

# Certified in Entity and Intangible Valuations Credential

## Quality Monitoring

### Frequently Asked Questions (FAQs)

All Certified in Entity and Intangible Valuations™ (CEIV™)<sup>i</sup> credential holders, whether members of the AICPA, ASA or RICS Valuation Professional Organizations (VPOs), will be required to submit to an annual, proactive ongoing engagement level Quality Monitoring Program. The goal of the Quality Monitoring Program is to provide confidence to markets and regulators that CEIV credential holders are performing high quality valuations in compliance with the Mandatory Performance Framework.

The Quality Monitoring Program encompasses a combination of reviews of Continuing Professional Development or Education (CPD/CPE) requirements, a review of work performed and a review of complaints received (either anonymously or otherwise) if applicable. Reviews will be structured to gather and evaluate the information needed to demonstrate core areas of the Mandatory Performance Framework are being properly followed.

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- 1. What qualifications requirements will be verified for CEIV credential holders?**
  - o Passing of one of the following Qualifying Valuation Assessments:
    - a. AICPA Accredited in Business Valuation (ABV) Exam or Valuation Principles Exam
    - b. ASA Accredited Senior Appraiser (ASA) BV201-204 Exams or the ASA BV Principles of Valuation Challenge Exam
    - c. Royal Institution of Chartered Surveyors (RICS) Assessment of Professional Competence (APC) or Senior Professional Assessment (SPA) on Valuation of Businesses and Intangible Assets

- d. Chartered Financial Analyst (CFA) Level 3 Exam
- e. Chartered Business Valuator (CBV) Exam
- o Successful completion of the CEIV Credential Education through either AICPA, ASA or RICS
- o Passing of Part 1 and Part 2 of the CEIV Credential Exam through either AICPA, ASA or RICS
- o Attestation of fair value-related experience from a supervisor, partner or peer *(3,000 hours performing fair value measurements in the 10 years preceding application, with at least half [1,500] in preceding five years)*

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**2. What CEIV credential maintenance requirements will be verified annually as part of the Quality Monitoring process?**

- o Maintenance of membership in good standing with either AICPA, ASA or RICS
- o Performance of 1,500 hours of fair value measurement-related experience every 5 years
- o Completion of mandatory 8-hour fair value measurement update
- o Compliance with Mandatory Performance Framework
- o Participation in CEIV Quality Monitoring Program

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**3. Who will be subject to Quality Monitoring Reviews?**

- o All CEIV Credential holders are subject to Quality Monitoring to ensure compliance with the Mandatory Performance Framework.

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**4. How will the Quality Monitoring process function for firms that have demonstrated internal firm quality controls through enrollment in AICPA Peer Review practice monitoring, AICPA or RICS Firm Registration or through other external regulatory oversight?**

- o The VPOs will work with firms to gain an understanding of their policies and procedures that comprise their systems of quality control and internal controls to ensure compliance with the Mandatory Performance Framework and credential maintenance requirements.
- o Firm systems of quality control and internal controls will be taken into account consistently when the VPOs select the population that will be reviewed for compliance. When the firms have demonstrated internal processes and policies to approach engagements and the Mandatory Performance Framework consistently, the VPOs may implement a hybrid approach that allows a sampling of reports to be reviewed for compliance.

- In addition, the sample size of reports that will be reviewed will vary based on whether the firm is subject to regulatory oversight (e.g. PCAOB, FINRA, SEC regulation or other US and non-US statutory regulators), is enrolled in AICPA Peer Review, or is enrolled in AICPA or RICS Firm Registration. Due to the level of existing and previously tested quality controls in place for firms subject to regulatory oversight, the sample rate will be limited to a statistically significant sample size, assuming no other issues are identified. The sample rate for firms not subject to external statutory regulation will be limited to the statistically significant sample rate mentioned above plus a percentage to obtain the same level of confidence in the results, assuming no other issues are identified.

