

Before the Next Annual Review: A Checklist for Updating Your Checklist

The Division of Examinations' September 14, 2026 [Risk Alert](#) on investment adviser annual compliance reviews describes failures that for the most part are not failures of subject-matter coverage. The advisers the staff criticized had compliance manuals, and some had checklists. What they lacked was a review that ran on time, followed the procedures the firm had written for itself, produced a retrievable record, and made accurate statements about what had been fixed.

Most annual review checklists test subjects. They ask whether fees, custody, marketing and cybersecurity were reviewed. Many do not test the review itself, although doing so is a useful way to find gaps. The questions below are a guide for advisers that have not run that exercise recently, to confirm that the current checklist still works for the next review and to produce a short list of changes where it does not.

Nothing in the Risk Alert or other SEC staff guidance requires a methodical review of the annual review process, and an adviser can comply with Rule 206(4)-7 without it. Tailoring the approach to the topics that the Risk Alert does raise, based on the firm's own business, risks and controls, is entirely appropriate.

The companion post, [Showing Your Work: How SEC Examiners Review the Annual Review](#), discusses the Risk Alert and the new [SEC Exam Handbook](#) in more detail. For advisers that want to go further, including by using fuller versions of the questions below and forms for recording the findings and the resulting changes, please reach out to the authors ([Robert Sutton](#) and [Nathan Schuur](#)) or to your usual Proskauer contact.

1. Preliminary checks

Three questions that can reveal gaps cited by the staff, without a methodical review of the annual review process.

1.1 Write down the period covered by each of the last three reviews, with the covered period's start date and end date, and the review completion date. Is any covered period longer than twelve months, and do the covered periods run continuously without a gap?

1.2 Ask someone who did not assemble the last review report to retrieve the workpapers behind three to five of its specific conclusions. Can they be found quickly, and are the records of the testing performed, the issues identified and the corrective actions recommended kept with the report? (The SEC Exam Handbook says the Commission expects records to be available within 24 hours in most circumstances, although the staff usually allows two weeks for an initial request.)

1.3 Does the checklist name a backup owner and an escalation date if the review is late?

2. What the annual review must cover

The staff criticized policies that designated a topic for annual testing that the review procedures then omitted.

2.1 Search the compliance manual, its policy appendices, any “desktop procedures” and the compliance calendar for every commitment to review, test or assess something annually or periodically. List them. (For advisers that already have such a list, this can be an opportunity to confirm and refresh it as needed.)

2.2 For each commitment on that list, does the checklist cover it? Where a commitment no longer applies or does not currently apply, is the reason written down?

2.3 Does the review cover compliance functions performed by anyone outside the firm, with a named internal owner for each?

2.4 Does the review take into account, and record as instances of non-compliance, issues listed in the compliance incident log during the review period?

2.5 List the business, operational and regulatory changes that occurred during the last completed period. Was each one considered during the review, and was the decision to update, or not update, firm policies or the review procedures recorded?

3. Whether the checklist describes a test

The staff criticized procedures that promised testing and documentation without specifying any test, criterion or standard.

3.1 Does the level of review detail in the procedures match what the firm can actually do every year?

3.2 Take every line of the checklist that uses “review,” “test,” “confirm” or “assess” (or similar). Could a qualified person who did not write the line perform it and reach a documented conclusion without asking anyone what it means, and is there a stated criterion for what counts as a satisfactory result?

3.3 Where an investor-facing provision or disclosure, for example in a private fund’s LPA or PPM or in Form ADV Part 2A, makes a specific operational commitment, does the checklist test both the firm’s policy and its practice against the disclosure? (Fee and expense billing is cited by the staff as an example, but it is not the only context in which this can arise.)

3.4 Does each line that describes a test identify the version of the policy it is testing, and is that version the current one? (If all policies bear the same version or date, it can be stated once up front.)

4. The annual review report, and actions resulting from the annual review

The staff's most pointed criticism was a report stating that remediation had occurred while the issues persisted.

4.1 Does the checklist (or template annual review report) prevent the report from saying that a corrective action was “implemented” or an issue “resolved” or “remediated” unless the evidence is contained or expressly cited in the file?

4.2 For every action following the last review that the report marked as complete, does the file contain or cite the evidence that the action was taken? (The same check applies to any action promised in response to a deficiency letter.)

5. Completing your review of the annual review process

How to record the results

Running through the questions above should give an adviser a list of confirmations and, usually, a shorter list of changes to the annual review checklist, the report contents or the underlying policies. Record the outcome in a short change note, including any revisions made, who approved them, when, and the review period from which they apply. Then load any resulting changes into the compliance calendar, with a target completion date for each follow-up item still left open.