CONTENTS

A Message from Leadership ................................................................................................................... 1

Structure, Ownership, and Governing Body ....................................................................................... 2
  Our Mission and Vision ...................................................................................................................... 2
  Our Organizational Structure and Business ..................................................................................... 3
  Our Leadership and Governance ...................................................................................................... 4
  Affiliations ....................................................................................................................................... 5
    Nexia International ........................................................................................................................ 5
    Other Affiliates .............................................................................................................................. 6

Tone at the Top ................................................................................................................................... 7

Leadership Responsibilities .................................................................................................................. 7

Independence, Ethical Requirements, and Compliance with Regulatory Requirements ............... 8
  Independence ..................................................................................................................................... 8
  Training ........................................................................................................................................ 8
  Restricted Entity Listing .................................................................................................................. 8
  Independence Confirmations ........................................................................................................... 8
  Independence Compliance Audits ................................................................................................... 8
  Required Consultations ................................................................................................................... 8
  Tools ................................................................................................................................................. 8
  Ethical Requirements ....................................................................................................................... 9
  Conflicts of Interest ........................................................................................................................ 9
  Code of Conduct ............................................................................................................................. 9
  Compliance with Regulatory Requirements (including Licensing) .................................................. 9

Talent Management .......................................................................................................................... 10
  Recruitment and Hiring .................................................................................................................... 10
  Assignment of Engagement Teams .................................................................................................. 10
  Education and Professional Development ...................................................................................... 11
  Individual Performance Evaluation, Compensation, and Advancement ........................................ 11
  Retention .......................................................................................................................................... 12
  Diversity and Inclusion .................................................................................................................... 13
Client Acceptance and Continuance

Engagement Performance
- Quality Network
- National Assurance
- Regional Professional Practice Group (the RPPG)
- Professional Practice Leaders (the PPLs)
- Audit Methodology and Publications
- Engagement Supervision and Review
- Consultations
- Engagement Quality Control Review/Reviewer (the EQCR)
- Engagement Quality Reviewer (the EQR) and Partner Rotation - Public Company Audit Engagements

Monitoring
- Continuous Improvement Initiatives
- Internal Inspections
- PCAOB Inspection
- In-Flight Review Program - Public Company Audit Engagements
- AICPA Peer Review
- Other External Inspections

Audit of the Future
- Streamlining Audit Performance Through Proprietary Software and Robotic Process Automation
- Collaborations with a Distinguished University
- Dynamic Audit Solution (the DAS)
- Others
A MESSAGE FROM LEADERSHIP

CohnReznick is guided by a set of seven values that collectively are known by the acronym, PYRAMID. Our seven PYRAMID values serve as a compass for our interactions with clients, colleagues, and the broader community. In serving our clients, our goal is to provide them with forward thinking advisory, assurance, and tax solutions that enable them to achieve their vision. What we do isn’t about us; it’s about the role we play to contribute to a vibrant, functioning capital market.

We take our role in protecting the capital markets and serving our clients seriously. Our ability to act as an impartial, objective, and independent third party is reliant on the trust we have built during our 100 years in existence. We have forged this trust by providing high quality audit and assurance services which have evolved over time.

We expect this evolution to continue and accelerate in the coming years, and we are excited about the opportunities that technological advancement creates. We have a strong history of innovation at our Firm and embrace the challenge of enhancing our processes, automating routines, and harnessing the power of big data. We have already begun transforming our audits by incorporating artificial intelligence and robotic process automation into our processes. We view this as an opportunity to enhance our audit quality and provide greater value to our clients.

Regardless of technological improvements, we know that our people are, and will remain, the core to ensuring the highest quality audits. We invest heavily in attracting and retaining top talent and have recently revamped our learning programs for all levels to ensure our highly skilled professionals are well-positioned to execute quality audits today and in the future.

It is said that trust is built and maintained by many small actions over time. In that spirit, we hope to take another small step in gaining and maintaining our stakeholders’ trust by providing our Audit Quality and Transparency Report. This report demonstrates our commitment to maintaining a strong system of controls to achieve the highest quality audits.

Frank Longobardi
Chief Executive Officer
CohnReznick LLP

Robert Hilbert
Managing Partner - Assurance
CohnReznick LLP

1 | CohnReznick Audit Quality and Transparency Report
With origins dating back to 1919, CohnReznick LLP (the Firm) is among the largest advisory, assurance, and tax firms in the United States. The services we provide give our clients confidence in their financial reporting while helping maintain transparency, reduce risks, and provide valuable information to users of their financial statements. In these rapidly changing times, we deliver excellence in service as we navigate our clients through changes in accounting standards, business, and regulatory environments.

Hiring the right, experienced professionals is vital to our mission—which enables our forward thinking Firm to grow and achieve our vision. We seek to provide our professionals exciting, differentiated opportunities which help develop not only a depth of experience but also a breadth of varied skills which is key in today’s evolving environment. We view our success as a call to action—a means to improve our communities, promote beneficial legislative policies, and advance the high standards of the accounting profession.

Headquartered in New York City, we have more than 2,700 employees in the Firm who operate in offices across 11 states. In addition, we have six global subsidiaries in George Town, Cayman Islands; Chennai, India; Hong Kong, China; Sydney, Australia; The Hague, The Netherlands; and Canada. Our national and international presence allows us to mobilize effectively to serve our clients on a local, regional, national, and international basis.

### Our Mission and Vision

**Our Mission**

To provide forward-thinking solutions, service that exceeds expectations, and create opportunity, value, and trust for our clients, our people, and our communities. We are CohnReznick.

**Our Vision**

We will be a Firm of excellence and innovation—providing invaluable services and insights to our clients; fostering a workplace culture that develops leaders and values diversity; and working to make our communities better.

---

**INTERNATIONAL**

- George Town, Cayman Islands*
- Chennai, India*
- Sydney, Australia*
- Hong Kong, China*
- The Hague, The Netherlands*
- Canada*
- Nexia International—Nexia includes a network of independent member firms with more than 20,000 professionals in 667 offices operating in over 115 countries.

*Foreign offices are subsidiaries of CohnReznick.
Our Organizational Structure and Business

CohnReznick is a limited liability partnership, comprised of 2,700 employees including 247 Partners and Principals, as of October 31, 2018. Our leadership team includes Managing Partners/Principals who oversee our practice in various regions, practice areas, and industry segments. We have Managing Partners/Principals assigned to each of three regions, three practice areas, and five industry segments. Three Regional Managing Partners are supported by various Office Managing Partners (the OMPs) who reside in their respective regions. OMPs are responsible for overseeing the delivery of services in their respective offices which includes staffing, hiring, and day-to-day operations of the office. Individual Partners/Principals report to the OMPs in the same office. Five Industry Managing Partners/Principals are supported by various industry leaders within the industry who are also Partners and Principals.

