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plante moran

Audit. Tax. Consulting.
Wealth Management.

Plante Moran's commitment
**Quality and
transparency**

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A MESSAGE FROM FIRM MANAGING PARTNER

Jim Proppe

Welcome to Plante Moran's report on audit quality and transparency.

I'm sure many of us grew up with this phrase echoing in our ears: "If it's worth doing, it's worth doing right." This was one of co-founder Frank Moran's favorite sayings.

Plante Moran has built a 95-year reputation based on quality and integrity — on doing things right. We've never been a firm to take shortcuts.

We have great systems in place to ensure a quality product every time: we have rigorous quality control processes in place, an open door policy, colleague partnering, and the ability to ask questions at any point in the process. These systems enable us to do things right not only because our clients and the public depend on us for it, but because it's the right thing to do. I'm reminded of a wall hanging our former director of professional standards had in his office: "Every job is a self-portrait of the person who did it. Autograph your work with quality." We aspire to do that for every client, every day.



Jim Proppe
Plante Moran Managing Partner



WHO WE ARE

About Plante Moran.

Founded in 1924, Plante Moran is among the nation's largest certified public accounting and business advisory firms, providing clients with audit; tax; risk management; financial, technology, and business consulting; and wealth management services. The firm has a staff of more than 3,200 professionals, including more than 350 partners, in 25 offices in total throughout Colorado, Illinois, Michigan, and Ohio, and international offices in Shanghai, China; Mumbai, India; Tokyo, Japan; and Monterrey, Mexico. Plante Moran has been recognized by a number of organizations, including Fortune magazine, as one of the country's best places to work.



Culture

The culture at Plante Moran is driven by our core values:

- ✓ WE CARE.
- ✓ WE ARE GUIDED BY THE GOLDEN RULE.
- ✓ WE STRIVE TO BE FAIR.
- ✓ WE COMMIT UNCONDITIONALLY TO QUALITY, INTEGRITY, AND PROFESSIONALISM.
- ✓ WE MAXIMIZE INDIVIDUAL OPPORTUNITIES WITHIN THE CONTEXT OF THE TEAM.
- ✓ WE ARE DEDICATED TO PRESERVING AND ENHANCING OUR SPIRIT.



Commitment Statement

Our commitment and mission

The firm has developed a commitment statement — a brief statement of what Plante Moran is, our philosophy, and the relationship between our philosophy and our firm's spirit, vision, and strategy. Plante Moran is committed to being a broad-based professional certified public accounting and consulting firm. We will proactively pursue and respond to the needs of clients by rendering a wide range of high-quality professional services commensurate with our collective abilities and representing true value in relation to cost. We will operate the firm in conformance with sound business practices, but we will remain a professional firm with our primary emphasis on quality and client service, not profit.

Our philosophy

Plante Moran is guided by our philosophy that is based on certain core values and perhaps best expressed in condensed form by the Golden Rule: “Do unto others as you would have others do unto you.”

Although the Plante Moran philosophy can be summarized by the Golden Rule, it comprises many principles, such as those in our Statement of Principles, namely: service, ethics, recruitment, compensation, individual progress, advancement, teamwork, delegation, education, leadership, individual freedom, communication, decision-making, the common good, and balance.

These important principles keep us focused on quality and professional responsibility in a manner that upholds our core values of fairness; helping the individual to become all that he or she is capable of becoming; optimizing, rather than maximizing, our financial success; and doing what is right for the right reasons, with emphasis on the long-range consequences of our decisions.

Although we will continue to expand and refine the principles embodied in the Plante Moran philosophy, our emphasis will be on communicating, exemplifying, and living the Golden Rule day in and day out.

Our spirit

Our Plante Moran spirit is the sum of our attitudes and feelings toward clients, each other, ourselves, the firm, its principles and its philosophy, and how we collectively and individually practice the Golden Rule. We are committed to maintaining and enhancing our spirit by constant attention to our philosophy, by reinforcement through adding only persons of goodwill and integrity, by individually practicing and supporting behavior that exemplifies caring attitudes, and by discouraging behavior that does not.



Structure and Ownership

Plante Moran is a professional limited liability company (PLLC).

One-hundred percent of the capital used to finance our firm’s operating activities (accounts receivable, facilities, etc.) comes from capital maintained within our organization by our equity owners. While Plante Moran has a line of credit arrangement with a major financial institution available, we have rarely used that line and only for very short durations of time.



