



October 31, 2018

To the Peer Review Committee of the  
California Society of Certified Public Accountants

This letter serves as my response to the report issued in connection with the peer review of my firm's system of quality control for the year ended November 30, 2017. I am committed to providing clear, consistent, and frequent actions and messages that detail my firm's commitment to quality. The remedial actions discussed in this letter will be implemented and monitored to ensure that actions are effectively implemented as part of my system of quality control.

I have implemented the following practices which will be continued:

1. Practice aids – I will continue to use PPC's practice aids for Limited-Scope Audits of Standard 401(k) Plans (2/18) to document audit planning and procedures performed and to ensure professional competency for undertaking of new or existing engagements.
2. Audit guidance – I will continue to subscribe to the AICPA's online version of the Audit and Accounting Guide for Employee Benefit Plans.
3. Outside review – continue to contract with a firm that is a member of the AICPA's Employee Benefit Plan Audit Quality Center and with considerable audit experience to perform a pre-issuance review of any attest engagement, or portion of any engagement as determined necessary, to provide the highest quality service on each engagement.

In addition, I will:

4. Hire additional personnel or contract with outside resources to provide additional expertise during the performance of certain aspects of engagements such as the assessment of IT controls. Such staff or outside resources will possess the skill, knowledge, and experience to complement the firm's talents and assist the firm in properly preparing for and conducting each engagement.
5. Join the AICPA's Employee Benefit Plan Audit Quality Center and adhere to the Center's membership requirements, and will take advantage of the exclusive education and tools offered by the Center.

The following grid section includes my response and remediation plan to address the deficiencies noted in the report.

