



Report on the Firm's System of Quality Control

September 12, 2022

To the Partners of Diehl, Banwart, Bolton, CPA's P.A.
and the Peer Review Committee of the Oklahoma Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Diehl, Banwart, Bolton, CPA's P.A. (the firm) in effect for the year ended March 31, 2022. 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 on 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 and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of 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 on in conformity with the requirements of the applicable 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 and compliance with the firm's system of quality control based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits 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 human resources are not sufficient to provide reasonable assurance that its personnel will have the competence necessary to perform engagements in accordance with professional and regulatory requirements. While the

firm's personnel did obtain continuing professional education, the courses taken did not provide them with sufficient knowledge of certain standards.

- a. In the area of audit engagement planning, evaluation of certain matters did not always comply with professional standards. In some cases, overreliance was placed on practice aids without a sufficient understanding of the underlying standards. On an audit of a local government, the sample size for control testing did not support the low level of control risk utilized in the risk assessment. On audits performed in accordance with *Government Auditing Standards*, 1) the firm did not consider controls over preparation of the Schedule of Expenditures of Federal Awards (SEFA), and 2) on compliance audits under the Single Audit Act reviewed, controls over compliance were not consistently evaluated appropriately and, in one instance, compliance requirements identified in the audit documentation were not the same as those in the compliance supplement.
- b. The firm was aware of the new revenue recognition standards but incorrectly concluded that such standards did not apply to certain industries for which the firm conducts audit, review, and compilation engagements. As a result, the firm failed to evaluate whether revenue had been recognized in accordance with those standards in industries with revenues from contracts with customers.

In our opinion, these matters contributed to audit, review and compilation engagements that were not performed in accordance with professional standards in all material respects, one of which was performed under *Government Auditing Standards*.

2. The firm's quality control policies and procedures related to its monitoring function were not complied with to provide the firm with reasonable assurance that engagements are consistently performed in accordance with professional standards. The firm's system of quality control states that monitoring procedures will be performed to assure compliance with professional standards. Procedures should be sufficiently comprehensive to identify instances of nonconformity with professional standards or the firm's quality control policies and procedures. However, the firm's monitoring procedures did not note or address findings similar to those described above. As a result, none of the deficiencies noted in our peer review were detected during monitoring procedures and, therefore, were not corrected in a timely manner.

Opinion

In our opinion, except for the deficiencies previously described, the system of quality control for the accounting and auditing practice of Diehl, Banwart, Bolton, CPA's P.A. in effect for the year ended March 31, 2022, 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*. Diehl, Banwart, Bolton, CPA's P.A. has received a peer review rating of *pass with deficiencies*.

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