

## REPORT ON THE FIRM'S SYSTEM OF QUALITY CONTROL

To the Partners of HWA Alliance (previously known as Hemphill, Wright & Associates) and the Peer Review Committee of the Ohio Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of HWA Alliance (previously known as Hemphill, Wright & Associates) (the firm) in effect for the year ended December 31, 2020. 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 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 engagements performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act; and an audit of an employee benefit plan.

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.

### DEFICIENCIES IDENTIFIED IN THE FIRM'S SYSTEM OF QUALITY CONTROL

We noted the following deficiencies during our review:

1. Human Resources-The firm's quality control policies and procedures are not designed to provide reasonable assurance that the engagement team has the requisite knowledge to perform engagements in accordance with professional standards. The firm's quality control policies and procedures do not require personnel to obtain continuing professional education (CPE) covering auditing topics directly related to their assignments, and such policies and procedures also do not ensure that personnel assigned to engagements will have the degree of technical training and proficiency required in the circumstances. Our review disclosed that the firm's personnel complied with the CPE requirements of the state board of accountancy, but that insufficient courses had been taken covering specific auditing topics covering the specialized industries in which many of the firm's audit clients operate. Consequently, we noted the firm's *Government Auditing Standards* (including compliance audit under the Single Audit Act) engagement, a *Government Auditing Standards* engagement audited under the Housing & Urban Development Consolidated Audit Guide, and an employee benefit plan did not include adequate and consistent documentation of risk assessment at the assertion level, and linking risk assessment to further audit procedures performed; testing of compliance over major programs under the single audit act, and issuing reports in compliance with the HUD Consolidated Audit Guide. In our opinion, the lack of CPE related to risk assessment,

compliance testing under the single audit act, and reporting in compliance with the HUD Consolidated Audit Guide contributed to the *Government Auditing Standards* (including compliance audit under the Single Audit Act) engagement, a *Government Auditing Standards* engagement audited under the Housing & Urban Development Consolidated Audit Guide, and an employee benefit plan that did not conform to professional standards in all material respects. Similar deficiencies and findings were found in the prior peer review.

2. Engagement Performance- The firm's quality control policies and procedures over engagement performance were not designed or complied with to provide reasonable assurance that engagements are consistently performed in accordance with professional standards. The firm's quality control policies and procedures do not include engagements implementing new and complex accounting standards be subjected to an EQCR. As a result we noted an engagement which had adopted and implemented a new complex accounting standard which had several omitted disclosures, which would have had an opportunity to be detected and corrected prior to the peer review had an independent EQCR had been performed. In our opinion, the lack of an independent EQCR for the above engagements contributed to the *Government Auditing Standards* (including compliance audit under the Single Audit Act) engagement that did not conform to professional standards in all material respects. Similar findings were found in the prior peer review.
3. Monitoring-The firm's policies and procedures require the performance of monitoring procedures that are sufficiently comprehensive to enable the firm to assess compliance with all applicable professional standards and regulatory requirements. During our review, we noted the firm's inspection/ monitoring procedures for all of the last three peer review year-ends were performed by the engagement partner for all of the firm's accounting & auditing (A&A) engagements and who also functions as the firm's quality control partner. As a result we noted several deficiencies which are discussed further and included in the peer review report herein as well as elements of quality control pursuant to Statements of Quality Control Standards No.8 which were not included in the firm's Quality Control Document, which would have had an opportunity to be detected and corrected prior to the peer review if an external reviewer and/or firm had performed the inspections/monitoring. In our opinion, the lack of an effective inspection/ monitoring program contributed to the *Government Auditing Standards* (including compliance audit under the Single Audit Act) engagements, a *Government Auditing Standards* engagement audited under the Housing & Urban Development Consolidated Audit Guide, and an employee benefit plan that did not conform to professional standards in all material respects.

#### **OPINION**

In our opinion, except for the deficiencies previously described, the system of quality control for the accounting and auditing practice of HWA Alliance (previously known as Hemphill, Wright & Associates) in effect for the year ended December 31, 2020, 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. HWA Alliance (previously known as Hemphill, Wright & Associates) has received a peer review rating of pass with deficiencies.

August 31, 2021  
Miami, Florida

*BCA Watson Rice LLP*