### PROFESSIONALS HEADCOUNT

<table>
<thead>
<tr>
<th></th>
<th>FIRM</th>
<th></th>
<th>ASSURANCE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10/31/2018</td>
<td>10/31/2017</td>
<td>10/31/2018</td>
<td>10/31/2017</td>
</tr>
<tr>
<td>Partners and Principals</td>
<td>247</td>
<td>261</td>
<td>141</td>
<td>145</td>
</tr>
<tr>
<td>Directors</td>
<td>144</td>
<td>118</td>
<td>44</td>
<td>34</td>
</tr>
<tr>
<td>Senior Managers</td>
<td>265</td>
<td>275</td>
<td>129</td>
<td>148</td>
</tr>
<tr>
<td>Managers</td>
<td>302</td>
<td>279</td>
<td>133</td>
<td>127</td>
</tr>
<tr>
<td>Seniors</td>
<td>578</td>
<td>555</td>
<td>302</td>
<td>316</td>
</tr>
<tr>
<td>Staff</td>
<td>534</td>
<td>513</td>
<td>307</td>
<td>310</td>
</tr>
<tr>
<td>Total</td>
<td>2,070</td>
<td>2,001</td>
<td>1,056</td>
<td>1,080</td>
</tr>
</tbody>
</table>

### PRACTICE LEADERS

- **Keith Denham**  Managing Principal - Advisory
- **Patrick Duffany**  Managing Partner - Tax
- **Robert Hilbert**  Managing Partner - Assurance

### REGIONAL MANAGING PARTNERS

- **George Klenovich**  Regional Managing Partner - South/West
- **Mike Micholas**  Regional Managing Partner - Mid-Atlantic
- **Alan Wolfson**  Regional Managing Partner - Northeast

### INDUSTRY MANAGING PARTNERS/PRINCIPALS

- **Frank Banda**  Managing Partner - Public Sector
- **Alex Castelli**  Managing Partner - Emerging Markets
- **David Kessler**  Managing Partner - Real Estate
- **Cindy McLoughlin**  Managing Partner - Consumer, Hospitality, and Manufacturing
- **Jeremy Swan**  Managing Principal - Financial Sponsors and Financial Services
Assurance, advisory, and tax services accounted for 55%, 16%, and 29% of our revenue, respectively, for the fiscal year ended January 31, 2018 and 57%, 14%, and 29% of our revenue, respectively, for the fiscal year ended January 31, 2017.

Our Leadership and Governance

Our Firm is led by Frank Longobardi, Chief Executive Officer, along with the national team of leaders listed below.

Our Firm is governed by an Executive Board composed of 10 Partners and Principals, the Firm’s CEO, and two ex-officio members (General Counsel and Chief Operating Officer) if they are not elected members. Executive Board members are elected by Partner vote to a three-year term.

<table>
<thead>
<tr>
<th>SENIOR LEADERSHIP</th>
<th>EXECUTIVE BOARD MEMBERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bob Bushey</td>
<td>Keith Denham</td>
</tr>
<tr>
<td></td>
<td>Managing Principal - Advisory</td>
</tr>
<tr>
<td>Carolyn D’Anna</td>
<td>David Kessler</td>
</tr>
<tr>
<td></td>
<td>Managing Partner - Real Estate</td>
</tr>
<tr>
<td>Michelle Fleishman</td>
<td>George Klenovich</td>
</tr>
<tr>
<td></td>
<td>Regional Managing Partner - South/West</td>
</tr>
<tr>
<td>Tama Huang</td>
<td>Risa Lavine</td>
</tr>
<tr>
<td></td>
<td>Chief of Staff</td>
</tr>
<tr>
<td>Leonard Korn</td>
<td>Frank Longobardi</td>
</tr>
<tr>
<td></td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>Risa Lavine</td>
<td>Philip Mandel</td>
</tr>
<tr>
<td></td>
<td>Chief Operating Officer</td>
</tr>
<tr>
<td>Gary Levy</td>
<td>Mike Micholas</td>
</tr>
<tr>
<td></td>
<td>Regional Managing Partner - Mid-Atlantic</td>
</tr>
<tr>
<td>Philip Mandel</td>
<td>Mike Monahan</td>
</tr>
<tr>
<td></td>
<td>Office Managing Partner - Mid-Atlantic</td>
</tr>
<tr>
<td></td>
<td>Scott Sachs</td>
</tr>
<tr>
<td></td>
<td>Office Managing Partner - Los Angeles</td>
</tr>
<tr>
<td></td>
<td>Ira Weinstein</td>
</tr>
<tr>
<td></td>
<td>Office Managing Principal - Baltimore</td>
</tr>
<tr>
<td>Michelle Fleishman*</td>
<td>Alan Wolfson</td>
</tr>
<tr>
<td></td>
<td>Regional Managing Partner - Northeast</td>
</tr>
<tr>
<td></td>
<td>*Ex-Officio</td>
</tr>
<tr>
<td></td>
<td>Michelle Fleishman*</td>
</tr>
<tr>
<td></td>
<td>General Counsel and Chief Risk Officer</td>
</tr>
</tbody>
</table>

*Ex-Officio
They represent a variety of offices, industries, and practice areas. Pursuant to the terms of the Partnership Agreement, the Executive Board is responsible for setting the Firm’s long-term strategy, performance goals, business plans, and assessing major transactions that may impact the Firm and its direction.

**Affiliations**

**Nexia International**

We are a member of Nexia International, a leading global network of independent accounting and consulting firms operating through 667 offices, with more than 245 member firms in over 115 countries. Through our relationship with Nexia International, we can extend the services we provide to international enterprises, accessing more than 20,000 professionals who are inherently familiar with the cultural foundations and market condition in their respective countries.
Other Affiliates

Serving our clients’ needs on a global, national, and regional level requires us to remain nimble and responsive to their changing needs – at times bringing in highly specialized capabilities to augment our advisory, assurance, and tax services. To that end, we have affiliations with independent companies that share our same commitment to excellence and an entrepreneurial approach.

CohnReznick Benefits Consultants

CohnReznick Benefits Consultants is a leading insurance and benefits consulting firm committed to helping companies implement the right health and welfare, retirement, and executive compensation programs with the goal of improving employee engagement and minimizing costs.

CohnReznick Real Estate LLC

CohnReznick Real Estate LLC is a full service commercial real estate transaction and advisory firm, providing services across multiple sectors including industrial, office, healthcare, sports complexes, and multi-family residential.

CohnReznick Wealth Management LLC

CohnReznick Wealth Management LLC is a Registered Investment Advisor that provides comprehensive wealth management services including personal financial planning, and investment management services through its arrangements with leading investment managers, as well as comprehensive life, long-term care, and disability insurance services.

CohnReznick Capital Markets Securities LLC (CohnReznick Capital)

CohnReznick Capital Markets Securities LLC (CohnReznick Capital) is an SEC-registered broker-dealer providing a range of investment banking services specializing in renewable energy, middle market mergers and acquisitions, and special situations.

CohnReznick UIC Consultants LLC

CohnReznick UIC Consultants LLC is an independent risk management consulting firm providing insurance and risk management services to help clients improve their structure and coverage and reduce the cost of their risk insurance programs.

WJ Technologies LLC

WJ Technologies LLC provides accounting system solutions and services to government contractors and commercial project-based businesses nationwide, offering solutions to create operational efficiencies.
TONE AT THE TOP

Without quality, our reputation and role in serving the capital markets would be untenable. Our leaders constantly strive to reinforce our responsibility to perform the highest quality audits while exercising our professional judgment and skepticism to ensure it is never taken for granted. This message is cascaded throughout the organization and by our Quality Network (see page 16) and local leaders to ensure a consistent message of professional excellence is shared by all our professionals.

LEADERSHIP RESPONSIBILITIES

Our leadership team strives to create and foster a culture where quality is viewed as table stakes. Our responsibility is to instill this concept in all our professionals, including that they act with integrity and objectivity while always maintaining a questioning mind.

Our leaders communicate and reinforce these messages in various forms, including written communications, monthly meetings with the assurance practice, town hall meetings, office roadshows, and in one-on-one daily interactions. We also recently refreshed our milestone learning courses for all levels and, in doing so, instilled a pervasive message that quality is at the foundation of all that we do.

