

Lilling & Company LLP

Certified Public Accountants

Report on the Firm's System of Quality Control

April 16, 2019

To the Owner of Tyrone Anthony Sellers, CPA and the Peer Review Committee of the Pennsylvania Institute of Certified Public Accountants.

We have reviewed the system of quality control for the accounting and auditing practice of Tyrone Anthony Sellers, CPA (the firm) in effect for the year ended May 31, 2017. 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 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.

Required Selections and Considerations

Engagements selected for review included an audit of an employee benefit plan and an engagement performed under *Government Auditing Standards*.

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 do not provide reasonable assurance that the firm will comply with applicable professional standards and will issue reports that are appropriate in the circumstances, as a result of the following significant deficiencies:

- a. The firm's policies and procedures for leadership responsibilities for quality within the firm were not complied with as the firm on its original peer review did not notify the Peer Review Administrators or its peer reviewers of the full extent of its audit practice as an employee benefit plan audit not originally listed by the firm was identified by an American Institute of CPA's matching program resulting in noncompliance with AICPA Peer Review Standards. In addition, the firm has not complied with its system of quality control which resulted in the other significant deficiencies noted in the review including a repeat finding noted below.
- b. The firm's policies and procedures for relevant ethical requirements were not adhered to as the firm professionals did not adequately document its consideration of all threats to independence on the government engagement submitted for review.
- c. The firm's policies and procedures for engagement performance were not followed as the firm used outdated, non-peer reviewed quality control material and did not consider the impact on its engagements. In addition, the firm's policies and procedures for engagement performance were inadequate as the firm does not require the use of a financial statement preparation checklist.
- d. The firm's policies and procedures for human resources were not observed as firm's professionals did not obtain appropriate continuing professional education for employee benefit plans. A similar matter related to continuing professional education was noted on the firm's prior review.

In our opinion, the significant deficiencies described previously contributed to the firm issuing three audits where the engagements did not conform to professional standards in all material respects as follows:

- i. On a HUD audit subject to government auditing standards, the documentation did not comply with professional standards in all material respects including not complying with independence standards related to significant threats, not addressing all internal control systems, compliance testing variances not being resolved, inadequate sample sizes and engagement communication not addressing government compliance issues. Firm did not record their rationale for inherent and control risk being assessed below maximum, did not assess risks by assertion and did not adequately test revenue, accounts receivable, security deposits and marketable securities.
- ii. On an employee benefit plan audit, the documentation and financial statement disclosures did not comply with professional standards in all material respects. Documentation matters include not considering participant's accounts and activity, not testing marketable securities and related income and not considering the System and Organizations Controls Report ("SOC 1"). The firm's risk assessment did not consider all internal control systems, or their rationale for inherent and control risk being

assessed below maximum and did not assess risks by assertion. Financial statements did not disclose all relevant plan information, significant accounting policies, and fair value measurements and the supporting schedule of assets was not in the appropriate format.

- iii. On a not-for-profit audit, the documentation did not conform to professional standards in all material respects as the firm did not record their rationale for inherent and control risk being assessed below maximum and did not assess risks by assertion.
2. Firm did not comply with its policies and procedures related to monitoring as the firm did not adequately document the extent of its inspection of engagements as the firm's internally prepared monitoring practice aids were inadequate. A similar matter was noted on the firm's prior review.

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 Tyrone Anthony Sellers, CPA in effect for the year ended May 31, 2017, 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*. Tyrone Anthony Sellers, CPA has received a peer review rating of *fail*.



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