

**PUERTO RICO
TAX PRACTICE REVIEW**

SELF ASSESSMENT QUESTIONNAIRE ON TAX PRACTICE

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This questionnaire is intended to provide a Self-Assessment Review of the firm's tax practice quality and procedure controls. It is not necessarily a checklist of all the policies and procedures that might be applicable to the firm's tax practice. Careful completion of this questionnaire should help firms evaluate the continuing appropriateness of their policies and procedures.

The completion of this questionnaire is the first step to evaluate if the firm tax practice will be ready to participate in the Puerto Rico Tax Practice Review program.

The completion and availability of all items listed will help to ensure a thorough review. Some of the items listed may not be appropriate due to the size of the tax practice.

A. GENERAL QUESTIONS

Does the firm have and comply with the following:

- | | | | |
|---|---|-----------|----------|
| 1 | Merchant Registry of the Puerto Rico Treasury Department? | Yes _____ | No _____ |
| 2 | The Sales and Use Tax applicable to CPA Firms (If the Firm is a Withholding Agent)? | Yes _____ | No _____ |
| 3 | Tax Specialists Registration Number from the Puerto Rico Treasury Department? | Yes _____ | No _____ |
| 4 | Preparer Tax Identification Number" (PTIN) from the IRS? | Yes _____ | No _____ |
| 5 | Centralized Authorization Number" (CAF) from the IRS? | Yes _____ | No _____ |
| 6 | EFIN number from the IRS? | Yes _____ | No _____ |
| 7 | Professional Liability Insurance? | Yes _____ | No _____ |
| 8 | Employee Manual? | Yes _____ | No _____ |

B. LEADERSHIP RESPONSIBILITIES FOR QUALITY WITHIN THE FIRM

1. The firm informs personnel (for example, through its tax practice quality control document, personnel manual, memorandums, client lists, or training meetings) of the policies and procedures relating to:

- a. Integrity in client advocacy? Yes _____ No _____
- b. The need for objectivity in tax client relationships? Yes _____ No _____
- c. The understanding of and conformance with Treasury Department Circular 230, preparer penalties, AICPA Statements on Standards for Tax Service, and other applicable rules, regulations, and professional standards? Yes _____ No _____
- d. The requirements for confidentiality of client tax information? Yes _____ No _____
- e. The requirements to avoid conflicts of interest? Yes _____ No _____

2. Does the firm's library contain the AICPA Code of Professional Conduct, Treasury Department Circular 230, and AICPA Statements on Standards for Tax Services? Yes _____ No _____

C. ETHICAL REQUIREMENTS

1. Does the firm use outsourced staff to assist in the preparation or review of tax returns or tax advice? Yes ____ No ____
2. Does the firm have a policy regarding disclosure to clients of its use of outsourced staff? Yes ____ No ____
3. Does the firm have a formal Privacy Policy? Yes ____ No ____
4. Does the firm communicate its privacy policy to clients? Yes ____ No ____

D. ACCEPTANCE AND CONTINUANCE OF CLIENT RELATIONSHIPS AND SPECIFIC ENGAGEMENTS

1. Has the firm established procedures for evaluating and accepting prospective clients and engagements? Yes ____ No ____
2. Are acceptance decisions documented (for example, on a questionnaire or in minutes of partners' meetings)? Yes ____ No ____
3. Does the client understand the scope of services and the responsibility taken by the firm? Yes ____ No ____
4. Does the client have ultimate responsibility for all tax returns and for providing adequately substantiated information? Yes ____ No ____
5. Does the client understand the financial aspects of the engagement? Yes ____ No ____
6. Are tax clients and engagements reviewed and evaluated at the end of specific periods or upon the occurrence of specified events to determine whether the service should be continued, modified, or terminated? Yes ____ No ____