Governance

“One-firm” firm

Our firm is built fundamentally different from most because of our “one-firm” firm philosophy and structure. Our structure does not have competing regional, office, or service-level profit centers and, as a result, clients receive the best resources regardless of office location or geography. This guarantees our ability to identify professionals within our firm with specific experience and skills, and to seamlessly deploy resources to meet each client’s needs.

Management team

Plante Moran’s management team comprises a managing partner and seven group managing partners (management team) overseeing industry groups, recurring services, nonrecurring services, firm operations, and offices.

Members of Management team

Managing Partner

Firm
Jim Proppe

Group Managing Partner

Assurance & Tax Services
Chief Risk Officer
Frank Audia

Group Managing Partner

Nonprofit & Public Sector Industries
Beth Bialy

Group Managing Partner

Management Consulting Services
Dennis Graham

Group Managing Partner

Firm Administration
Chris McCoy

Group Managing Partner

Offices
Teresa Pollock

Group Managing Partner

Commercial Industries
Brad Virkus

Professional standards team

Plante Moran has a 28-person professional standards team (our “National Office”) that is responsible for the quality control function at the firm and serving as technical resources for the various industry and service groups. Our professional standards team is responsible for firm policy and oversight of technical compliance. Each of our key industries and service groups has a designated industry technical leader. Each industry technical leader is charged with closely following changing professional standards and implementing required changes into industry audit templates. Biweekly new standards implementation meetings are coordinated through the professional standards team to assure relevant

changes are communicated to all staff through accounting and auditing alerts delivered through our intranet, changes are incorporated into audit templates, and internal training programs and relevant information, and analysis can be provided to our client base through our external website.

Members of Professional Standards team

Director of Professional Standards

Shelly Gower

Accounting Standards

David Grubb

Audit Policy

Carole McNees

Director of SEC Services

Steve Neiheisel

Attest Services

Christa LaBrosse

Public Sector/Single Audit

Michelle Watterworth

Quality Control and Independence

David Steimel



Affiliations

Praxity

Plante Moran is affiliated with Praxity, AISBL, which is the world's largest alliance of independent accounting firms and maintains the seventh position overall among all accounting associations. Our extensive international alliance has the breadth and depth to cover all of our clients' international service needs. Because of our alliance with Praxity, Plante Moran can draw on the talent of more than 51,000 professionals worldwide to serve our clients.

The purpose of Praxity is to provide our internationally active clients with access to high-quality professional accounting and auditing firms throughout the world. Firms that participate in Praxity are selected on the basis of a rigorous assessment and classification process designed to demonstrate technical capability, commitment to quality, financial strength, and leadership positioning within their respective geographies.

PRAXITY FACTS

Combined revenue (turnover):	USD 5.8 billion (EUR 5.2 billion)
<i>Countries present in:</i>	100+
<i>Global member offices:</i>	700+
<i>Participating firms:</i>	65
Employees worldwide:	51,000+ <i>in participating firms</i>
Partners:	3,900+



Financial and other information.



Financial Information

For the period ending June 30, 2019, Plante & Moran, PLLC had a total fee income of \$642.3 million, as follows:



38.1%

Audit, Assurance, &
Accounting Services



31.0%

Tax Services



30.9%

Advisory Services



Public Company Audits

Plante & Moran, PLLC files an annual report with the Public Company Accounting Oversight Board (PCAOB) that contains a list of our public company audit clients during the previous 12-month period. That information is provided on PCAOB Form 2, Annual Report Form, Item 4.1, Audit Reports Issued by the Firm for Issuers. The firm's latest Form 2 is available on the PCAOB website at: rasr.pcaobus.org/Search/Search.aspx.

Audit quality.



Firm Philosophy

Plante Moran is dedicated to maintaining high professional standards and quality performance.

This is a pervasive dedication that relates to all of our services: accounting, auditing, tax, and business and management consulting. An unwavering commitment to quality is a cornerstone of our culture. Everyone in the firm is expected to practice professionalism consistent with our quality philosophy.

Professionalism in the auditing profession means integrity, objectivity, independence, adherence to professional standards and applicable laws and regulations, and a demonstrated will to maintain and improve the quality of service, at the same time withstanding all pressures, competitive and otherwise, to compromise on principles, standards, and quality. Professionalism requires, particularly in the field of auditing, an understanding of and dedication to the public interest. This public interest has placed the public accounting profession in a unique position of public trust that extends to how we carry out our accounting, tax, and consulting services. The proprietary interests of any single client or ourselves should not interfere with our commitment to professionalism.