Sincerely and respectfully,

Randall L. Brookshier  
Randall Brookshier CPA, PLLC

	Identified deficiency	Reviewer's Reference	Auditor's response	WP Reference	Auditor's Conclusion	Action taken to remediate non-conformance	Action taken to remediate deficiency in firm's system of quality control
a	Working papers did not provide sufficient documentation of the auditors understanding of relevant controls, evaluation of the design of relevant controls and whether they have been implanted by performing procedures in addition to inquiry of personnel.	AU-C 315.13-14; AU-C 315.28.30; AU-C 315.33; AAGEBP 406.11	The auditor did not rely on inquiry alone. An understanding of both sponsor level controls and, importantly, custodian level controls, was obtained and a determination of relevant (key) controls and observation of those controls was made. Due to changes in sponsor personnel and change in payroll providers, control risk was set to high on sponsor-level transactions, and tests of controls, when present, were engendered within the substantive testing. Custodian level controls were assessed and key compensating controls were also observed. However, the auditor agrees that documentation needs to be strengthened to comply with the requirements under AU-C 240.	Observation was documented at 1300.00 LSA-AP-1 Step 8 d memo field. Observation was also documented at 1312.00 LSA CX-4_1, item 15, and 1390.10 LSA-CX-4_4, item VIII part a, as well as mention of key compensating controls included in 1390.20.	It is my practice to place additional, more detailed, descriptions of sponsor-level controls and my observations of those controls in the workpapers. These memos were omitted for this audit as I determined that, other than reliance on controls at custodian and the compensating control of review by the TPA and management, I would not be relying on controls or a corresponding test of controls. The observations of controls noted in WP Reference column are incomplete as noted in the response column.	The following actions were taken: I hired contract staff with an extensive background and experience in internal control assessment, including IT controls. The memos regarding the design and implementation of sponsor level controls, and my observations of those controls will be added to the file along the documentation provided by the contract staff. This additional work was conducted in conjunction with expanded audit procedures during the current year's audit. Any further procedures determined to be necessary for this year will be completed in November 2018.	The firm's quality control policies and procedures were not ideal and have been enhanced. Also, adherence to the firm's policies and procedures governing workpaper practices will be more closely self-monitored to ensure compliance. Workpaper standards for substantive testing will include the requirement to add documentation related to testing of controls, where such controls are deemed relevant and necessary to support the audit conclusion.
b	The auditor did not document the team discussion concerning the susceptibility of the financial statements to material misstatements due to fraud or error.	AU-C 240.15; AU-C 240.43; AU-C 315.11; AU-C 315.33a; AU-C 315.A23	AU-C 230.A19 states that "... in the case of an audit in which the engagement partner performs all the audit work, the documentation will non include matters that might have to be documented solely to inform or instruct members of an engagement team, or to provide evidence of review by other members of a the team (for example, <i>there will be no matters to document relating to team discussions or supervision</i> )." [emphasis added]	AU-C 240.15 is addressed at 1311.00 LSA-CX-3_1, 1410.00 SAS 99 Form (401k); and 1405.00 CX 7.1 Risk Assessment Summary (substitute) - column E specifically address whether the auditor considered the area to contain either a significant risk, fraud risk, or both. Tab 2 of this workpaper specifically addresses fraud risk related to revenue recognition and/or management override of controls. These workpapers also address the auditor's responsibility under AU-C 315.A23. (ref AU-C 315.05)	The workpapers contain sufficient documentation to support the auditor's consideration of misstatement due to fraud or error. In addition, 1311.00 LSA CX-3_1, item 32 and 1300.00 LSA-AP-1, workprogram step 8b (comment in the memo field) specifically address the auditor's conclusion resulting from this work. The work program step (8b) was marked NCN (not considered necessary) relating to the team discussion documentation and not N/A as if the requirement were not applicable.	No action is necessary; however, it is my practice to use PPC's LSA- CX2_2 team discussion practice aid, when applicable, and the considerations listed in this practice aid are easily transferrable to tab 2 of my substitute CX-7.1 (Risk Assessment Summary) form. This template can be adapted to include this additional documentation when a team is not involved.	No change is necessary in the system of quality control. No deficiency is present.
