

ROBERT M. THAGGARD, Certified Public Accountant

System Review Report

To the Owner of Brad Cage, CPA
and the Peer Review Committee of the
California Society of Certified Public Accountants

I have reviewed the system of quality control for the accounting and auditing practice of Brad Cage, CPA (the firm) in effect for the year ended June 30, 2015. My 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 my peer review, I considered reviews by regulatory entities, if applicable, in determining the nature and extent of my 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. My responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on my 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*.

I noted the following deficiency during my review:

Deficiency — The firm's quality control policies and procedures require the maintenance of a professional library, however, the firm did not properly consult and utilize the reference materials and practice aids to which it subscribes. As a result, on an audit engagement performed under OMB Circular A-133, most areas of compliance risk assessment were not adequately documented in accordance with professional standards. There was no documentation of grant agreements, no documentation of the understanding of internal control over compliance, inadequate documentation of the testing of internal controls, no documentation of fraud and subsequent events as they relate to compliance. There was indication in the workpapers that the client had not followed Federal procedures for procurement, suspension and debarment but this matter was not included as a finding in the schedule of findings and questioned costs. The firm intends to correct these matters in the subsequent engagement of this client, which is imminent.

Recommendation — The firm's quality control policies and procedures should be revised to ensure that all procedures required by professional standards are adequately documented in the work papers. The firm should review the documentation standards for engagements performed under *Government Auditing Standards*. The firm should also consider using the third-party practice aids available in the firm's library in order to accomplish this step. Finally, the firm might add a step to its preliminary review checklist to ensure that the documentation required for the areas noted in the above finding are complete.

In my opinion, except for the deficiency previously described, the system of quality control for the accounting and auditing practice of Brad Cage, CPA in effect for the year ended June 30, 2015, 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*. Brad Cage, CPA has received a peer review rating of *pass with deficiency*.



Robert M. Thaggard, CPA
October 30, 2015