



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

June 29, 2023

To the Shareholder of  
Johnston & Ahlschwede PC  
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 Johnston & Ahlschwede PC (the firm) in effect for the year ended June 30, 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](http://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 audits performed in accordance with *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 related to engagement performance, specifically the correct utilization of quality control materials including professional standards, audit guides and practice aids, do not provide the firm with reasonable assurance that engagements are being performed in accordance with applicable professional standards. During our review we discovered the following:
  - a) On an agreed upon procedures engagement, the firm did not secure a representation letter.
  - b) During the planning stages of two audits, the firm did not assess audit risk at the assertion level for accounts or transaction classes deemed significant, did not perform tests of control as a basis for assessing control risk at less than high, and did not document linkage to audit procedures after performing their overall risk assessment.
  - c) The firm used audit programs that were independent of their designated practice aids and that did not link procedures performed in the program to financial statement assertions of the accounts being audited.
  - d) When using sampling procedures on two audits, the firm did not always document critical sampling elements, including characteristics of the population, whether sample size was sufficient to reduce sampling risk to an acceptably low level, how the sample was representative of the population, what items would be considered errors or misstatements and did not always document conclusions it reached as a result of the procedures.
  - e) On an audit performed in accordance with Uniform Guidance, the firm did not document its assessment of how it determined that two Type A programs were deemed to be low risk.

In our opinion, the significant deficiency previously described contributed to two government audits and an agreed upon procedures engagement that did not conform to professional standards in all material respects.

- 2) The firm's quality control policies and procedures regarding monitoring do not provide it with reasonable assurance that engagements are consistently performed in accordance with professional standards. Procedures should be sufficiently comprehensive to identify instances of nonconformity with professional standards. The firm did not effectively perform such procedures and the result was that the firm's monitoring procedures did not identify findings similar to those noted above, and thus they were not detected and corrected in a timely manner.

## 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 Johnston & Ahlschwede PC in effect for the year ended June 30, 2022 was not suitably designed or 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*. Johnston & Ahlschwede PC has received a peer review rating of *fail*.

*HBC CPAs & Advisors*

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