c	The auditor did not properly identify risks and controls associated with the role of IT - other than those discussed in the SOC report. The auditor did not properly identify and document the linkage between further audit procedures (test of controls, substantive procedures, or both) and the IT risk assessment.	AAGEBP 4.06 and AU-C 330	The auditor determined that sponsor level IT controls were not a significant risk and had no impact on the planned approach. Tests of controls were not to be relied upon to reduce the extent of substantive testing (subject to inquiry and limited observation only). The use of an IT specialist was deemed unnecessary. However, IT controls at the custodian level were assessed for potential significance and those areas deemed to have a key control were noted during the procedures over the SOC Report.	The sponsor level determination was made at LSA CX-4_1, item 13. and custodian level at LSA-CX 4_4. For the SOC report deviations noted at workpaper 1390.20, it was unclear as to the source of the deviation - IT or human error. For each control deemed relevant and significant (key control), I documented a response if a deviation were noted. If no deviations were noted in the SOC report, no linkage was deemed necessary. For example, pages 50, 53, 56, 66, 67, 70 and 72 contain auditor notations regarding this assessment with a specific linkage example noted on page 50.  The key control of password protection of relevant systems was observed, including two-step (multi-factor authentication), but not properly documented. Limited documentation is present at 9951.00 and 9952.00.	Documentation indicates that sponsor level IT risks and therefore and IT controls were deemed to not significantly impact the planned audit approach or procedures performed. In the case of the SOC deficiency noted - linkage to procedures is documented. However, the auditor agrees that two key sponsor level compensating controls are not well documented: 1) password and multi-factor authentication of system access to the custodian's website, password access to sponsor software and related systems (HR and payroll), both of which were present and observed as noted above, and 2) the key control of oversight (monitoring of the custodian) performed by both the sponsor and TPA.  Control was observed, but not well documented. No impact on planned procedures, or conclusions reached.	The following actions were taken: I hired contract staff with an extensive background and experience in internal control assessment, including IT controls. The memos regarding the design and implementation of sponsor level controls, and my observations of those controls will be added to the file along the documentation provided by the contract staff. This additional work was conducted in conjunction with expanded audit procedures during the current year's audit. Any further procedures determined to be necessary for this year will be completed in November 2018.  As noted above, the addition of a outside resource to assist in addressing this requirement was implemented.	The firm's quality control policies and procedures were not ideal and have been enhanced. Also, adherence to the firm's policies and procedures governing workpaper practices will be more closely self-monitored to ensure compliance. Workpaper standards for substantive testing will include the requirement to add documentation related to testing of controls, where such controls are deemed relevant and necessary to support the audit conclusion.  The use of an IT specialist will be required or additional training in IT controls will be necessary for engagements where IT controls are considered relevant and control risk for areas impacted by key controls is set to less than high.
d	The auditor used the SOC report to justify a reduction in control risk. However, the auditor did not complete the required procedures to do so - specifically, the auditor did not test the complementary user entity controls.	AAGEBP 4.26	I should not have set the related control risk for benefit payments to Moderate - this is an error. An assessed control risk at High would not alter my audit approach. Sample size was not reduced based on the assessment of control risk. As noted above, the sponsor level compensating control of monitoring of the custodian's activity (key control) by both sponsor personnel the outside TPA was observed, but not well documented. The sponsor's control over benefit payments (the receipt and processing of the participant's benefit distribution request), was not well documented.	The testing of benefit payments contained sufficient documentary evidence derived from the participants' files to allow conclusion on this area without reliance on the control or corresponding test of controls to reduce the extent of substantive testing. Workpaper 7206.00 LSA-CX8_1 Extent of Substantive Procedures did not reference reliance on the SOC to reduce the sample size. The audit procedures at 7201.10 indicate that transactions covering 85% of the account balance were tested.	This is a documentation error.	Correct the assessment of control risk on CX 7.1 - setting control risk to high. Clearly document the observation of the compensating control as noted in matter a above. Add the documentation on sponsor's processes as noted above.	The firm's system of quality control is adequate; however, adherence to workpaper practices will be more closely self-monitored to ensure compliance. The firm's workpaper standards for substantive testing will include the requirement to add documentation related to testing of controls whenever beneficial.