Office and regional leadership are also key in reinforcing the importance of quality and adherence to our system of quality controls. This helps to ensure all professionals hold each other accountable for quality, which is paramount to the success of our Firm. There are no shortcuts to doing what is right, and we reinforce this every day.
INDEPENDENCE, ETHICAL REQUIREMENTS, AND COMPLIANCE WITH REGULATORY REQUIREMENTS

Independence
Performing high quality audits with integrity and objectivity are of utmost importance in providing services to our clients and serving capital markets. All professionals are required to comply with the applicable independence rules as promulgated by the SEC and AICPA, other standard setters such as the PCAOB, DOL, ERISA, and GAO, and adhere to the Firm’s policies and procedures on independence as outlined in our Independence Manual. The Managing Partner of Assurance and the Chief Risk Officer are responsible for overseeing and monitoring the independence processes and related consultations, training, and compliance. Designated professionals in the National Office with extensive independence experience assist in developing training, maintaining independence policies, processes, and systems, and serve as resources for our professionals’ engagement-related independence questions. We use several mechanisms to ensure compliance with our independence policies as indicated below:

Training
During new hire training, as well as career milestone training, compliance with independence requirements and ethical standards is emphasized. Independence is also a recurring topic of discussion during our monthly Assurance and Risk webcasts required for all assurance Partners and Managers.

Restricted Entity Listing
To assist our Partners and professionals in complying with independence rules, we maintain a listing of entities for which we perform any attest services, including any known affiliates, that may cause potential threats to said independence.

Independence Confirmations
Upon hire, and annually thereafter, all professional personnel are required to review the restricted entity listing and sign a representation acknowledging their compliance with our independence policies and identifying any known circumstances that may create a potential threat to independence.

Independence Compliance Audits
The accuracy of independence confirmations submitted to the Firm is tested annually by an outside third party. In this process, Partners, Senior Managers, and National Assurance personnel are selected randomly and outside third party obtains underlying support for the respective professionals’ assertions regarding the nature of their investment holdings. Discrepancies, if any, would promptly be addressed by the Firm’s Managing Partner of Assurance and the Chief Risk Officer.

Required Consultations
Professional personnel are required to consult with designated professionals in the National Office regarding certain complex situations to ensure we appropriately assess a potential threat to independence.

Tools
An online inquiry form is available to all employees to submit independence matters and is monitored by our independence experts to assist professionals in complying with required independence rules. In addition, during the client acceptance process, our opportunity tracking tool, Client Experience Platform (the CXP), is used to identify and assess potential threats to independence and conflicts of interest. During the proposal process of new client acceptance, our billing and timekeeping system is utilized to determine which, if any, services are provided to these prospective clients and affiliates along with sending a conflict check email to all employees to identify any potential threats to independence.
Ethical Requirements
In our effort to serve the public interest, honor the public trust, and demonstrate our commitment to professionalism, we maintain strong ethical standards that are fundamental to ensuring we remain objective and impartial. All our professionals are expected to act with integrity and in accordance with the relevant ethical requirements of the AICPA, as outlined in the Code of Professional Conduct, the PCAOB’s Ethics and Independence Rules, the various State Boards of Accountancy, State CPA Societies, and, when applicable, ethical requirements included in the Government Auditing Standards and other applicable regulatory standards.

Our quality control document details expectations for all professionals regarding ethics and compliance with standards. All professionals are required to acknowledge reading the quality control document upon onboarding with the Firm. Both formal and informal communication occurs to all professionals stressing the need to demonstrate ethical behavior and a high level of integrity at all times. In the event of a policy violation, our Managing Partner of Assurance and Chief Risk Officer are responsible for administering disciplinary action.

Conflicts of Interest
Our professionals are vigilant in recognizing actual and potential conflicts of interest and identifying them at the onset of an opportunity to resolve, manage, or avoid the conflict. As opportunities are identified, a notice of a new client opportunity is distributed to all professionals for review of any potential conflicts or independence issues. Conflicts of interest may prevent the Firm from accepting an opportunity if appropriate safeguards cannot be put in place.

Code of Conduct
We hold all our professionals to high ethical and integrity standards. Our Code of Conduct guides our professionals’ actions and business conduct and is organized into five categories: standards of conduct, conflicts of interest, client matters, Firm matters, and professional conduct of Partners. Our Code of Conduct includes policies covering independence, avoidance of conflicts, maintenance of confidentiality, computer usage, anti-harassment, and compliance with laws and regulations.

Our PYRAMID values also help drive the conduct of our professionals in their interactions with clients, colleagues, and our communities. These values are:

- Passion for excellence
- Yearning for knowledge
- Respect for others
- Adaptability and flexibility
- Making a difference
- Integrity, reliability, and trust
- Developing opportunities

Instilled within our PYRAMID values is a commitment that we conduct ourselves with objectivity, independence, and accountability; to be uncompromising in following through on what is right and best; and delivering on our commitments to our clients and our people.

Compliance with Regulatory Requirements (including Licensing)
We currently serve clients in 48 states, and we are licensed in these states as required by state accountancy laws. Our Office of the General Counsel, with assistance from others as deemed necessary, will review licensing requirements for every state in which we practice public accountancy. We assess our licensing requirements on a regular basis by reviewing our client listing to determine that we are following state accountancy laws.

Our learning and development programs afford our professional employees numerous opportunities for continuing professional education to meet both internal and external requirements. Individual CPA licensing is monitored by our Learning and Development department to ensure that our professionals are following the respective state jurisdictions, including sending notifications through our learning tracking system. System-generated reports are reviewed by various leaders, including the Managing Partner of Assurance, in the event of discrepancies.
TALENT MANAGEMENT

The quality of work we provide to our clients ultimately depends on our people. We established policies and procedures to ensure that we comply with AICPA and PCAOB standards, as well as other regulatory and legal requirements in talent management.

The talent management component of our system of quality control not only encompasses hiring, assigning personnel to engagements, professional development, and advancement activities, but also expands to performance management including goal setting and mentoring, retention, and diversity and inclusion elements. Our system of quality control reasonably assures that we have Partners and professionals who are experienced, competent, objective, ethical, and technically trained to provide assurance engagements to our clients.

One of the critical pillars of our strategic plan is to develop future leaders through the attraction and retention of talent. We must ensure that we attract, develop, and retain top talent. We don’t have a “Human Resources” department; instead, we have “People & Culture.” We strive for a diverse group of professionals with varied backgrounds, experiences, and who reside in differing geographies. The Audit of the Future will require professionals to be agile, analytical, and comfortable with change and technology. We seek professionals who can perform high quality assurance services today and help lead the Firm in shaping the Audit of the Future.

Recruitment and Hiring

Our people are our most valuable asset, defining who we are as a Firm. Building a successful future for our Firm and our culture begins with recruitment of top talent. We employ a rigorous recruitment process to ensure candidates possess the necessary skills and capabilities to execute high quality assurance services. All candidates are thoroughly vetted to validate not only their academic records, professional licensure, work experience, and references, but also to gauge their integrity and fit with our Firm culture prior to extending an offer to candidates. Once an offer is accepted, an independent third party validates the information provided by the candidates as part of a background check.

To create a robust pipeline of talent, we have dedicated campus recruiters who, this past year, attended roughly 110 college events nationwide. These events included career fairs, meet-and-greets, Beta Alpha Psi presentations, and campus interviews designed to cultivate connections with students early in their academic careers. To enhance these relationships, we offer both an internship program and a summer leadership program.

Our internship program, which has been named to WayUp’s Top 100 Internship Programs for two years in a row, offers students an opportunity to work on real client engagements across various industries, receive real-time feedback, and experience a career at CohnReznick. We had over 1,500 candidates express interest in our 2019 winter and summer internship opportunities.

