
System Review Report

To the owner of R.J. Schwartzers & Associates, P.C.
and the Peer Review Committee of the Illinois CPA Society.

I have reviewed the system of quality control for the accounting and auditing practice R.J. Schwartzers & Associates, P.C. (the firm) in effect for the year ended August 31, 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 subject to *Government Auditing Standards*.

I noted the following deficiencies during my review:

Deficiency-The firm's quality control policies and procedures do not provide its personnel with a means of ensuring that all necessary planning procedures are performed on not for profit audit engagements. As a result, the firm's audit working papers did not include documentation of all procedures required by professional standards, in particular relating to planning, performing analytic procedures, risk assessment including assessment of risk of fraud. The report did not address the required three classes of net assets required in not for profit reporting. The firm did not utilize appropriate programs and practice aids in the not for profit engagement reviewed. The firm did not render the not for profit auditor report in accordance with the audit clarity standards. A similar finding was noted in the prior review. Additionally, the firm did not attend and complete appropriate industry specific continuing education for not for profit engagements. Based on these matters, the not for profit engagement was deemed to not have been performed in conformity with applicable professional standards in all material respects.

Recommendation- The firm should purchase appropriate practice aids specific to not for profit engagements, attend continuing education specific to not for profit engagements. The firm indicated in its letter of response that they have purchased appropriate industry specific practice aids, and plans to take appropriate general audit continuing education in audit planning, performance, documentation and reporting specific to not for profit audit engagements.

Deficiency—The firm's quality control policies and procedures do not require as part of their monitoring policy monitoring of all elements of quality control. The firm in its monitoring procedures focused on engagement inspection only, and did not consider the other elements of quality control, including an engagement quality control review. Additionally, the firm did not select an adequate cross section of firm engagements, including a not for profit engagement. A similar finding was noted in the prior review.

Recommendation—The firm should select an adequate cross section of engagements for monitoring including not for profit engagements. The firm should also monitor all elements of their system of quality control, and not limit the monitoring to inspection of engagements only. The owner should consider attending continuing education on implementing an effective monitoring program.

In my opinion, except for the deficiencies previously described, the system of quality control for the accounting and auditing practice of R.J. Schwartzers & Associates, P.C. in effect for the year ended August 31, 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*. R.J. Schwartzers & Associates, P.C. has received a peer review rating of *pass with deficiencies*.

A handwritten signature in cursive script that reads "Arthur S. Gunn, CPA". The signature is written in dark ink and is positioned above the typed name and date.

Arthur S. Gunn, Ltd.
February 21, 2016