

System Review Report

To Haass, Lindow & Campsey, PC
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Haass, Lindow & Campsey, PC (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2016. 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. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. 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. 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. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*.

We noted the following significant deficiencies during our review:

1. Deficiency-The firm's policies for client acceptance are not appropriately designed. As a result, the firm accepted one audit in an industry (non-carrying broker dealer) in which they did not have adequate expertise nor adequate consultation resources to perform the audit in conformity with professional standards, rendering the engagement nonconforming. Omissions noted included the following:
 - Engagement letter did not include all required verbiage
 - Required communication to those charged with governance regarding responsibility pursuant to PCAOB rules and critical accounting policies
 - References to PCAOB standards and supplementary information in engagement and representation letters
 - Use of current audit programs for general and industry specific procedures; no evidence was found that firm had access to current work programs for this industry
 - Appropriate risk assessments
 - Communication with Audit Committees Concerning Independence report
 - Engagement Quality Control Review as required by PCAOB
 - Representation letter for review engagement of assertions in exemption report
 - Engagement Completion Document
 - Evaluation of Compliance with qualifications of an independent public accountant
 - Evidence that the client did not have a past due PCAOB accounting support fee

The firm has indicated that they will discontinue performance of this engagement in the future. Representation letter issues were noted in firms prior three peer reviews.

Recommendation-We concur with the firm's decision to discontinue performance of this audit based on expertise required to perform only one audit in this industry. Should the firm perform future audits in this industry, however, we recommend that an outside firm with expertise in this industry perform pre-issuance reviews of such.

2. Deficiency-The firm's quality control policies regarding updating audit work programs were not appropriately designed. As a result, on several audits performed pursuant to *Government Auditing Standards* and *Uniform Guidance*, we noted omitted documentation of required audit procedures, rendering the engagements nonconforming, as follows:

- Identification of threats to independence due to providing nonattest services and how these threats were overcome
- Omitted verbiage from audit reports, engagement letters and representation letters
- Consideration of revenue as a fraud risk
- Major program testing of internal controls over compliance and risk of noncompliance
- Consideration of fraud risk and materiality for major programs

The firm has indicated that they will add such documentation to the applicable workpapers for the review year, and will use updated work programs on all future audits.

Recommendation- We concur with the firm's change in policy to require use of current work programs during future audits and recommend that the firm emphasize documentation of all applicable audit procedures during these engagements, with emphasis on documentation of audit procedures required when auditing major programs subject to *Uniform Guidance*. Such documentation should be a point of emphasis during pre-issuance reviews and future annual inspections.

3. Deficiency-The firm's monitoring system is not appropriately designed. As a result, post-issuance engagement reviews performed by the firm as part of its annual inspections of quality control since its last peer review did not detect any findings, which does not parallel the results of our review. Had adequate post-issuance engagement reviews been performed, many of the findings we identified during our review may have been detected and corrected prior to our review.

Recommendation-The firm should revise its policy in this area to consider retaining the services of an outside firm to perform its post-issuance engagement reviews in an effort to increase objectivity. Another firm could be hired during interim years to perform these reviews, or the firm may want to consider joining a practice management group of firms and trading annual inspection hours with the group.

In our opinion, as a result of the significant deficiencies previously described, the system of quality control for the accounting and auditing practice of Haass, Lindow & Campsey, PC applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2016, was not suitably designed or complied 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*. Haass, Lindow & Campsey, PC has received a peer review rating of *fail*.

Dennis Kinard & Co., PC
Certified Public Accountants

June 14, 2016