Our Breakthrough Program is a two-day summer leadership program offered to high performing Juniors and Seniors in a five-year graduate level program that gives students the opportunity to experience what it’s like to work in professional services. Students participate in leadership and communication skills workshops while learning about our Firm, our culture, and our community service initiatives as well as career opportunities within the Firm and the services we offer.

We also have a dedicated recruiting team for experienced hires that identifies and recruits candidates with diverse backgrounds, technical expertise, and with the integrity and aspirations to become our future leaders. We use various channels to recruit experienced professionals who would work well with our clients and fit in our culture. This includes an External Referral Program to recruit candidates from our current employees’ professional network and the Internal Mobility Program that offers opportunities for relocation to retain top talent. For FYE 18 and FYE 17, 24% and 42% of our experienced hire professionals are recruited from these programs. Recently, we launched a “Boomerang” campaign to extend flexible work arrangements to talented former employees to bring them back to the Firm.

Assignment of Engagement Teams

Our Partners have a proven track record of competency and experience, as well as capabilities to supervise and review our professionals in their provision of high quality assurance services. Periodically, a committee of Partners assesses the competencies and capabilities of engagement Partners to help ensure that engagements are performed in accordance with professional standards and applicable legal and regulatory requirements, and that appropriate reports are issued in these circumstances.
The Firm’s staffing policies and procedures ensure that professionals are assigned to specific engagements appropriately. While the lead audit engagement Partner or Director with signing authority is ultimately responsible to assign appropriate staff to their engagement, Office Managing Partners in consultation with People & Culture ensure that assignment of our professionals to various engagements are adequate. When making staffing assignments, we first consider necessary industry expertise since the risks and complexity of our work are significantly impacted by the industry that our clients are in. We also assess several other factors, including: the characteristics of the client, type of service being performed, availability of our staff, and the necessary knowledge, skills, and abilities to perform the attestation engagement. Guidelines are provided to our Partners and professionals as to when to assign Firm Specialists such as information technology, tax, or valuation specialists.

Education and Professional Development

Our Firm proactively prepares assurance professionals at all different levels for their growth and achievement of their potential. Learning and development is gained through on-the-job training and formal training programs which consist of technical accounting and auditing, leadership, interpersonal skills, project management, and industry expertise.

At least annually, we assess our existing curriculum to identify new program needs and necessary revision to existing programs. Our National Office, in consultation with the Learning and Development department, develops and approves professional development curriculum, considering inspection findings, monitoring of changing professional standards, and accumulating general observations within the National Office. To refine our professional development curriculum, we also evaluate feedback received from regional or industry leaders as well as focus groups, course evaluations, and follow-up surveys from auditors who are practicing in the field. We have both mandatory and recommended courses depending on professionals’ levels and industry expertise. We monitor attendance, compliance, and test course contents through polling questions to measure the effectiveness of the technical training courses.

We believe in the importance of establishing a solid, formal training program for new hires through new managers (level training programs). We recently undertook significant efforts to revamp our level training programs in two ways: (1) extending more courses and more hours through facilitator-led, in-person training in small classroom settings and (2) launching the National Assurance Instructor Program (the NAIP). The NAIP instructors are Partners, Directors, Senior Managers, and Managers who completed rigorous instructor training and have committed to a minimum of two years to instruct level training programs nationally. This effort will help us provide consistent learning curriculum across the offices that are led by nationally certified and qualified instructors.

Our audit professionals obtain at least 20 hours of continuing professional education each year and at least 120 hours over a three-year period. Of these hours, 8 hours each year and 48 hours over a three-year period (or 40% in total) must cover technical subjects relating to accounting and auditing. This requirement is at or above state CPE requirements. Compliance with this policy is periodically monitored using an online accessible database system by the Learning and Development department. Professionals who are subject to other industry specific requirements such as Yellow Book and Employee Benefit Plans will comply with additional rules that are required. We deliver training in multiple ways: local office training, nationally led in-person training, Firm-wide webcasts, online self-study programs, and “on-demand” video clips (see further discussion at page 24). We maintain a learning library which includes nationally and industry-developed training courses for professionals to review periodically, as needed.

<table>
<thead>
<tr>
<th>MANDATORY LEARNING HOURS BY LEVEL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Partners/ Directors</td>
</tr>
<tr>
<td>Senior Managers</td>
</tr>
<tr>
<td>Managers</td>
</tr>
<tr>
<td>Seniors</td>
</tr>
<tr>
<td>Staff</td>
</tr>
</tbody>
</table>

Individual Performance Evaluation, Compensation, and Advancement

Our professionals participate in formal, annual goal-setting and performance evaluation processes. When evaluating a professional’s performance, many elements are considered including work quality, client service, technical
expertise, people management, productivity, and business growth. In addition to the formal annual performance evaluation process, we encourage Partners and supervising professionals to provide periodic and informal feedback to junior professionals. In addition, our professionals are expected to solicit informal feedback or complete performance evaluations upon the completion of each engagement or periodically for longer engagements. To ensure objectivity in the performance evaluation process, each professional has an assigned performance coach who becomes the liaison between the professionals and Managers who provide feedback. Regular performance evaluations ensure our professionals are receiving real-time feedback to accelerate their professional development. All professionals are also assessed against our PYRAMID values which serve as our moral compass for upholding our professional responsibilities.

We ensure that the results obtained from the performance evaluation process have a direct effect on compensation and promotion. We have written performance guidelines for each level and ensure that personnel selected for advancement have the necessary qualifications to fulfill their assigned responsibilities.

High-performing Senior Managers and Directors with the potential to become Partners are admitted to the Partner Academy, an intensive multi-year program that fosters the personal and professional growth needed to achieve partnership. Audit Partner nominees must meet rigorous Firm standards related to client service, audit quality, technical expertise, people management, leadership, profitability, and growth. National Office provides quality evaluations to Senior Managers or Directors before being admitted to the Partner Academy and partnership. The final list of promotions for all levels is approved by multiple levels, including the Firm’s Executive Board.

The Firm’s Partner evaluation and compensation program ensures the quality of work performed by individual Partners. The Firm’s Executive Board receives a summary of quality evaluation for individual Partners, including both positive and negative feedback, from National Office at least annually.

Retention

Once we identify and recruit the right talent, we prioritize retaining these professionals, as our people are core to our mission of achieving and sustaining the high-quality services we provide. Because we recruit top talent and continuously provide learning and development opportunities, our people are in high demand.

This leads to the challenge of retaining our people, particularly at staff through senior levels. While we have seen slight decreases in retention at the Firm due to a tightening of the labor market, we are exploring new opportunities to energize our people as we provide our professionals with a rewarding and enriching experience.

We have formal flexibility options for our professionals including flexible work arrangements and telecommuting programs. We offer reduced work hour schedules, flexible or part-time work schedules, and remote work arrangements. In addition, Office Managing Partners, in consultation with People & Culture, provide a compressed work week or telecommuting programs during off-busy season on an individual office basis.

We closely monitor our overtime hours. In the assurance practice, average overtime hours in 2018 were 141 hours (based on 2,200-hour year); for an average of 45-hours per work week. Overtime hours slightly increase as professionals ascend within the Firm as staff and seniors averaged only 92 overtime hours during fiscal year 2018.