Professionalism makes other demands on us. Those demands include, among other things, due care in the performance of services, holding client information confidential, and accepting only engagements that we can perform with competence and that will not impair our independence. Moreover, in evaluating any proposed engagement, we need to consider whether such engagements will lessen public confidence in our independence, integrity, and objectivity in providing services.

Assurance partners lead in carrying out our financial statement services to clients. In this setting, the assurance partner has the authority and the accompanying responsibility for decisions related to performing that service and in the administration of the firm. Support is provided in many ways. Individuals on the professional standards team provide guidance and advice. In day-to-day operations, we look at what is right, not who is right. As can be expected, greater weight is given to the opinions of individuals having greater abilities and experience in the area being considered.



Tone at the Top

Firm leadership has ultimate responsibility

One objective of Plante Moran's leadership is to promote an internal culture based on the recognition that quality is essential in providing professional services to clients.

The firm's partnership agreement assigns our management team the responsibility for all firm policies and procedures, including our system of quality control. The management team, and the examples it sets, significantly influences the internal culture of the firm. The promotion of our quality-oriented internal culture depends on clear, consistent, and frequent actions and messages from all levels of the firm's management, emphasizing the firm's quality control policies and procedures. Such actions and messages encourage a culture that recognizes and rewards quality work. This "tone at the top" is reflected throughout our policies and procedures. For example:

- Our client retention policies cause us to continually evaluate client relationships and specific engagements so that commercial considerations do not override the objectives of our quality control system.
- Our audit policies are clear that fee considerations and scope of services shouldn't infringe on work quality.
- Our personnel policies are clear that failure to adhere to our policies and procedures regarding performance, quality, and commitment to ethical principles will result in disciplinary action.
- Our performance management system is designed to reward partners and staff for their technical competence, the quality of their work, and their compliance with professional standards.

Operational responsibility for quality control

The firm has designated the director of professional standards with overall operational responsibility for developing and implementing appropriate policies and procedures for the firm's quality control system.



Independence, Integrity, and Objectivity

The goal of the independence, integrity, and objectivity element of our system of quality control is to provide the firm reasonable assurance that staff maintain independence, in fact and in appearance, in all required circumstances; perform all professional responsibilities with integrity; and maintain objectivity in discharging professional responsibilities. Each individual is responsible for maintaining his or her independence from firm clients. The director of professional standards is responsible for the oversight of the independence policies and procedures for the firm and consultations about specific independence issues.

Plante Moran takes auditor independence very seriously. The firm has implemented a client acceptance process that includes a multitiered approval process to identify potential independence and conflict of interest issues at an early stage.

Firm standards require that prior to the acceptance of any significant client or project for an existing client, an electronic acceptance questionnaire be completed and approved by firm management. This process allows Plante Moran to make sure that the clients we work for meet the firm's quality criteria and that any additional services taken on by the firm don't jeopardize our independence. A weekly notice of new client opportunities is distributed to all partners and associates for review for any potential conflicts or independence issues.

When changes to independence and other rules take place, Plante Moran embraces them fully and in all respects, and makes changes that are necessary to keep our commitment of independence, integrity, and objectivity to our clients and to the public that we serve.



Personnel Management

The objective of the human resources element of our system of quality control is to provide the firm with reasonable assurance that it has sufficient personnel with the capabilities, competence, and commitment to ethical principles necessary (a) to perform its engagements in accordance with professional standards, and regulatory and legal requirements; and (b) to enable the firm to issue reports that are appropriate in the circumstances.

Recruitment

Effective recruiting processes and procedures help us retain staff of integrity, who have the capacity to develop the capabilities and competence necessary to perform the firm's work, and possess the appropriate characteristics to enable them to perform competently. To provide assurance that personnel possess the necessary characteristics, we have established firmwide hiring standards appropriate to the firm's personnel needs. We recruit at some of the top schools with significant accounting programs, and we require demonstration of a very high level of academic success.

The firm conducts its personnel hiring in a way that's responsive to the needs of its various departments, and industry and service groups. In some cases, it's a matter of planning for broad scale entry-level people; in other cases, it involves identifying and searching for a person with specialized experience. The human resources department, under the guidance of its director, assists firm management with planning personnel needs.