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**5. Will firms interested in the hybrid approach who are already enrolled in AICPA Peer Review practice monitoring (for example) also have to enroll in AICPA or RICS Firm Registration and vice versa?**

- No. Internal quality control processes for firms who are enrolled in EITHER the AICPA's Peer Review practice monitoring program OR the AICPA's or RICS's Firm Registration programs will be leveraged during the QM process. Enrollment in more than one program is not required to be considered for the hybrid approach.

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**6. Can firms subject to external regulatory oversight outside of AICPA Peer Review and AICPA or RICS Firm Registration be considered for the hybrid approach to Quality Monitoring?**

- Yes. The primary focus of the hybrid approach is to evaluate internal quality control processes of firms subject to external regulation. Firms that demonstrate such controls may be eligible to be reviewed under the hybrid approach.

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**7. What if my firm is neither enrolled in AICPA Peer Review practice monitoring, AICPA Firm Registration or RICS Firm Registration nor subject to external regulation for which internal processes have been put into place and evaluated by the VPOs?**

- Firms that are not enrolled in any of these programs or subject to external regulation are not eligible for the hybrid approach.
- All CEIV credential holders in this circumstance will be required to undergo an initial QM review no sooner than nine months after obtaining the CEIV credential unless a complaint against the credential holder requires an investigative review.

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**8. What will firms need to provide initially and annually to VPOs in order to participate in a hybrid review approach?**

- In order for a firm to participate in a hybrid approach, the firm must demonstrate to the VPOs that it:
  - a. is subject to regulatory oversight, as described in Question 4 above, that inspects the firm's client engagement files and related internal quality controls, where applicable, for compliance with relevant professional standards; or
  - b. is enrolled in either the AICPA's or RICS's firm registration programs.
- It is the responsibility of the firm to demonstrate the controls it has in place to comply with the Mandatory Performance Framework, necessary external regulatory requirements, and relevant professional standards. The VPOs understand that each firm's system of quality controls and internal controls may vary. The VPOs will not prescribe a set of requirements that mandate changes to a firm's internal controls processes.
- Annually, the VPOs will request from the firms participating in the hybrid approach high level information that includes but is not limited to:
  - a. Number of credential holders
  - b. Confirmation of levels of errors and omissions insurance
  - c. Description of internal controls
  - d. Evidence of Conflicts of Interest policy
  - e. Demonstration of internal controls to ensure firm implementation of the Mandatory Performance Framework
  - f. Confirmation of enrollment in AICPA or RICS Firm Registration, when applicable

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**9. When will the official CEIV Quality Monitoring process launch?**

- The CEIV Quality Monitoring process will officially launch on July 1, 2019 for engagements dated January 1, 2018 or later.

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**10. When will the first review take place for a new credential holder?**

- Each credential holder will be subject to Quality Monitoring review either individually or through sampling if employed by a firm that qualifies for the hybrid approach. This process will begin no sooner than nine months after obtaining the credential unless a complaint against the credential holder requires an investigative review.
- In instances where multiple reviews will need to be performed within a single firm, the VPOs will work with firm leaders to coordinate the Quality Monitoring process in a manner that will minimize disruption and duplication of efforts.

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### **11. How frequently will Quality Monitoring reviews take place?**

- A CEIV Credential Holder Profile will be administered annually to collect information that captures elements of the work that each CEIV credential holder has completed in the previous year. Information collected in the profile will determine the level of ongoing Quality Monitoring review required for the individual, if any. Each credential holder will receive a Quality Monitoring review every three to five years, on average. Individuals with significant changes to his or her profile or who were found to have significant deficiencies in a previous review may be subject to more frequent Quality Monitoring Reviews.