<table>
<thead>
<tr>
<th>NON-PARTNER RETENTION</th>
<th>Fiscal 2018</th>
<th>Fiscal 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Women</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managing Directors and Directors</td>
<td>89% 93%</td>
<td>93% 100%</td>
</tr>
<tr>
<td>Senior Managers and Managers</td>
<td>85% 86%</td>
<td>88% 90%</td>
</tr>
<tr>
<td>Seniors and Staff</td>
<td>76% 76%</td>
<td>81% 81%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>78% 79%</td>
<td>83% 84%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>AVERAGE TENURE AT FIRM (IN YEARS)</th>
<th>Fiscal 2018</th>
<th>Fiscal 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partners</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td>Directors</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Senior Managers</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Managers</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Seniors</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Staff</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>
Diversity and Inclusion

Our diversity and inclusion efforts are grounded in the belief that our differences make us stronger. Our leadership firmly believes that maintaining a culture in which our unique beliefs, backgrounds, talents, and capabilities are encouraged and leveraged help us learn and grow as a Firm.

Our National Diversity and Inclusion Council helps turn our values into action by developing and implementing a national plan that advances diversity and inclusion across all areas of the Firm including talent development, supplier relationships, leadership initiatives, and accountability at the corporate and local office level.

We also promote diversity and inclusion through our Diversity and Inclusion Mentorship Program which provides resources to all employees seeking additional support and increases awareness of diversity and inclusion opportunities across the Firm.

As women hold a majority of professional roles in accounting, we have established two programs to support women: the Executive Women’s Forum (the EWF) and WomenCAN. The EWF provides a platform for women—whether they are business executives, clients, referral sources, industry association members, or community leaders—to connect, share meaningful experiences, and build mutually beneficial relationships through a range of local events and industry-related activities. WomenCAN: A Collaborative Advocacy Network for women provides access to mentors, roundtable discussions with Firm Partners, leadership development courses, and other professional growth opportunities to help them advance in their careers.

Our efforts to support women has been recognized by both the Accounting & Financial Women’s Alliance (the AFWA) and American Woman’s Society of Certified Public Accountants (the AWSCPA), and we were named to the Accounting MOVE Project’s Best Accounting Firms for Women List for the fifth consecutive year. The firms named to the list were recognized as demonstrating three key characteristics: consistent, measurable progress in advancing women to leadership; proven and continually evolving programs that retain and advance women; and clear and compelling integration of the business case for advancing women with business results. We also received the 2017 Winner’s Circle Award for Women in Leadership which recognized CohnReznick for our open and inclusive culture and for investing in change that supports advancement of women by addressing issues of unconscious bias as well enlisting the support of both women and men in developing solutions to maximize human potential.

### PERCENTAGE OF WOMEN AS % OF HEADCOUNT

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Partners</td>
<td>21%</td>
<td>20%</td>
<td>19%</td>
</tr>
<tr>
<td>Directors</td>
<td>39%</td>
<td>33%</td>
<td>30%</td>
</tr>
<tr>
<td>Senior Managers and Managers</td>
<td>47%</td>
<td>48%</td>
<td>46%</td>
</tr>
<tr>
<td>Seniors and Staff</td>
<td>44%</td>
<td>46%</td>
<td>48%</td>
</tr>
<tr>
<td>Total</td>
<td>42%</td>
<td>43%</td>
<td>44%</td>
</tr>
</tbody>
</table>
To further nurture a culture of inclusion, we raise awareness of diversity through various activities ranging from learning sessions on issues impacting the LGBTQ+ community to participation in events supporting Asian/Pacific Heritage Month, National Hispanic Heritage Month, Black History Month, and Women’s History Month.

![Graphs showing NEW HIRES and NEW PARTNERS]
Our client acceptance and continuance policies for audit and non-audit services require that we evaluate both current and prospective clients to determine if we should be associated with the entity. We have established policies and procedures to accept and retain clients in a consistent manner across the Firm. We only accept and continue client relationships when it has been determined that we have the requisite competence and capabilities, including adequate time and resources, to perform a high-quality engagement.

We utilize an automated tool, CXP, to identify and track potential opportunities to provide audit and non-audit services to both new and existing clients. CXP also includes a series of risk questions to assist professional employees in deciding whether to accept an engagement and requires approval from Firm leadership, including a review by our designated independence and ethics experts. The level of required approvals will depend on the nature of the entity. Specific documents that may be included in CXP to assist in the approval process are a draft engagement letter; estimates of Firm personnel resources needed; background data including financial information regarding the entity and its operations; identification of client affiliates and possible independence problems or conflicts of interest; an assessment of the Firm’s competence, capabilities, and resources to perform a high-quality engagement; and the results of communications with the entity’s prior accountants, if applicable. This information is reviewed by appropriate leadership Partners who decide whether to accept or reject the prospective engagement.

Critical to the acceptance process is the selection of an appropriate engagement team that has the requisite competence and skills to perform a high-quality audit. The Engagement Partner and Engagement Quality Control Reviewer are determined based on the risk and complexity of the entity.

The decision to continue a relationship with an existing client is conducted at least annually or if specific issues are identified throughout the course of the relationship such as changes to a client’s operations or leadership. The engagement work programs contain steps requiring the engagement team to consider whether we should continue providing services to an entity. These decisions require approval from office leadership and in certain cases, Firm leadership.
ENGAGEMENT PERFORMANCE

We provide our Partners and professionals with the tools, manuals, practice aids, and dedicated professionals to assist them in meeting applicable professional standards, regulatory requirements, and the Firm’s standards of quality in each engagement. Our policies and procedures provide consistent quality in engagement performance and encompass all aspects of the design and execution of the engagement, including:

- Quality Network
- Audit Methodology and Publications
- Engagement Supervision and Review
- Consultations
- Engagement Quality Control Review/Reviewer (the EQCR)
- Engagement Quality Reviewer (the EQR) and Partner Rotation - Public Company Engagements

Quality Network

We use a multi-dimensional strategy to monitor our system of quality control and ensure execution of the CohnReznick Way of providing assurance services in each assurance engagement. The Firm established a “Quality Network” which consists of National Assurance group and includes Regional Professional Practice Group (the RPPG), and Professional Practice Leaders (the PPLs). Together, the Quality Network is responsible for operating and monitoring the Firm’s quality control system and innovating our policies and procedures to lead the Firm to the Audit of the Future. Partners, Directors, and Senior Managers in Quality Network have extensive technical experience and knowledge. They also have the necessary authority to provide oversight and leadership over quality of the assurance practice and hold each engagement team accountable in adhering to the professional standards and the Firm’s policies and procedures.

Our National Assurance group includes a total of 14 Partners and Directors and six Senior Managers who are dedicated full-time professionals with an average experience of 26 years. While the National Office oversees technical matters and initiatives at a national level, the RPPG professionals are assigned to each of our three regions, liaise with 20 industry sub-groups, and represent one or more of the 60 Accounting and Audit Topic Teams (see below for further details). Our PPLs include 11 Partners representing one or more of the designated office(s). The PPLs are responsible for directly providing assurance services as an Engagement Partner as well as assisting implementation of National Office initiatives and quality control of the designated office(s).

National Assurance

The Managing Partner of Assurance leads our National Assurance Group which consists of the National Office Group, National Audit Group, and Inspections. National Assurance’s responsibilities include consultation and publications of technical accounting, auditing, financial reporting, and quality reviews as well as independence-related matters, development and maintenance of tools, practice aids, manuals, training programs, and policies and procedures, conducting in-flight reviews for public company engagements, coordination with and quality assurance of our office in India, monitoring internal inspections and quality control system, and designing and executing audit automation projects.

Regional Professional Practice Group (the RPPG)

Part of our National Assurance Group, RPPG Professionals are responsible for conducting quality review as an Engagement Quality Control Reviewer (see page 18 for further details) of assigned engagements, serving as a designated subject matter expert within the Accounting and Audit Topic teams (see page 17 for further details) to provide accounting and audit consultation, liaising with designated industry sub-groups to assure quality control of the industry, publishing technical publications, and maintaining designated technical presentations.