Recruiting patterns for potential new staff members vary depending on the educational background, job experience, and work skills required in each of the departments, and industry and service groups of the firm. As stated in the firm's Principle of Recruitment: "It is our intent to recruit those individuals, regardless of race, color, creed, gender, religion, age, national origin, disability, genetic information, gender identity, sexual orientation or any other characteristic protected by applicable law who have the attitudes and capacities for service, learning, and growth."

Assignment of personnel

The partner in charge of an engagement, working cooperatively with other partners (in the local office or throughout the firm), has the responsibility for assigning staff to that engagement. Partners may also seek the input of associates in the office related to staff assignments. If a determination has been made that staff are needed from another office, we work together to achieve the orderly staffing of engagements, ensuring we have the right people, with the proper experience, assigned to the job.

IN THE PROCESS OF MAKING ASSIGNMENTS,
PARTNERS GENERALLY CONSIDER:





Acceptance and Continuance

The firm has established policies and procedures for the acceptance and continuation of any client engagement. The purpose of these policies and procedures is to provide us with reasonable assurance that the firm only accepts engagements that we believe can be completed with professional competence in compliance with professional, legal, and ethical requirements. The policies and procedures are also intended to minimize the association with a client or engagement that is not conducive to a high-quality practice. Accordingly, it is important that we are aware that the integrity and reputation of a client's management could reflect the reliability of the client's accounting records and financial representations and, therefore, affect our firm's reputation or involvement in litigation.

Our policies and procedures related to the acceptance and continuance of client relationships and specific engagements provide us with reasonable assurance that the firm will undertake or continue relationships and engagements only after we:

- ✓ **CONSIDER THE INTEGRITY OF THE CLIENT, INCLUDING THE IDENTITY AND BUSINESS REPUTATION OF THE CLIENT'S PRINCIPAL OWNERS, KEY MANAGEMENT, RELATED PARTIES, AND THOSE CHARGED WITH ITS GOVERNANCE, AND THE RISK ASSOCIATED WITH PROVIDING PROFESSIONAL SERVICES.**
- ✓ **DETERMINE WE ARE COMPETENT TO PERFORM THE ENGAGEMENT AND HAVE THE CAPABILITIES AND RESOURCES TO DO SO.**
- ✓ **HAVE REACHED AN UNDERSTANDING WITH THE CLIENT REGARDING THE SERVICES TO BE PERFORMED.**



Engagement Performance

The objective of the engagement performance element of our system of quality control is to provide the firm reasonable assurance that the work performed by engagement personnel meets the applicable professional standards, regulatory requirements, and the firm's standards of quality. Policies and procedures for engagement performance are to encompass all phases of the design and execution of an engagement and are designed to assure that:

- Planning for engagements will meet professional and regulatory requirements.
- The engagement will be performed, supervised, reviewed, documented, and communicated in accordance with the requirements of professional standards and relevant regulatory authorities.
- Specialized situations where consultation is required will be identified and engagement team members will consult with members of the professional standards team when dealing with complex, unusual, or unfamiliar issues.
- Engagements will have an appropriate pre-issuance quality review.
- Workpapers will be prepared, reviewed, maintained, and retained in accordance with professional standards and other legal and regulatory requirements.



Policies and procedures for engagement performance are to encompass all phases of the design and execution of an engagement.



Monitoring and Inspection

This element of the firm's system of quality control provides the firm with reasonable assurance that all quality control policies and procedures are suitably designed and are effectively applied.

Internal inspection

To monitor the firm's compliance with its policies and procedures, we perform annual internal inspections of selected attest and assurance engagements and applicable administrative and personnel files.

The director of professional standards appoints a quality control specialist, a senior member of the professional standards team, who has operational responsibility for the ongoing monitoring of the firm's quality control system. That individual must have appropriate experience to enable him or her to carry out those responsibilities. The quality control specialist is responsible for ensuring that the firm's quality control policies, procedures, and methodologies remain relevant and adequate, taking into consideration:

- Changes in professional standards and other regulatory requirements applicable to the firm's practice
- Results of prior inspections and peer reviews
- Changes in applicable AICPA/CAQ membership requirements

The quality control specialist has the primary responsibility of implementing an ongoing inspection/monitoring program. The monitoring/inspection program is sufficiently comprehensive to enable the firm to assess compliance with all applicable professional standards, regulatory requirements, and the firm's quality control policies and procedures. The monitoring/inspection program includes procedures to address the operating effectiveness of each of the other quality control elements.

