

## **Report on the Firm's System of Quality Control**

June 20, 2019

To the Owners of Davis, Gates & Alward, CPAs  
and the New England Peer Review Inc.

We have reviewed the system of quality control for the accounting and auditing practice of Davis, Gates & Alward, CPAs (the firm) in effect for the year ended December 31, 2018. 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.aipcp.org/prsummary](http://www.aipcp.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 *Governmental Auditing Standards* including a compliance audit under the Single Audit Act.

As 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's quality control policies and procedures regarding engagement performance and monitoring have not been suitably designed or complied with to provide reasonable assurance that audit engagements are consistently performed in accordance with professional standards. During our review, we noted several incomplete and missing reporting disclosures and required supplemental schedules in the governmental audit engagements. We also noted that the firm did not complete certain necessary testing and evaluation procedures relating to new pension standards, which were required for a governmental audit engagement. Additionally, during our review in a governmental audit engagement we noted that the firm completed substantive procedures subsequent to the report release date.
2. The firm's quality control policies and procedures regarding monitoring have not been complied with. Firm quality control policy requires that all professionals who are team members assigned to audit engagements performed under *Government Auditing Standards* meet the required CPE standards. During our review, we noted that a professional team member assigned to an audit engagement performed under *Government Auditing Standards* did not meet the 24- and 80- hour continuing professional education requirements of the Yellow Book. While all professional team members who worked on audit engagements performed under *Government Auditing Standards* met the 24-hour Yellow Book requirement, one professional team member was several hours short of the 80-hour accounting and auditing requirement. The deficiency results in non-conforming engagements performed in accordance with *Government Auditing Standards*. This deficiency was noted in the firm's previous peer review.
3. The firm's quality control policies and procedures regarding engagement performance and monitoring of audits under *Government Auditing Standards* including a compliance audit under the Single Audit Act, have not been suitably designed, complied with or documented to provide reasonable assurance that such engagements are performed in accordance with professional standards and regulatory requirements. During our review of an audit performed under *Government Auditing Standards* and the Single Audit Act, we noted that the firm's compliance testing of certain direct and material compliance requirements for a major program was incomplete and lacked proper use of sampling and a conclusion. We also noted that the firm's documentation of internal control over compliance related to each direct and material compliance requirement was not comprehensive or customized for the applicable major program. Additionally, during our review of an audit performed under *Government Auditing Standards* and the Single Audit Act, we noted that the firm did not

complete or document separate risk assessments over several financial statement areas that were relevant to the engagement.

### **Opinion**

In our opinion, except for the deficiencies previously described, the system of the quality control for the accounting and auditing practice of Davis, Gates & Alward, CPAs in effect for the year ended December 31, 2018, 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*. Davis, Gates & Alward, CPAs has received a peer review rating of *pass with deficiencies*.

*Vashon Clukay & Company PC*