Professional Practice Leaders (the PPLs)

PPLs are an integral component of the Assurance Practice and the quality control system of the Firm, connecting designated local office(s) and the National Office and Risk Management functions. As part of Quality Network, these leaders report to the National Office and are tasked to assist communicating tone at the top, monitoring the Firm’s system of quality controls, implementing the Firm’s initiatives within their offices, evaluating the competency and quality performance of those Partners, and providing feedback from the local office(s) in the areas of client acceptance and continuance, internal inspections, and accounting and auditing consultations.
Audit Methodology and Publications

Our audit methodology incorporates a risk-based approach focusing on the financial statement accounts and disclosures with a greater likelihood of being materially misstated and varying nature, timing, and extent of procedures performed based on our risk assessment. In other words, we perform “more” extensive procedures in higher risk accounts and disclosures and “less” extensive procedures in lower risk accounts and disclosures. Consistent with what is promulgated by various standard-setters, our methodology incorporates effective planning, performance, documentation, and review of our work. For each audit, we develop an engagement-specific audit strategy based upon our understanding of the entity and its environment as well as the identification and assessment of risks. We consider entity-specific facts and circumstances to determine the nature, timing, and extent of procedures to be performed and updated as necessary throughout the audit process as we obtain more information.

We strategically incorporate innovative technology solutions within our audit processes to increase the effectiveness of our audits and to enhance quality. We continuously monitor changes in regulations, emerging accounting and auditing issues, and internal and external inspection results, refining our methodology to continue performing high-quality audits.

Our National Office, in some cases together with the RPPG, issues National Accounting and Audit Practice Letters (the NAAPLs) frequently as a vehicle to communicate key topics to the practice including: implementation guidance for new auditing and accounting standards, new Firm policies and procedures, updates to the Firm’s audit methodology, and updates on recent standard-setter activities. The topics presented in the NAAPLs are also discussed and elaborated on during monthly Accounting and Risk webcasts for Partners through Managers, hosted by the Managing Partner of Assurance.

Our audit methodology, policies, procedures, and publications issued are the centerpiece of how we perform assurance services—the CohnReznick Way.

Engagement Supervision and Review

In assurance engagements, the Engagement Partner or Engagement Director with signing authority take responsibility for the direction, supervision, and performance of the engagement, ensuring that professional standards and applicable legal and regulatory requirements are complied with and the Firm’s policies and procedures are followed. The Engagement Partner also takes responsibility for review of the work performed in accordance with the Firm’s review policies and procedures and, prior to issuing the report, determines that sufficient appropriate evidence has been obtained to support the conclusions reached and for the report to be issued.

Generally, a Senior Manager, Manager, or Senior performs detail-level reviews on all engagement files, while an Engagement Partner performs a second-level review to ensure the sufficiency of work performed in totality. An Engagement Quality Control Reviewer is assigned to each assurance engagement to provide additional review (see page 18 for further details of this review).

The Firm’s policies stipulate which roles and responsibilities each engagement team member has for performing, supervising, and reviewing the audit. In addition, our policy describes a listing of work papers that must be reviewed by an Engagement Partner prior to the issuance of our report, based on the type of assurance service we provide. We also provide guidelines of percentage of Engagement Partner and Manager time over the total engagement hours as well as a percentage of Engagement Partner and Manager hours spent at planning, field work, reporting, and post-issuance. We believe that these policies further support sufficient supervision and review at each engagement level.

<table>
<thead>
<tr>
<th>As of 10/31/2018</th>
<th>As of 10/31/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Partners and Directors to Senior Managers and Managers</strong></td>
<td>1 to 1.4</td>
</tr>
<tr>
<td><strong>Senior Managers and Managers to Seniors and Staff</strong></td>
<td>1 to 2.3</td>
</tr>
<tr>
<td><strong>Partners and Directors to Seniors and Staff</strong></td>
<td>1 to 3.3</td>
</tr>
</tbody>
</table>

Consultations

We encourage our Partners and professionals to consult, seek guidance, and share knowledge and expertise throughout the Firm. To promote this collaborative culture, we established Accounting and Audit Topic (the AAT) teams to cover 60 major sub-topics such as revenue recognition and auditing estimates. Partners, Directors, and Senior Managers in the National Office as well as selected industry leaders represent one or more of the AAT sub-topics teams who are the designated subject matter experts to guide engagement teams in respective technical matters. We also have a mandatory formal consultation policy for specific, complex, and
unusual accounting and auditing matters requiring engagement teams to seek guidance from the National Office or a respective office PPL. Certain topics, if any, with pervasive impact on our practice or certain industries, will be elevated to the National Office.

If a difference of opinion occurs between the Engagement Partner and the EQCR within the engagement team, or with those consulted within or outside the Firm, that difference is brought to the attention of the Managing Partner of Assurance. The Managing Partner of Assurance (with the assistance of other practitioners or regulatory entities, if desired) resolves the dispute and sets the proper course of action to be taken by the Firm on the issue in question. If still not resolved, the Executive Board and the CEO are consulted. The conclusion reached to resolve the disagreement and how that conclusion was implemented are documented. The Firm will not release the report until any differences of opinion are determined. In addition, any party to the consultation/difference of opinion who disagrees with the conclusion may document his or her disagreement with the resolution of the matter.

**Engagement Quality Control Review/Reviewer (the EQCR)**

As a matter of Firm policy, every assurance engagement is subject to an independent EQCR, in addition to supervision and review by an Engagement Partner. This review is performed either by the RPPG or a Partner, Director, or a pre-approved designee by the PPL who have necessary competence and authority. Based on the risk, nature, complexity of the engagement, industry, or regulatory requirements, we assign a three-level tier, Tier I, Tier II, and Tier III, to each assurance engagement. Based on the assigned tier level, the EQCR’s nature, timing, and extent of review varies as each engagement is evaluated against the established criteria for each tier. For example, we require the most comprehensive review for a Tier I engagement by a pre-assigned reviewer within the Firm. The Tier I review is, in effect, the equivalent of a concurring review. The EQCR not only performs detailed reviews of significant audit work papers and drafted financial statements but also participates in the planning and other critical discussions throughout the audit. The National Director of Regional Professional Practice Group (the ND-RPPG) and/or the PPL assigned to each office(s) approves the original tier assignments for all engagements at client acceptance. Subsequent changes in the assigned tiers and changes in the reviewers must be approved by the ND-RPPG and/or the PPL. PPLs are responsible for evaluating assigned tier ratings for each engagement within the assigned offices annually.

**Engagement Quality Reviewer (the EQR) and Partner Rotation - Public Company Audit Engagements**

As required by PCAOB Auditing Standard No. 1220, *Engagement Quality Review*, we assign an independent EQR to each engagement for our public company engagements. The EQR objectively evaluates significant judgments and conclusions reached by engagement teams through review of audit work papers and participation in various discussions before issuance of our audit reports. We also comply with and monitor partner rotation rule, as required by the U.S. Securities and Exchange Commission (the SEC), for Lead Engagement Partner, any other Engagement Partner, and the EQR. Both the EQR and Partner rotation add fresh perspectives and increase objectivity to serve our public clients.

