



Report of the Firm's System of Quality Control

September 28, 2018

To the Partners
Gray Hunter Stenn LLP
and the Peer Review Committee of the Illinois CPA Society

We have reviewed the system of quality control for the accounting and auditing practice of Gray Hunter Stenn LLP (the firm) in effect for the year ended March 31, 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. 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 audits of employee benefit plans.

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:

Deficiency 1 – The firm's quality control policies and procedures related to its monitoring function are not designed to provide reasonable assurance that the engagements are consistently performed in accordance with professional standards. The firm's inspection for the year ended March 31, 2017 was effective in identifying deficiencies in the firm's system of quality control; however, the timing of the inspection, though within six months of the firm's year end, did not allow the firm to implement the suggestions included in the inspection report in the several audits performed in the peer review year. As a result, in several employee benefit plan audits, the firm's audit procedures were lacking with respect to the understanding of complementary user controls, evaluation of the competencies of a specialist, testing of certain payroll attributes, linkage of procedures to the risk assessment, and testing to determine whether individual contributions are being credited to the proper participant accounts including the investment medium selected by the participant. In our opinion, this contributed to audits of employee benefit plans subject to ERISA that did not conform to professional standards in all material respects. Also, in our opinion, had the firm's monitoring procedures been adequately designed, these deficiencies would have been detected and corrected on a timely basis.

Deficiency 2 – The firm's quality control policies and procedures regarding engagement performance are not complied with on a regular basis, therefore do not provide reasonable assurance that engagements are consistently performed in accordance with professional standards. The firm's quality control policies and procedure require consultation with its practice aids and professional standards. In several instances, the firm failed to properly consult practice aids and professional standards. In audits of employee benefit plans, the firm's audit procedures performed or documentation of those procedures were lacking. Also, a client communication did not include all of the elements required by professional standards. In a compliance audit under the Single Audit Act, we noted presentation and reporting errors, an incorrect client communication, incorrect risk assessments and lack of sufficient compliance testing and other documentation deficiencies. In an audit of a contractor, a low risk of material misstatement was not supported by adequate tests of internal controls and there was no income statement audit program. In an agreed-upon procedures engagement, the report was not updated to comply with changes made by recently issued professional standards. In our opinion, the compliance audit under the Single Audit Act, the employee benefit plan audits and the agreed-upon procedures engagement did not conform with professional standards in all material respects. A similar finding was noted in the firm's previous peer review.

Opinion

In our opinion, except for the deficiencies previously described, the system of quality control for the accounting and auditing practice of Gray Hunter Stenn LLP in effect for the year ended March 31, 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. Gray Hunter Stenn LLP has received a peer review rating of pass with deficiencies.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Eide Bailly LLP