

# COMMITMENT TO QUALITY



CPAs & ADVISORS

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**To Clients and Stakeholders of MCM CPAs & Advisors LLP**

We are pleased to provide you with our audit quality report. Delivering high quality audits and assurance-based services is our top priority and this report is designed to provide you insights into the key elements that support our commitment to quality.

We start with an overview of our leadership structure and “tone at the top.” We believe audit quality starts with a strong commitment and support from the senior leadership team.

The report provides you with an overview of our commitment to ethics and independence which are cornerstones of our assurance-based services. We discuss our initial client acceptance and ongoing client continuance processes, both of which are designed to ensure the Firm is working with the right clients. We also outline our engagement team management and audit performance processes. Finally, we describe the monitoring processes we used to ensure that we are delivering on our commitments.

We are continuously challenging our team to enhance our processes to improve both the effectiveness and efficiency of our work. We also continue to invest in technology to improve our processes. The last section of the report provides you with an overview of our current efforts to position us for success for the future.

We look forward to any comments or questions you may have related to MCM or the matters discussed in this report.



**Diane Medley**  
Executive Chairman



**G. Bradley Smith**  
Managing Partner



**Lee Groza**  
Director of Assurance Services

# Leadership, Firm Governance and Structure



## Who We Are

As a large regional firm, we provide highly specialized assurance, tax and advisory services to a broad range of clients, helping them achieve their goals. Privately and publicly-held businesses, not-for-profits, small businesses and individuals across the region and throughout the country receive personalized attention and local access to national level talent.

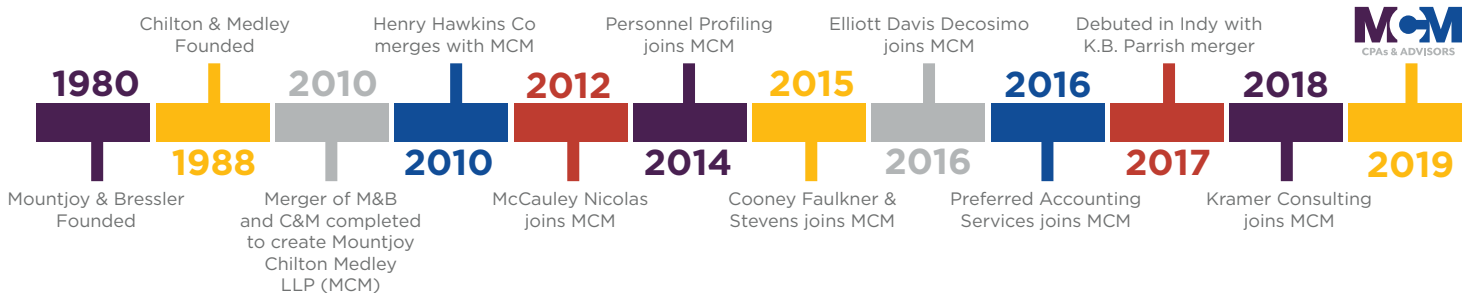
## Where We Are

**6 Offices | 3 States (Kentucky, Indiana, Ohio)**

## People

**52 Partners | 14 Principals | 350+ CPAs & Professionals**

## Our History



## Recognition



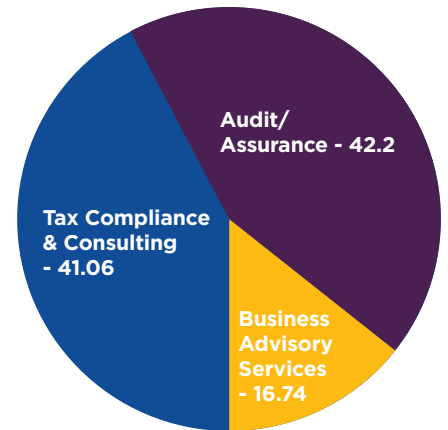
## Leadership and Governance

Our leadership team is committed to audit quality. Our mission statement and core values support that commitment. We reinforce it through regular internal communications to our team members and our continued investment in enhancing our quality control system.

MCM is a limited liability partnership, owned by individual partners of the Firm. The Firm is currently governed by an eight-person Executive Committee (“EC”). The EC has ultimate oversight of the assurance practice, approves compensation and promotions and is responsible for monitoring the performance of our leadership team.