Our Engagement Partners and the EQRs assigned to our public clients have extensive experience in serving such clients. To assign an Engagement Partner and the EQR, we consider their industry expertise, competency, availability to perform quality work, and the Partner rotation requirements. Our audit Engagement Partners each lead an average of two to three SEC audit engagements. The National Director of SEC Services assigns the EQR and approves Engagement Partners during our client acceptance and continuance process. In addition, the Managing Partner of Assurance approves the EQR and Partner assignments and rotations for our public client audit engagements.
The core of the Firm’s quality control system is the monitoring system. The effectiveness of each of the other elements of our quality control system described in this report depends on an ongoing, timely, profound, and well thought-out monitoring system. We have established policies, procedures, and programs to monitor our assurance practice, including our Continuous Improvement Initiatives, Internal Inspections, and In-flight Review Program, and external inspections such as the AICPA Peer Review and the PCAOB inspection that confirm and reinforce the directions for our monitoring system.

Continuous Improvement Initiatives
Our continuous improvement initiatives (the CII) are the foundation of our monitoring system and are designed as a comprehensive, on-going, year-round process to continuously monitor and timely improve each of the five elements of our quality control system. Our internal monitoring system, such as Internal Inspections and In-flight Reviews, as well as external inspections, may reveal possible breakdowns in the quality control system at an engagement, an industry, or a Firm-wide level. Our CII process formally identifies and evaluates such circumstances, providing us with opportunities to reevaluate and enhance our quality control system.

Our CII includes evaluations of whether:

- Our messaging, policies, procedures, and practices are relevant and adequate
- Our guidance, materials, tools, and practice aids are appropriate and in compliance with the Firm’s policies and procedures as well as professional standards
- Our training and development activities as well as engagement staffing are relevant, sufficient, and effective
- Our recent corrective actions taken such as new policies, procedures, or programs are effective
Once our National Office identifies quality instances (the Instances or the Instance) for further investigation, we conduct Root Cause Analysis (the RCA). The RCA includes interviews and reviews of documents relating to the Instance and may be aggregated into a theme, an industry, or a Firm-wide analysis as necessary. Once an RCA is completed, possible corrective actions are recommended and implemented by the National Office. The corrective actions may be targeted towards the Instance or the individuals involved in the Instance but may also be expanded to an industry or a Firm-wide program if deemed necessary. We also evaluate the possible impact on elements of our quality control system; our Independence and Ethics policies, Client Acceptance and Continuance policies and procedures, Engagement Performance system, Talent Management system, and other elements of our monitoring system. The effectiveness of corrective actions taken will be subject to our internal monitoring systems such as Internal Inspections or In-flight Reviews.

Internal Inspections

Our In-house Inspection (the IHI) program is one of the most critical elements of our monitoring system. It is a year-round continuous process that identifies potential issues and puts in place remediation as necessary on a timely basis. We maintain a database of inspectors who are Managers through Partners with proven technical ability and industry expertise. To ensure the integrity of our process, we utilize experienced inspectors for the vast majority of our inspections. This is evidenced by 94% of our inspectors in the most recent inspection period having previous inspection experience. All new inspectors, the other 6% in the most recent inspection period, are assigned mentors to further ensure the integrity of our IHI program. The IHI program is led by the Director of Inspections with assistance from the PPLs. The Director of Inspections is the team captain on a significant portion of our IHI program, providing consistency in identifying and evaluating potential issues and approving appropriate remediation. In instances where the Director of Inspections is not the team captain, the Director of Inspections still reviews all checklists, identifying and evaluating potential issues and approving remediation. This ensures that we have a consistent process throughout the entire IHI program.

While many firms inspect individual Partners once every three or four years, our current Firm policy is to inspect at least one engagement from each Partner a minimum of every other year. Newly promoted Partners are required to be inspected in their first year of partnership, and Directors with signing authority are inspected annually. Overall, engagements selected for inspection are representative of our assurance practice as we annually review engagements across all offices, all industries, and all types of assurance services. We also incorporate unpredictability in our inspections process by utilizing a risk-based approach in making our selections. During the most recent IHI period for the year ended June 30, 2017, we inspected 145 audit engagements, representing approximately 4.1% of the Firm’s total assurance hours.

Each engagement selected for IHI receives a rating based on a 5-scale rating system. Recommendations and findings are communicated to each engagement team upon completion of the inspection and remediation efforts commence, if necessary. The results of the findings from each engagement are communicated to local, regional, industry, and national leaders. An annual summary of the IHI results are provided to the assurance practice. The Director of Inspections provides quality evaluation of Engagement Partners to the National Director of Learning and Development as well as to the National Director of Regional Professional Practice Group.
We utilize AICPA Peer Review checklists in our IHI, and we also provide training and ongoing support to our inspectors. Observations, findings, and remediation generated from IHI are evaluated for trends and root causes, with summaries communicated to all professionals periodically. Remediation may include issuance of clarified or additional guidance or training, changes in audit processes and procedures, changes in staffing, and enhancement in existing tools or development of new tools.

**PCAOB Inspection**

The PCAOB oversees the auditors of public companies to protect the interests of investors and the public and conducts periodic inspections of registered public accounting firms. We are registered with the PCAOB, as we have public company and broker-dealer clients. Therefore, we are subject to the PCAOB's tri-annual inspection. The PCAOB’s inspection process includes evaluation of quality control systems of the Firm and review of engagement work paper files on a sample basis selected by the PCAOB. Upon its inspection, the PCAOB publishes an inspection report of the inspected firm on its website. The inspection report includes two parts. Part I is made public and includes specific findings related to the inspected engagements and Part II, which remains private for 12 months after issuance, contains observations of a firm’s overall quality control processes, and/or comments the PCAOB identified that it believes to be pervasive and warrant special attention.

The most recent review of the Firm conducted by the PCAOB occurred from September 12, 2016 to September 23, 2016, with the PCAOB issuing our inspection report in February 2017. Thirteen percent of our public client engagements (9 of a total of 67), 56% (5 of a total of 9) of the engagements inspected opined on the operating effectiveness of internal control over financial reporting, and 38% (9 of a total of 24) of our public company audit Partners were inspected. We did not receive any criticism in Part I of the inspection report, which is available to the public. In fact, while the PCAOB’s inspection process is rigorous, we have not received any criticism in Part I of the inspection reports or criticism in Part II that were made public for the last decade. While the PCAOB cautions that its inspection reports are not intended to serve as an overall quality rating of a firm, or the audits performed by the firm, we believe that this example exhibits evidence that the Firm takes audit quality seriously, and that the Firm’s system of quality control and monitoring is sufficient.

---

**PCAOB INSPECTION COMPLIANCE RATE**

- 100%
- 80%
- 60%
- 40%
- 20%
- 0%

<table>
<thead>
<tr>
<th>Year</th>
<th>Compliance Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>12%</td>
</tr>
<tr>
<td>2013</td>
<td>10%</td>
</tr>
<tr>
<td>2011*</td>
<td>8%</td>
</tr>
<tr>
<td>2008*</td>
<td>4%</td>
</tr>
</tbody>
</table>

*% of Engagements Without Part 1 Deficiencies

*% of Our Public Company Audits Selected for Inspection

*Years prior to J.H. Cohn and Reznick Group merger results are shown on a combined basis.*
In-Flight Review Program - Public Company Audit Engagements

We monitor the quality of audit work performed prior to the issuance of our audit report through an “In-flight Review” program. In-flight Reviews are conducted by dedicated National Office resources who have extensive knowledge and expertise in reviewing public company audit engagements and are assigned to each of our public company engagements. In-flight Reviewers assist engagement teams in ensuring compliance with an audit performed under PCAOB auditing standards through discussion of significant matters and audit approach for key areas and review of audit work papers on a timely basis throughout the life cycle of engagement activities.