E. HUMAN RESOURCES

1. Does the firm require its personnel to have the necessary experience for the engagement? Yes _____ No _____
2. Does the firm establish educational, and experience requirements for:
 - a. Entry-level personnel? Yes _____ No _____
 - b. Experienced personnel? Yes _____ No _____
 - c. Tax specialist personnel? Yes _____ No _____
3. Does the firm provide an orientation program, relating to the firm and the profession, for newly employed personnel? Yes _____ No _____
4. Are all personnel in compliance with continuing professional education requirements needed to meet applicable to CPA licensing and the requirements for tax specialist established by the Puerto Rico Treasury Department? Yes _____ No _____
5. Are professional personnel made aware of current tax developments, changes in professional standards affecting tax practice, and the firm's technical policies and procedures related to the tax practice (for example, by distributing technical pronouncements and holding training courses on recent changes and areas identified by the internal monitoring program)? Yes _____ No _____
6. Does the firm's professional development policy provide a program to fill its needs for expertise in specialized areas and industries? Yes _____ No _____
7. Does the firm maintain different levels of responsibility (for example, partner, manager, supervisor, senior and staff)? Yes _____ No _____
8. Have descriptions been prepared of the responsibilities at each level, expected performance at each level, and the qualifications necessary for advancement to a particular level? Yes _____ No _____
9. Does the firm evaluate the performance of personnel and advise them of their progress in the firm at least one time during the year? Yes _____ No _____
10. If the firm uses outsourced staff, does it have procedures for the review of such staff's qualifications and supervision in order to comply with the Firm Policies? Yes _____ No _____

F. ENGAGEMENT PERFORMANCE

1. Does the firm have evaluated the engagement and the risk factor? Yes ___ No ___
2. Does the firm consult with a tax specialist on complex tax matters, as applicable? Yes ___ No ___
3. Does the firm have written guidance material regarding:
 - a. When should the employee consult complex tax matters with the tax Partner? Yes ___ No ___
 - b. Involvement of appropriate personnel in tax engagements that include complex tax matters? Yes ___ No ___
 - c. Due date monitor system? Yes ___ No ___
 - d. Documentation of advice to clients? Yes ___ No ___
 - e. Documentation of tax research? Yes ___ No ___
 - f. Form and content of tax working papers? Yes ___ No ___
 - g. Other pertinent matters (such as manuals)? Yes ___ No ___
4. Does the firm use any standardized forms, checklists, and questionnaires for tax return preparation or other tax services (like dockets)? Yes ___ No ___
5. Does the firm have documented procedures for the review of tax returns, tax research reports, correspondence, and other working papers by the personnel assigned to the engagement? Yes ___ No ___
6. Are all engagements (tax compliance, research and planning, tax examinations, etc.) adequately planned by professionals knowledgeable about the client and the type of engagement, including specific evaluation of risk factors? Yes ___ No ___
7. Does the firm have file-retention policies that comply with the Internal Revenue and/or Puerto Rico Code and any other applicable professional or regulatory bodies? Yes ___ No ___
8. Does the firm have a log to monitor outgoing tax returns (example: Due-date tracker)? Yes ___ No ___
9. Does the firm have a recovery and continuity plan for disasters, including down time and foul play? Yes ___ No ___
10. Does the firm have anti-virus software in place? Yes ___ No ___
11. Does the firm have vital files protected by backup and other procedures? Yes ___ No ___
12. Does the firm have a backup of the computer kept offsite? Yes ___ No ___
13. Does the firm use outside resources for consulting on tax matters when it is deemed necessary? (as for example AICPA, PR CPA Society or other) Yes ___ No ___
14. Does the firm maintain an adequate technical reference library to assist personnel in resolving tax problems? Yes ___ No ___
15. Does the firm require that consultations on tax matters be documented? (for example, calls are documented in an internal memo or an email, meetings are summarized in an email to clients, non-written consultations are documented in working papers) Yes ___ No ___

G. MONITORING

1. Does the firm have a quality control system in place? Yes___ No___
2. Does the firm monitor, on an annual basis, CPE compliance? Yes___ No___

BORRADOR