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

MCM auditing and assurance practices is one of the firm’s largest source of revenue. Revenue by service line for our fiscal year ended December 31, 2019 is as follows.



## Assurance

Our assurance practice includes audits of financial statements for publicly-traded, private equity-owned and other non-public companies with up to (and over) \$1 billion in total assets and revenue and equity/debt funding up to \$1 billion. We have the technical and service excellence necessary to meet the needs of a wide range of entities. Assurance services represent approximately 36.05% of the Firm’s total revenue.

## Global Network

MCM clients and team members are connected to business resources throughout the United States and around the world through our affiliation with PrimeGlobal. PrimeGlobal is one of the world’s top five accountancy and business services associations with approximately 300 well-regarded firms with excellence throughout the United States and in more than 80 countries. As a premier international association, PrimeGlobal member firms are committed to providing strategic, knowledgeable and most importantly, timely services to clients, in their own marketplaces and across the world. The network carries a global reputation for excellence and integrity, and all firms work together for the good of each member’s clients.



## Ethics and Independence

Independence is the cornerstone of our assurance services. The Firm must be independent in both fact and appearance to adhere to professional standards and deliver on our responsibility to serve the public interest. MCM has a formal independence system in place to ensure we are independent of our assurance clients at all times. The key concepts of our system include:

- Each team member must certify their independence upon joining the Firm and reconfirm that on an annual basis.
- These certifications are updated for our managers through partners quarterly.
- A selected group of these certifications are tested and verified on an annual basis to test the effectiveness of our system.
- Each engagement evaluates the team's and Firm's independence with a specific focus on reviewing services being performed for the client.

The application of the independence standards can be complex. Accordingly, we have designated certain partners that team members will consult as questions arise to ensure compliance. Additionally, the firm provides training annually on ethics and independence matters.

## Acceptance and Continuance of Clients and Engagements

MCM has a written client acceptance process that requires an analysis of all prospective clients, including an assessment of management integrity. The process begins with a firmwide conflict check to identify any existing relationships that may impact our acceptance. Each new client must be approved before final acceptance as a client. The process is designed so that MCM only accepts clients where the Firm's resources and expertise are compatible with the needs of the client.

Additionally, MCM reviews existing clients for continuance on at least an annual basis. This process includes an analysis of key changes with the client (operations and management) and engagement risk. While it is uncommon, we have disengaged from client relationships.

## Engagement Team Management

In selecting the client service team, we carefully review the needs of the company so that we can provide the ideal combination of technical skills, financial statement knowledge, relevant experience (both transactional and industry-based) and relationships. The individuals selected provide a level of professionalism and knowledge deeply appreciated by our clients.

Our service philosophy with clients is to have experience in the field. This results in our average engagement time spent by managers and above representing more than 30% of the total engagement time.

### Staff Continuity

MCM knows the value of long-term relationships and is committed to employee satisfaction. Most recently, MCM was recognized as a Best Place to Work in Kentucky for the 15th year in a row. Additionally, MCM was recognized as a Best Place to Work in Indiana in 2019. We have consistently ranked among the Best Places to Work because of our commitment to employee satisfaction and a positive work environment.



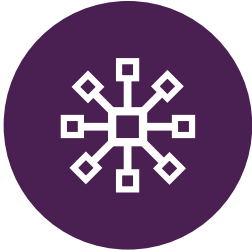
Although we cannot guarantee there will not be turnover in your service team, we can offer the comfort of knowing that employee satisfaction and retention is a critical component of our strategic planning.



### Training and Professional Development

MCM has a strong commitment to the training and professional development of our team members. As part of that commitment, we have developed MCM University. This comprehensive internal education program includes a wide range of professional development opportunities ranging from technical updates to interpersonal skills. Each team member develops an annual learning plan in conjunction with their coach to build on their strengths and broaden their skills. As part of the individual learning plans, the assurance department holds a one day department wide training in November focused on audit and assurance-based issues, including the review of findings from our most recent monitoring efforts. Additionally, we hold periodic sessions for the department to stay abreast of updates to accounting standards.

## Audit Engagement Performance and Approach



### Proactive Planning

Our goal is to identify objectives and expectations, understand short- and long-term goals and clarify any concerns at the onset of our client engagements. We respect client needs and work with the management teams to design our assurance engagements to accommodate those requests. Our service commitment is built on the Firm's philosophy of trust, respect and integrity in every relationship and engagement.