We utilize “In-flight Review Checklists” to facilitate the consistency of review performed by our In-flight Reviewers. Each year, we reevaluate the scope and focus areas of the In-flight Reviews, considering the prior year’s In-flight Review and internal inspection results as well as review inspection reports issued by the PCAOB for other public accounting firms. We then make necessary updates to our In-flight Review Checklists. Observations noted in our In-flight Reviews are evaluated, including root cause analysis of the observations, and we formally communicate results and observations with public company audit engagement teams throughout the year.

AICPA Peer Review

We participate in the AICPA Peer Review Program. Through this program, we are inspected by another accounting firm once every three years in which we can receive a rating of pass, pass with deficiency(ies), or fail. The scope of the review includes the system of quality control for the accounting and assurance practice of the Firm, applicable to engagements not subject to PCAOB permanent inspection. Engagements selected for review included those performed under Government Auditing Standards, including compliance audits under the Single Audit Act; audits of employee benefit plans; and examinations of service organizations. Baker Tilly Virchow Krause conducted the last inspection, issuing a report in December 2017 with a pass rating.

Other External Inspections

There is an Audit Quality Inspection Program administered by the Employee Benefits Security Administration of the U.S. Department of Labor (the DOL) addressing audits of plans subject to the reporting and disclosure requirements of the Employee Retirement Income Security Act of 1974. Since our Firm performs more than 200 plan audits annually, we are subject to the “large firm” inspection approach, including a review of the Firm’s policies and procedures and inspection of select employee benefit plan audit engagements. We received a satisfactory rating from the DOL’s most recent inspection, completed in 2017.

We are also inspected by other regulatory bodies such as the U.S. Department of Housing and Urban Development and the Cayman Islands Institute of Professional Accountants. The most recent inspections by these parties were completed in 2017, and we received a satisfactory rating from both agencies.
Technology impacts virtually every aspect of our lives. The way we use technology is constantly evolving, as does the various forms of available technologies. Our interaction with technology evolves through advances in existing technology, new/emerging technology, or through the thoughtful deployment of existing technology in a unique or previously unconsidered manner. Artificial intelligence, machine learning, and robotics are promising tools that we are leveraging to achieve our goals of enhancing audit quality and driving efficiency gains in the services we provide. We monitor, test, and integrate select technological tools into our processes, develop our people so they possess the skills needed to effectively operate those tools, and recruit people with the aptitude and skills to successfully utilize them. Further, we constantly evaluate how technologies, such as blockchain and drones, can be leveraged to streamline our work flows and drive efficiency gains.

We believe the rigorous pace of change in our profession will continue and may accelerate to unprecedented levels. In response, we are maintaining a strategically proactive position. We view the challenges in front of us as an opportunity to mold our future and the future of audit. We strongly believe our approach will ensure we continue to deliver world-class service to our clients, provide our people with the skills to succeed in a complex, technologically interwoven world, and further solidify our place as an employer of choice.

Streamlining Audit Performance Through Proprietary Software and Robotic Process Automation

We are on the leading edge of innovation and have been for many years. Nearly 20 years ago, visionary members of our Firm identified an opportunity to use technology to streamline audits of entities in specific industries. Recognizing the potential benefits of acting on that opportunity, the Firm internally developed and deployed proprietary software that leverages standard data to execute an analytically-based audit in those industries. This proprietary software has automated large portions of those audits, enabling our professionals to focus their attention on identifying and evaluating higher risk transactions and audit areas. The efficiencies gained from using our software has enabled our professionals to obtain a deep understanding of our clients’ operations and the markets in which they operate. This is one of the ways in which we have built our reputation of being trusted advisors to our clients. In addition, we have migrated this software to the cloud to harness the power of big data and take advantage of increased computing capabilities.

We are actively working toward wider incorporation of technological tools into our audit approach. We believe that a deeper integration will maximize both the quality of our audits and our efficiency. To facilitate this initiative, we have partnered with the Continuous Auditing and Reporting Lab at Rutgers University to identify areas in which Robotic Process Automation (the RPA) can effectively be applied. Our collaboration with Rutgers University is discussed in the Collaborations with a Distinguished University on page 24. By developing RPAs and reducing the level of effort expended by our professionals on automatable tasks, our Partners and professionals can focus their expertise on areas requiring greater professional judgment. This leads to higher quality audits and an even more customized level of client service. We also use advanced data analytics and artificial intelligence such as document abstraction software. We apply advanced data analytics to evaluate large data sets and to visualize the results of those analyses. Document abstraction software facilitates our ability to efficiently obtain relevant audit evidence in a digestible format. We believe the Audit of the Future will incorporate each of these techniques and will result in a more efficient and effective audit.

Our vision is that properly deployed technology augments the expertise and abilities of our professionals by fully exploiting the potential of automation. We believe our professionals are better suited for exercising professional skepticism, professional judgment, and interpretation. Technological tools, on the other hand, excel at performing non-judgmental routine tasks. We constantly seek out means to apply technology in a way that shifts repeatable tasks away from our professionals to maximize their work product and enhance their productivity. Our strategic use of technology enables our assurance professionals to more efficiently obtain relevant and reliable audit evidence. This then allows them to focus on judgmental areas requiring the knowledge, understanding, and intellectual capacity of a human.
Collaborations with a Distinguished University

Through its internationally renowned Rutgers Accounting Research Center and Continuous Auditing and Reporting Lab (the CarLab), Rutgers University is on the leading research edge of RPA and continuous audit, as well as in fields of machine learning and artificial intelligence. Working with professors and students from the CarLab provides us with access to cutting edge research in these fields. We view this partnership as an integral part of our initiatives that support our achievement of the Audit of the Future.

Dynamic Audit Solution (the DAS)

We are collaborating with a number of the nation’s largest accounting firms as well as the AICPA, CPA.com, and CaseWare International to develop a transformational auditing methodology supported by a state-of-the art technology platform. The DAS will be a flexible, scalable platform that uses the power of automation, data analytics, and updated methodologies to transform auditing.

Others

We offer a wide range of learning and development opportunities to our professionals both through experience and formal training, including the development of skills needed to effectively use technology. Our formal training includes our recently launched Assurance Micro-Learning Video Series, a compilation of short, on-demand videos covering a range of topics. These videos are available to all our professionals, but they were designed for those who frequently use social media. The videos have playback features, easy content accessibility, and create an informal, personal facilitator-led environment of individualized learning opportunities. We also hire professionals from outside the Firm that possess the aptitude and skills to successfully deploy, utilize, and improve upon our technologic tools.

Further, we strive to consistently, clearly, and concisely communicate our vision of the technological augmentation of human strengths to our professionals. We do not view technology as a replacement of human thought. Rather, technology is a tool that can benefit our professionals immensely if deployed in a thoughtful and responsible manner.

The Audit of the Future also affects other elements of our quality control system. Development of the CXP system, as discussed in Client Acceptance and Continuance, is an example of how we are utilizing technology to achieve our objectives in each area of our quality control system in a more efficient and effective way. We will continue to develop and make necessary enhancements in our internal processes and systems with the use of technology.
ABOUT COHNREZNICK

CohnReznick LLP is one of the top advisory, assurance, and tax firms in the United States, combining the deep resources of a national firm with the hands-on, agile approach that today’s dynamic business environment demands. With diverse industry expertise, the Firm provides companies with the insight and experience to help them break through and seize growth opportunities. The Firm, with origins dating back to 1919, is headquartered in New York, NY with 2,700 employees in offices nationwide. CohnReznick is a member of Nexia International, a global network of independent accountancy, tax, and business advisors. For more information, visit www.cohnreznick.com.