The selection of offices and engagements for inspection balances the following concepts:

- Comprehensive coverage of offices, such that every office is monitored once in a three-year period
- Comprehensive coverage of partners
- Responsiveness to the nature of the firm's practice, including first-year engagements
- Priority, in descending order, to audits, reviews, and compilations
- Coverage of newly merged offices
- Responsiveness to results of prior internal inspections, peer reviews, PCAOB, and other external inspections
- Coverage of newly adopted quality control procedures or requirements of the AICPA

AICPA peer review, PCAOB inspection, and other external inspections

We participate in the AICPA's triennial Peer Review Program, which involves rigorous inspection of assurance engagements not subject to PCAOB inspection. At the conclusion of the peer review, the peer reviewer expresses an opinion on the design of our system of quality control for our accounting and auditing practice and our compliance with that system, and the reviewer provides a peer review rating. Our most recently completed peer review, conducted in 2016, resulted in a "pass" rating, the highest rating possible. The peer review report is available at aicpa.org.

We are also subject to rigorous inspection on a triennial basis by the PCAOB related to our audits of public companies. Our most recent PCAOB inspections took place in 2017 and 2014, and the reports are available at pcaobus.org. The 2017 inspection identified deficiencies in the application of certain PCAOB auditing standards related to three engagements selected for inspection. We have and will continue to use inspection findings as a basis for making process changes as we continue our own efforts to improve the quality of our audits. We share the PCAOB's desire for high-quality audits to protect investors and the public interest, and we continually monitor our system of quality control and make changes when we identify opportunities for improvement.

Various governmental organizations also conduct periodic inspections of audit work relevant to the programs they oversee, including the Department of Labor (employee benefit plans), the FDIC (FDIC-insured banks), the Department of Education (student financial aid), and others.

Complaints and allegations

Complaints and allegations of any kind, regardless of severity or merit, are directed to the director of professional standards. This includes:

- Complaints and allegations that the work performed by the firm fails to comply with professional standards and regulatory and legal requirements
- Allegations of noncompliance with the firm's system of quality control
- Deficiencies in the design or operation of the firm's quality control policies and procedures, or noncompliance with the firm's system of quality control by an individual or individuals, as identified during investigations into complaints and allegations

The director of professional standards, working with the firm's general counsel, will conduct a complete investigation, including consultation with outside legal counsel when necessary. The nature of the complaint/allegation and the planned response to it is to be documented and reported to the management team.

Ethical requirements.

Because we recognize that a professional organization cannot exist on what it once was, or now is, but only on what it aspires to be, Plante Moran adheres to its Statement of Principles. One of those 15 principles outlined in our Personnel Manual is our Principle of Ethics:

It is our intent to be guided by the highest level of ethics consistent with the Golden Rule. Individual staff members will not be required to perform work that offends their personal principles.



The quality control ethical requirements element provides the firm with reasonable assurance that the firm and its personnel comply with relevant ethical requirements when discharging professional responsibilities. The AICPA Code of Professional Conduct establishes the fundamental principles of professional ethics, including matters such as commitment to the public interest, due care, independence, integrity, and objectivity. Ethical requirements are also established in the regulations, interpretations, and rules of state CPA societies, state boards of accountancy, state statutes, the U.S. Government Accountability Office (GAO), the Securities and Exchange Commission (SEC), the Public Company Accounting Oversight Board (PCAOB), the Department of Labor (DOL), and other regulators that oversee client activities and the services we provide to clients.



Education and professional development.

The firm's learning and people development (LPD) team (a functional area within human resources), working in coordination with the professional standards team, has the responsibility to establish guidelines and requirements for Plante Moran's professional development program. The LPD team has the responsibility for developing or selecting, administering, coordinating, reviewing, revising, and evaluating the firm's professional development activities. The firm has established a staff development advisory team, consisting of representatives from key practice areas within the firm, to provide insight and oversight to the LPD team.

Professional development is accomplished through many programs, including:

- ✓ CONTINUING PROFESSIONAL EDUCATION PROGRAMS
- ✓ TECHNICAL MANUALS AND PROFESSIONAL PRONOUNCEMENTS
- ✓ ON-THE-JOB TRAINING
- ✓ PERFORMANCE MANAGEMENT PROGRAM
- ✓ BUDDY SYSTEM

In addition to these various professional development activities, the inclusion of other programs to expand expertise in specialized areas and industries where individuals have major responsibilities may be required.

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