	Identified deficiency	Reviewer's Reference	Auditor's response	WP Reference	Auditor's Conclusion	Action taken to remediate non-conformance	Action taken to remediate deficiency in firm's system of quality control
e	The auditor did not apply appropriate procedures to determine whether contributions are being credited to the proper participant accounts investments.	AAGEBP 5.210 d-e	The procedures identified by the peer reviewer are example procedures provided by the A&A guide and are labeled as "Example Audit Procedures to Consider". As such, these procedures are not presumptively mandatory requirements. Procedures over participant account balances were conducted on both the 2016 and 2015 (opening balance) years. Certain procedures were not well documented and documentation of those procedures needs to be enhanced.	Participant account activity not subject to testing at other workpapers was tested at 6101.00 (Net assets available to participants \ participant accounts \ 6101.00 Plan Administrator Full Report.)	Workpaper 6101.00 is more appropriately titled Plan Custodian Full Report and the documentation of procedures applied to participant accounts needs to be enhanced to more clearly indicate work performed, especially in relation to the testing that resulted in the noted potential exceptions and the resolution of those exceptions. Documentation of additional participant account testing performed needs to be added to the full participant account balance report at 2900.05, including work to validate the history of the most significant account balances.	Enhance the documentation to clearly indicate the additional procedures performed and resolution of potentially unusual items.	The system of quality control is adequate, but will be enhanced. Adherence to the firm's workpaper practices will be more closely self-monitored to ensure compliance. Workpaper standards for substantive testing will include the requirement to add documentation related to testing of controls whenever beneficial.
f	The auditor did not test that the compensation used to determine contributions was in compliance with the plan document.	AAGEBP 5.238g and 5.242	Audit procedures conducted during the detailed test of payroll and the testing of the census did not reflect the work performed related to this item.	The plan document definition of compensation is not complex; however, payroll testing at 7701.00 indicated a potential exception to gross pay in view of the definition. The potential exception was resolved upon further investigation. The disposition of this matter as noted in item D in on workpaper 7701.00 needs to be modified to more clearly indicate that the nature of the exception also related to the definition of compensation. Workpaper 7702.10 Census Worksheet should include the resolution of the question of the application of deferrals and employer match to Holiday bonuses that was encountered during this work.	These are documentation errors and omissions needing correction.	The explanation and resolution of the unusual pay item at workpaper 7701.00 and potential exception will be enhanced. This workpaper needs to include a tickmark indicating the testing over compensation and this tickmark will be added. The resolution of the application of deferrals to the annual bonus will be documented at workpaper 7702.10.	The system of quality control is adequate, but will be enhanced. Adherence to workpaper practices will be more closely self-monitored to ensure compliance.
g	There is no evidence for the inspection and compliance of contracts with service providers.	AU-C 501.16 ; AAGEBP 5.06	AU-C 501.16 concerns the auditor's responsibility regarding contingencies and commitments, with .16 specifically addressing contingencies arising from litigation, claims or assessments. The A&A guide section discusses the various roles and responsibilities of the parties involved in the plan, for this audit the TPA (Campbell Albrecht) and the custodian (John Hancock). The plan sponsor could not locate these agreements at the time of audit. My discussions with personnel at John Hancock, and Campbell Albrecht, as well as the plan sponsor led me to conclude that there was unlikely to be a matter requiring recording or disclosure in the financial statements related to these agreements.	Procedures relating to potential contingencies, including litigation, claims and assessments, are documented at workpaper 1100.00 LSA - AP2 and 1100.10 LSA AP-2a, as well as at 5100.00 LSA-AP-15 for accounts payable and accrued expenses and 7300.00 LSA-AP 17 operating and administrative expenses. My understanding of the roles and responsibilities for the TPA and custodian is documented at 1311.00 LSA CX-3_1 and 1312.00 LSA CX-4_1. That the plan did not need or employ legal counsel is specifically documented at 5100.00 LSA AP-15, Step 1c. Management's representation letter at 2400 includes the appropriate representation related to AU-C 501.16.	There is no presumptively mandatory requirement that these contracts be specifically inspected or that such inspection be documented beyond the procedures indicated in the workpapers referenced to the left. However, it is my practice to include such contracts in my permanent workpaper file section and I will sometimes use such agreements to recompute the amount of fees charged by the service providers. My section for these papers for the 2016 audit should have contained a memo indicating my assessment that there was no impact on the audit resulting from the sponsor's inability to locate these items. Based on work performed, there is no deficiency present related to AU-C 501.16. Testing of fees charged is documented at 7300.10.	Copies of the contracts were obtained and reviewed and, as indicated, were determined to have no impact on the audit.	The system of quality control is adequate, but will be enhanced. Adherence to workpaper practices will be more closely self-monitored to ensure compliance. Future documentation will be enhanced to be certain the documentation indicates the procedures performed so that an experienced auditor with no previous connection with the audit will understand the nature, timing, and extent of the procedures performed, the procedures results, any significant findings or issues identified, the conclusions reached and any significant professional judgments.
h	Opening balance testing was inadequate for an initial audit of the plan. There was too much reliance on the SOC 1 and the investment certification.	AAGEBP 2.134 - 2.142	The standards for initial audits are contained principally in AU-C 510. As AAGEBP 2.138 so adeptly explains "The nature and extent of auditing procedures performed by the auditor are a matter of judgment..." An attempt to usurp the auditor's role and supplant the auditor's judgement is inconsistent with the purpose of a system review, but understandable when confronted with a potentially non-conforming engagement.	Initial plan balances were determined to be properly brought forward at WP 3102.00 and 4102.00 and the 2015 comparative balances presented were audited within the limited scope requirements, including obtaining the certification of values and assessing the SOC report. Given plan's inception in 2014, the relatively low number of participants, and the significance of certain participant accounts, appropriate procedures were conducted. These procedures are documented throughout the workpapers and demonstrate auditing of the 2015 balances. The investment certification was not relied upon solely in relation to net the net assets available to participants (participant accounts) and procedures on significant participant balances were conducted related to the history of the largest balances.	There was proper reliance on the SOC certification, however additional documentation related to the compensating controls at the sponsor level needs to be added to the workpapers as noted above. In consultation with the outside resource and upon additional consideration of this item, I determined that the completeness assertion related to participant accounts, specifically participant participation (lack thereof) of employees terminated during the agency's contraction could use additional support (potential omitted procedure). The 2015 SOC report was removed from the workpapers in error.	Additional testing of employees terminated in the prior year was conducted in conjunction with the current year audit. Additional documentation clarifying the intent of certain procedures performed and noting that the procedure addresses the opening balance requirement will be added. The 2015 SOC report along with the auditor notations will be added to the workpaper file.	The system of quality control is adequate, but will be enhanced. Adherence to workpaper practices will be more closely self-monitored to ensure compliance. Future documentation will be enhanced to be certain the documentation indicates the procedures performed so that an experienced auditor with no previous connection with the audit will understand the nature, timing, and extent of the procedures performed, the procedures results, any significant findings or issues identified, the conclusions reached and any significant professional judgments.
j	This was the initial audit for the financial statements. Because comparative financial statements are required, the 2015 statement of net assets available for benefits should have been compiled. The 2015 statement of net assets available for benefits was not audited. The report indicated that both 2015 and 2016 was audited. The report should have indicated a compilation on 2015 and audit of 2016.	AAGEBP 2.134 - 2.142	The auditor was engaged, performed specific procedures and reported appropriately on the financial statements. Appropriate changes to the management representation letter were made to support this conclusion. As noted above, the work was properly planned, and procedures performed to allow reporting on the 2015 comparative statement of net assets.	Workpaper 2400 is the appropriately modified representation letter. Documentation of 2015 audit procedures are noted throughout the workpapers.	The report is correct as issued.	The remedial actions noted above will enhance the auditor's position that the report is correct.	No change is necessary in the system of quality control. No deficiency is present.