*Note that individuals selected for review based on profile information collected does not necessarily indicate a decrease in quality of the work being done.*

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### **12. What will be collected in the annual CEIV Credential Holder Profile?**

- On an annual basis, each CEIV credential holder will submit answers to a questionnaire that captures elements of the work he or she has completed in the previous year. Potential profile factors below are to be considered collectively by the VPOs, although not all-inclusive:
  - a. Professional's Experience
  - b. Size of firm
  - c. Breadth of activity (geography, valuation purpose, asset type)
  - d. Career history
  - e. Firm's Current Quality Assurance Practices

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### **13. What will the Quality Monitoring process entail?**

- The Quality Monitoring process includes three elements:
  - a. Review for compliance with credential maintenance requirements; and
  - b. Proactive reviews for demonstrated compliance with the Mandatory Performance Framework
  - c. Investigation of complaints

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### **14. What role do the factors collected in the CEIV Credential Holder profile play in ongoing quality monitoring?**

- The factors, taken together with feedback from the credential holder and previous performance during Quality Monitoring reviews, will determine interval of reviews.

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**15. When will a CEIV credential holder be notified when it is time for a quality review?**

- The credential holder, and firm as required, will be notified of the review at least 60 days in advance. File selection will occur approximately two weeks before the scheduled review.

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**16. How will the Quality Monitoring process take place if valuation professionals within a firm have obtained the CEIV credential from different VPOs?**

- In situations where professionals from a single firm obtain the CEIV credential from multiple VPOs, AICPA, ASA and RICS will coordinate the execution of the Quality Monitoring process in a manner that will ensure consistency in the quality of the reviews and minimize disruption and duplication of efforts.
- Measures being put into place to ensure consistency in the level of quality delivered between each VPO include, but are not limited to:
  - a. Shared training for technical reviewers;
  - b. A shared Quality Monitoring Work Program;
  - c. A shared CEIV Credential Holder Profile;
  - d. Shared ongoing training to ensure reviewers remain competent;
  - e. Shared Independent Review and Appeals Panel process
  - f. Shared pool of professionals to execute the Independent Review and Appeals Panel process
  - g. Open communication between the VPOs related to disciplinary outcomes, etc.

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**17. How will the Quality Monitoring process take place if multiple CEIV credential holders within a firm have contributed to a single engagement work file?**

- In situations where a single engagement has multiple CEIV credential holders assigned, the VPOs will work with firms to identify CEIV credential holders who worked on the engagement and whose contribution is sufficient to determine compliance with the MPF. In this respect, the review of a single engagement may be sufficient to qualify for the quality review for multiple CEIV credential holders.
- For firms that qualify for the hybrid review approach, the engagement serves as further demonstration of the implementation of the MPF regardless of an individual's credential status, VPO designation, or level of contribution to the engagement.

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### **18. Where will the quality reviews take place?**

- Reviews will be designed to take place on-site; however, firms interested in leveraging technology to facilitate the Quality Monitoring function may select the option of going through remote reviews by submitting documents through a secure system. The VPOs will work within the preferences and policies of each firm.

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### **19. Who will be performing the reviews?**

- Independent Quality Monitoring reviewers employed or contracted by AICPA or RICS will be conducting the reviews. These reviewers will represent all three VPOs and perform all reviews on behalf of AICPA, ASA and RICS.

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### **20. What qualifications will reviewers be required to have?**

- The Quality Monitoring reviewers will meet, at a minimum, the following criteria:
  - a. Have previous relevant working experience
  - b. Be trained and assessed in valuation audit techniques (i.e. able to critically review a valuation report and supporting evidence against the approach expected)
  - c. Be employed as a permanent employee or a contractor of the relevant VPO
  - d. Have no conflict of interests in relation to the individual or firm being reviewed (i.e. not related, no conflicting business interest, etc.)
  - e. Sign agreement to not compete or solicit any client or individual involved within the review performed for a period of time following completion of the review
  - f. Be available to perform and complete the review within a specified time period
  - g. If not part of a permanent VPO staff team, be subject to review for quality and consistency from a member of permanent VPO staff

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### **21. How is it ensured that reviewer conflicts of interest are effectively mitigated?**

- All reviewers must disclose potential conflicts of interest – including professional conflicts regarding previous employment and personal relationships and interests. While generally a one year “cooling-off period” is considered a minimum for engaging in oversight work for a former employer, all factors must be taken into consideration before a quality review is assigned, and full

disclosures of potential conflicts must be made to the relevant parties. Where conflicts may not be able to be mitigated, another reviewer will complete the quality review.

