9. Audio and video materials were effective.

You may use the enclosed preprinted evaluation forms for your convenience.

Retention of Records

The seminar sponsor is required to retain the following information for a period of five years from the date the program is completed unless state law dictates otherwise:

- Record of participation (the original sign-in sheets, now in an editable, electronic

signable format)

- Copy of the program materials
- Timed agenda with topics covered and elements of engagement used
- Date and location of course presentation
- Number of CPE credits and field of study breakdown earned by participants
- Instructor name(s) and credentials
- Results of program evaluations

Appendix: Forms

Here are the forms noted above and how to get access to them.

Delivery Method	Form Name	Location	Notes
"Group Live" / "Group Internet Based"	Advertising / Promotional Page	Transcript	Complete this form and circulate to your audience before the training event.
"Group Live"	Attendance Sheet	Transcript	Use this form to track attendance during your training session.
"Group Internet Based"	Webinar Delivery Tracking Report	Transcript	Use this form to track the 'polling questions' which are required to monitor attendance during your webinar.
"Group Live" / "Group Internet Based"	Evaluation Form	Transcript	Circulate the evaluation form at the end of your training session so that participants can review and comment on the training.
Self Study	CPE Quizzer Answer Sheet	Transcript	Use this form to record your answers to the quiz.

Getting Help

Should you need support or assistance with your account, please see below:

Support Group	Phone Number	Email Address	Typical Issues/Questions
Technical Support	800.431.9025 (follow option prompts	checkpointlearning.techsupport@ thomsonreuters.com	- Browser-based - Certificate discrepancies - Accessing courses - Migration questions - Feed issues
Product Support	800.431.9025 (follow option prompts	checkpointlearning.productsupport@ thomsonreuters.com	- Functionality (how to use, where to find) - Content questions - Login Assistance
Customer Support	800.431.9025 (follow option prompts	checkpointlearning.cpecustomerservicet@ thomsonreuters.com	- Billing - Existing orders - Cancellations - Webinars - Certificates