### Relationships with Owners and Management

Clear and candid communications are critical to a satisfactory and long-lasting professional relationship. We value frank conversations with our clients. Before we make any recommendations, we will discuss them with those who may be affected and give ample opportunity for discussion and comment to ensure we understand. In all our communications, we strive to be direct, open and to avoid surprises. We are also available to meet formally with the board and present the year-end results.



Our communication to our clients is not just about engagement issues. Throughout the year, we pride ourselves on providing our clients not only audit and accounting technical standards updates, but also industry information that we believe will assist management in achieving strategic and operational goals.

Our professionals are accessible year-round to meet with management as often as desired in order to:

- Review operations to understand the pertinent issues and challenges affecting the Company to generate ideas, discuss opportunities and seamlessly deliver service.
- Determine accounting and reporting services for operations and special transactions.
- Discuss newly issued accounting pronouncements and any potential implementation issues of the latest regulatory requirements.

### Audit Approach

We know that early detection and resolution of issues are critically important. Our tailored approach is built on a risk-based perspective, managed utilizing Lean process initiative techniques in collaboration with the board and management to achieve the effectiveness and efficiency you expect. It's delivered with independence and the highest service standard we can offer. Established through an understanding of the external and internal risks facing a company and its management, our risk analysis enables us to evaluate and include tests in relation to the size and probability of identified business and audit risks. The three inputs to the risk analysis are:



- External conditions affecting the company's operations.
- Trends and relationships of key financial and operating data and information.
- The effectiveness of the company's internal controls and accounting system.

This approach provides a uniform method for developing and documenting the basis for our work. After completing our development phase, we review our timeline and scheduling with management and develop a planning guide, setting forth requirements, due dates and assignments of responsibility to specific individuals.



## Monitoring

Monitoring is an important part of the Firm's system of audit quality. Internal and external reviews of our assurance quality allow us to continuously challenge our methodology and execution. We utilize the results of this monitoring to determine the need for additional firm guidance, training and how our team's performance could be improved. We are currently subject to external review by the Public Company Accounting Oversight Board ("PCAOB"), the U.S. Department of Labor, Offices of Inspectors General, state regulators and the accounting firm performing our review under the AICPA's peer review program. Additionally, we have internal monitoring programs.

An overview of these review programs follows:

### PCAOB Inspection



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

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

During 2017, the PCAOB performed its fifth inspection of MCM. The inspection consisted of a review of our processes, policies and procedures. The inspection also included a review of audit engagements, looking at our audit documentation and making inquiries of the audit engagement teams. The PCAOB issued its inspection report on October 30, 2017. The report included two findings related to the improper calculation of a sample-size in the testing of revenue and the applicable documentation of the assessment and conclusion related to impairment of long lived assets. The engagement team responded to the comments by performing additional procedures and updating certain applicable documentation.

These inspection findings did not result in a restatement of financial statements or the withdrawal or modification of our audit report. Of our prior four inspection reports, two contained no findings and the other two contained limited findings, none of which resulted in a restatement of financial statements or modification of our audit report. The inspection reports are available on the PCAOB website.

During 2019, the PCAOB performed its sixth inspection of MCM. The review was consistent with the same process as employed in 2019. While the inspection process was completed in 2019, the final report has not been issued.

## AICPA Peer Review

The firm participates in the AICPA peer review program administered by the National Peer Review Committee that requires a triennial review of our system of quality control for our non-SEC accounting and auditing practice. The purpose of the AICPA peer review program is to serve as a bridge between the PCAOB's inspection program and the Firm's state licensing and other federal regulatory practice monitoring requirements.

The most recent peer review of MCM's non-SEC accounting and auditing practice was completed by Warren Averett for the year ended June 30, 2017. In peer reviews, firms can receive a rating of pass, pass with deficiency(ies) or fail. Warren Averett issued a pass opinion dated December 5, 2017. The report is included in the appendix. We are scheduled for our next external peer review in the fall of 2020 to be conducted by Warren Averett.



## Internal Practice Monitoring

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

Based on the results of our 2019 internal inspection, we concluded that the system of quality control for our accounting and auditing practice has been designed and operates in a manner so as to provide the Firm with reasonable assurance of complying with professional standards.

## Other

In addition to the formal monitoring programs noted, MCM is a member of the following AICPA quality centers:

- Center for Audit Quality
- Employee Benefit Plan Audit Quality Center
- Government Audit Quality Center

Each of these quality centers have annual membership requirements, which we certify annually and are currently in compliance.

