

Report on the Firm's System of Quality Control

February 21, 2020

To the Members of Turner, Warren, Hwang & Conrad AC
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Turner, Warren, Hwang & Conrad AC (the firm) in effect for the year ended June 30, 2019. 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 (Standards). A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

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. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

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.

Required Selections and Considerations

Engagements selected for review included an engagement performed under *Government Auditing Standards*, and audits of employee benefit plans.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Deficiencies Identified in the Firm's System of Quality Control

We noted the following deficiencies during our review:

1. The firm did not comply with its quality control policies and procedures regarding engagement performance to provide reasonable assurance that engagements are consistently performed in accordance with professional standards. The firm's quality control policies and procedures require a careful review of all audit documentation. In two audit engagements a careful review did not occur. As a result, in a first-year employee benefit plan audit, the firm failed to properly audit beginning balances including testing of prior periods. In another audit engagement, firm personnel did not assess risk at the relevant assertion level, did not specifically identify journal entries tested and failed to document controls over payroll. In our opinion these two engagements did not conform to professional standards in all material respects.

2. The firm did not comply with its quality control policies and procedures regarding engagement performance to provide reasonable assurance that engagements are consistently performed in accordance with professional standards. The firm's quality control policies and procedures require consulting with the firm's practice aids and professional standards. In several instances, this consultation did not occur or was not carefully done. As a result, in an audit subject to *Government Auditing Standards* the audit documentation did not identify financial statement preparation as a nonaudit service that creates a significant threat to independence or the safeguard(s) in place to mitigate that threat. In two other nonaudit attest engagements, the accountant did not communicate the nonattest service to be provided to the client or state what management's responsibilities were with regard to those services and in one of those engagements the accountant did not evaluate whether the performance of multiple nonattest services in the aggregate created a significant threat to independence. In our opinion the audit engagement subject to *Government Auditing Standards* did not conform to professional standards in all material respects.

Opinion

In our opinion, except for the deficiencies previously described, the system of quality control for the accounting and auditing practice of Turner, Warren, Hwang & Conrad AC in effect for the year ended June 30, 2019, has been suitably designed and 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*. Turner, Warren, Hwang & Conrad AC has received a peer review rating of *pass with deficiencies*.


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