

Report on the Firm's System of Quality Control

May 30, 2019

To the Member of B. Dane Byers, CPA, PLLC and the Peer Review Committee of the North Carolina Association of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of **B. Dane Byers, CPA, PLLC** in effect for the year ended November 30, 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 the 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*, including a compliance audit under the Single Audit Act.

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.

Significant Deficiencies Identified in the Firm's System of Quality Control

We noted the following significant deficiencies during our review:

1. The firm's quality control policies and procedures covering criteria for engagement control reviews needs to be revised to give the owner of the firm the ability to comply with professional standards and its quality control document regarding documentation and performance of audit procedures. The lack of an appropriate criteria contributed to a non-profit single audit engagement and a for-profit franchisor audit engagement not to conform to professional standards in all material respects as outlined in item 2.
2. The firm's quality control policies and procedures require that all audit procedures be performed and adequately documented prior to the issuance of the auditors' report and financial statements. During our review of a non-profit single audit engagement, the planning documentation lacked discussion of IT controls, control risk was assessed at below high without the corresponding test of controls, understanding of the process and controls regarding receivables and revenues and the reason for the entity not to be classified as a health and welfare organization. The sampling documentation did not utilize the firm's third-party practice aids regarding determination of sample size or results of the sample. There were no expectations developed or documented and analytical variances were not adequately explained. The single audit work papers lacked proper documentation covering internal control procedures of material and direct compliance requirements utilizing the COSO framework and control risk assessed as moderate on a direct and material compliance requirement for a major program without reporting a corresponding reportable condition or material weakness. The compliance supplement supporting the compliance testing done on major programs was blank and not completed. There was no documentation reconciling amounts reported in the SEFA schedule to the financial statements. During our review of an initial for-profit franchisor audit engagement, the firm did not document its compliance with independence requirements and did not identify the preparation of financial statements as a non-attest service in the engagement letter. There was a lack of documentation regarding procedures covering a first-year audit engagement, planning regarding IT controls, franchise revenue recognition policy, and testing of material intangible asset and expense balances. The franchise revenue recognition policy was not disclosed in the notes to the financial statements. The above lack of documentation of audit procedures, contributed to both audit engagements not to be performed in accordance with professional standards in all material respects.

Opinion

In our opinion, as a result of the significant deficiencies previously described, the system of quality control for the accounting and auditing practice of **B. Dane Byers, CPA, PLLC** in effect for the year ended November 30, 2018, was not suitably designed or complied with to provide the firm with reasonable assurance of performing or reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. **B. Dane Byers, CPA, PLLC** has received a peer review rating of *fail*.

Ray, Bumgarner, Kingshill & Assoc., P.A.