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**22. How do the VPOs ensure that reviewers do not share confidential information with others?**

- Quality reviewers may not disclose information to anyone not involved in carrying out the review or administering the program or use such information in any way not related to meeting the objective of the program. Sharing confidential information is a breach of employee policy and the “Confidential Client Information Rule”, and Quality reviewers who are found guilty of doing so will be in breach of their VPO’s Rules and/or Code of Conduct. Further, trading on confidential information may subject the individual to further legal sanctions.

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**23. How do VPOs ensure reviewers stay up to date on current valuation and accounting standards and best practices?**

- All reviewers will be required to complete annual CPD as required by the VPOs.

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**24. What levels of review will be included in the Quality Monitoring process?**

- The first level of review will be completed by a VPO Quality reviewer either through a site visit or, if requested, through a remote review. If significant findings are identified, the Quality reviewer will send the report to an Independent Review Panel for a second level of review and potential remediation.
- The second level of review will be carried out by an Independent Review Panel (set up collaboratively between AICPA, ASA and RICS), and the participating CEIV credential holder will be able to make representations. This second level of review will consider findings, hear from the party concerned, confirm whether the findings are valid, and if so, determine what remediation are necessary, if any.
- The third level of review will involve an independent appeal. Independent appeal is necessary to provide due process to the CEIV credential holder under review. All individuals will have the right to appeal determinations made by the Independent Review Panel to an Appeals Panel, made up of different participants.

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**25. How many engagements will be reviewed during an on-site or remote review?**

- The number of engagements to be reviewed will be determined by a number of factors including, but not limited to:
  - a. Firm qualification for and participation in the hybrid approach
  - b. Information collected in the CEIV credential holder's annual profile, and
  - c. Size and related complexity of the engagements
- On average, two files will be reviewed for each CEIV credential holder during a Quality Monitoring Review.

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**26. What is the process for selecting engagements for review?**

- The VPOs will select from a list of engagements provided by the firm. Where possible, the VPOs will work with a firm's own quality management team so as to not duplicate efforts but also to potentially test those internal processes. It is expected that the list provided will be complete.

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**27. Will audit support engagements fall within the scope of the Quality Monitoring Program?**

- Engagements and assignments performed by CEIV credential holders reviewing valuations, whether performed by independent third parties or prepared internally by management, that support the audit function in their role as specialists will NOT be subject to the Quality Monitoring process. The results of these activities would not yield a reviewable work product in compliance with the Mandatory Performance Framework.

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**28. Will a CEIV credential holder's National Office-level, firm-level or organization-level review of valuation engagements performed within that firm/organization fall within the scope of the Quality Monitoring Program?**

- No. Individuals performing National Office-level, firm-level, independent reviewer-level and/or organization-level review of valuations performed by others within that organization will NOT be subject to the Quality Monitoring process. The results of these activities would not yield a reviewable work product in compliance with the Mandatory Performance Framework.
- Within accounting and valuation firms, only those valuation engagements prepared by the engagement team and signing partner directly responsible for that engagement are subject to the CEIV Quality Monitoring program.
- Within companies and organizations, only those valuations performed by internal preparers for financial statement reporting purposes are subject to the CEIV Quality Monitoring program.

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**29. What if a CEIV credential holder does not have enough valuations performed in compliance under the MPF in a given year – due to personal reasons or the types of engagements (more litigation and tax valuations)?**

- A Quality Monitoring review will take place at the earliest possible time that valuations completed under the MPF are available.

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**30. What are the outputs from the Quality Monitoring reviews?**

- An exception report will be produced from each review which will highlight any areas that require additional substantiation and make recommendations to the CEIV credential holder on the appropriate level of remediation.
- The VPOs will discuss areas that need more attention with designated firm points of contact, when applicable.
- General findings may be shared with all CEIV credential holders in a firm through a collective debrief or with individual CEIV credential holders, as needed.