## Monitoring New Developments

To ensure our audit techniques conform to industry standards and that we stay informed of the latest technical and industry developments, MCM utilizes CCH Knowledge Coach for our audit framework. Knowledge Coach resources are available online and provide a periodic update service on recent developments impacting accounting and auditing matters. We also subscribe to several online resources including Ernst & Young's Accounting Tools, PriceWaterhouseCooper's Comperio, RIA and many others that provide daily updates on all developments from the PCAOB, SEC, GASB, FASB and AICPA. These industry-leading guides combine discussions of authoritative requirements, professional advice and specifically tailored practice aids to help the auditor perform effectively and efficiently. Additionally, MCM is a member of the AICPA's Center for Plain English Accounting.



## Consultation and Conclusions

In today's environment, the accounting and reporting requirements are becoming increasingly complex. All of our assurance engagements have an independent partner assigned that the engagement team utilizes to validate key conclusions. Additionally, the Firm has identified certain key areas for consultation with specific MCM partners who have an expertise in a noted area. If the engagement team needs additional consultation, we leverage our network resources within PrimeGlobal or the AICPA specifically, through our membership with AICPA's Center for Plain English Accounting.

## Focus on the Future

MCM's goal is to stay ahead of the technology curve for our industry. We strive to utilize technology to its utmost advantage. Powerful, leading-edge software applications allow us to work smarter and more effectively. Our assurance software is integrated such that we are able to eliminate many redundancies and inefficiencies and speed up the reporting process. This coordination is critical to ensure nothing falls through the cracks. These technological tools allow us to efficiently perform the engagement while focusing on the issues that matter most to the organization. Our project management approach continues to look for additional ways to leverage technology tools - most recently in the areas of data analytics and artificial intelligence, to enhance the efficiency and effectiveness of the engagement. In this regard, MCM continues to invest in new tools to enhance both the effectiveness and efficiency of our overall audit processes. Certain of these tools introduced in 2019 included TeamMate Analytics, Mindbridge and Audit Dashboard. MCM will continue to explore new tools that can both enhance our internal processes but also our client experiences.

In 2018, the American Institute of CPAs and a significant number of the nation's largest accounting firms launched a multi-year initiative to create a new, innovative process for auditing using integrated technology. The plan was to develop a dynamic, flexible and scalable platform that uses the power of automation, data analytics and updated methodologies to transform auditing. MCM decided to invest in this effort, led by the AICPA, to develop the new Dynamic Audit Solution (DAS). This project continues to move forward and the Firm has designated two of our partners to be the firm's champions for this DAS project. Our champions participate in periodic updates from the core implementation team allowing the firm to stay abreast of current developments and begin the change management process that will be needed.

# Peer Review Report



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

December 15, 2017

To the Partners of MCM CPAs & Advisors LLP (formerly known as Mountjoy Chilton Medley LLP) (the firm) and the National Peer Review Committee.

We have reviewed the system of quality control for the accounting and auditing practice of MCM CPAs & Advisors LLP (formerly known as Mountjoy Chilton Medley LLP) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended June 30, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

### Firm's Responsibility

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

### Peer Reviewer's Responsibility

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

### Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, a compliance audit under the Single Audit Act, audits of employee benefit plans, an audit performed under FDICIA, and an examination of a service organization (SOC1).

### Opinion

In our opinion, the system of quality control for the accounting and auditing practice of MCM CPAs & Advisors LLP (formerly known as Mountjoy Chilton Medley LLP) applicable to engagement, not subject to PCAOB permanent inspection in effect for the year ended June 30, 2017, has been suitably designed and compiled with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency (ies)* or *fail*. MCM CPAs & Advisors LLP (formerly known as Mountjoy Chilton Medley LLP) has received a peer review rating of *pass*.

*Warren Averett, LLC*

Warren Averett, LLC

## **Mission**

We exist to help both our clients and our team succeed.

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## **Vision**

MCM will be valued and recognized by our clients, team and communities as a leading, high-impact CPA and advisory firm with a dynamic regional and national market presence.

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## **Core Values**

People Matter. Leaders Inspire. Excellence Rules.



PEOPLE MATTER.



LEADERS INSPIRE.



EXCELLENCE RULES.

**MCM CPAs & Advisors**  
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