

# Phillips & Associates, CPAs, P.C.

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

December 31, 2018

To the Shareholders of Gorenz and Associates, Ltd.  
and the Peer Review Committee of the Peer Review Alliance

We have reviewed the system of quality control for the accounting and auditing practice of Gorenz and Associates, Ltd. (the firm) in effect for the year ended June 30, 2018. 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. The firm's quality control document requires personnel working on engagements in specialized industries to obtain continuing education in the related area on an annual basis. Our review of the firm's continuing education found that no meaningful courses were completed in two specialized industries, construction and employee benefit plans. Personnel working on construction and employee benefit plan audits did not attend any courses regarding the specialized industries during the last two years. As a result, the work paper documentation on an employee benefit plan regarding evaluation of an actuary, tests of employer contributions for covered employees, and sampling documentation was not in conformity with professional standards. We also noted several disclosures, including a change in accounting method, transactions with parties-in-interest, tax status of the plan, and fair value of

investments, were not properly addressed, and a required supplemental schedule covering reportable transactions was not prepared. On a construction audit, we noted testing of costs charged to contracts and estimated costs to complete were not documented and a disclosure regarding a multi-employer pension plan was omitted. The employee benefit plan and the construction audit were not performed in accordance with professional standards. A similar matter was noted on the previous review.

2. The firm's policy requires that all engagements be documented with the requirements of professional standards, including regulatory and legal requirements. We noted the firm's documentation did not always include a complete assessment of its independence regarding nonattest services. We also noted, on a Single Audit, that documentation did not include an understanding of internal control over federal compliance matters that was sufficient to plan a low level a audit risk for major programs, and did not include appropriate evaluations of why applicable compliance requirements were not direct and material to the program and tested. As a result, the documentation on the engagements performed in accordance with *Government Auditing Standards*, including the Single Audit, did not conform with professional standards.

### **Opinion**

In our opinion, except for the deficiencies previously described, the system of quality control for the accounting and auditing practice of Gorenz and Associates, Ltd., in effect for the year ended June 30, 2018, 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*. Gorenz and Associates, Ltd. has received a peer review rating of *pass with deficiencies*.

*Phillips & Associates, CPAs, P.C.*

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