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**31. How are the grades in the exception reports defined?**

- Following each Quality Monitoring review, an exception report will be issued. Potential grades are as follows:

<b>Report grading</b>	<b>Definition of grading</b>
Good practice with observations	Generally good practice in place demonstrated by quality processes and work performed to produce report.
Observations	Improvements are recommended in order to achieve good practice but findings did not highlight any fundamental issues involving ethics or competency.
Findings noted	Minor ethical or competency issues. Other issues that rise to the level of affecting the credibility of an assignment.
Significant findings noted	Fundamental quality or ethical issues found, professional does not meet the quality needed to remain accredited.

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### 32. What are the potential outcomes of the report grading?

- Potential outcomes of the Quality Monitoring Reviews are as follows:

Report grading	Potential Outcomes
Good practice with observations	Longer interval between reviews due to high quality.
Observations	Recommendations made and agreed actions in place to make necessary improvements. Corrective Education identified.
Findings noted	Recommendations made and agreed actions in place to make necessary improvements.  Formal Reprimand, corrective education, short suspension, payment of costs, follow up review required within six months due to imposed remediation (to be paid for by the CEIV credential holder).
Significant findings noted	Recommendations made.  Sanctions possible including formal reprimand, corrective training, significant suspension, payment of costs, removal from accreditation.  If sanction is less than removal from accreditation, follow up review required within six months due to imposed remediation (to be paid for by the CEIV credential holder).

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### 33. Who will see the exception reports?

- Exception reports will be disseminated to the professional being reviewed or, for firm's that qualify for the hybrid approach, the results of the review will be provided to a designated contact person for that firm.
- Public statement of disciplinary action taken against a credential holder will only take place after due process resulting in revocation of the CEIV credential.
- Clients and regulators are not informed of the results of a review, and they are not explicitly informed of a remediation against a CEIV credential holder. The individuals and firms should be transparent with their clients, as required through firm policy.

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### 34. If necessary, what potential remediation can be imposed?

- Potential remediation includes formal reprimand, corrective training, suspension of CEIV credential, recoupment of related costs, revocation of the CEIV credential, or expulsion from the VPO. Lifetime bans from the CEIV credential would be applicable for significant ethical breaches.

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### **35. Who will be responsible for deciding what remediations are imposed?**

- An Independent Review Panel will receive the review file and ask for representations from the professional under review for any information regarding aggravating or mitigating circumstances. When this information has been incorporated into the review record, the Independent Review Panel will decide what, if any, remediations should be put in place.
- The Independent Review Panel will be made up of a minimum of two independent non-VPO qualified professionals plus two valuation professionals. An independent Chair has casting vote in the case of tie over a decision.
- CEIV credential holders will have the opportunity to appeal the decision of the Independent Review Panel through an Appeals Panel. The Appeals panel will have the same composition of the Independent Review Panel; however, individual panelists may not sit on both the Appeals and Independent Review Panels for the same case.

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### **36. Will the public be notified when of any enforced remediation?**

- The Quality Monitoring process is intended to be remedial as opposed to punitive. The review process is meant to provide feedback to help firms and individuals successfully implement and follow the Mandatory Performance Framework. The public will be notified of the results of panel deliberations for which credential revocation or removal from the profession is the result. Where an individual is removed from the CEIV credential program or expelled from the VPO, the reasons behind this will be made available to other approved VPOs or through other channels as deemed necessary by the VPO that removed the member from the credential program.

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### **37. Can Quality Monitoring results be appealed?**

- Independent appeal is necessary to provide sufficient due process to the CEIV credential holder under inspection. All individuals will have the right to appeal determinations made by the Independent Review Panel to an Appeals Panel made up of different participants. Credential holders will not have the opportunity to appeal the grade of particular review.

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**38. Have the VPOs obtained approval from clients/end users to allow a review of client's confidential information including client provided information, engagement letters, reports, and client studies, etc.?**

- It is expected that firms and credential holders will have discussions with their clients on the implementation of the CEIV credential. Engagement letters need to reflect the ability for VPOs to review work completed under the MPF.

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