

**Steven F. Cundiff**  
*Certified Public Accountant, Inc.*  
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## **Report on the Firm's System of Quality Control**

September 20, 2019

To Sanders, Bledsoe & Hewett, CPA's, LLP  
And the Peer Review Committee of the ASCPA

We have reviewed the system of quality control for the accounting and auditing practice of Sanders, Bledsoe & Hewett, CPA's, LLP (the firm) in effect for the year ended May 31, 2019. 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*. 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.

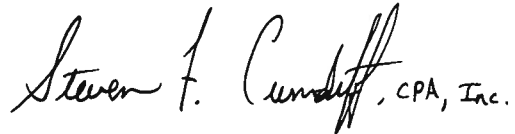
## **Deficiencies Identified in the Firm's System of Quality Control**

1). Engagement Performance: Statements on Quality Control Standards require the firm to establish policies and procedures designed to provide it with reasonable assurance that engagements are performed in accordance with professional standards and applicable legal and regulatory requirements. The firm's quality control policies and procedures require the use of its practice aids on all auditing engagements with regard to audit documentation. Our review noted that the firm did not properly use or complete its practice aids in several areas and final review did not identify these omissions. As a result, the firm did not apply the conceptual framework to document its risk considerations of management override of controls and testing of controls to support a less than high risk assessment. Also, the firm did not document its sampling rationale, size and selection and did not document its considerations of and conclusions regarding the entity's ability as a going concern. Furthermore, the audit documentation did not include testing of controls over the preparation of the SEFA, why some applicable compliance requirements were not considered direct or material, did not document the risk of non-compliance due to fraud, and did not document test of controls over each compliance requirement. Finally, the firm did not document additional safeguards and relied solely on the safeguards of the auditee for the non-attest services provided. These documentation omissions resulted in several of the engagements being considered nonconforming. There was a similar finding noted in the prior peer review.

2) Monitoring and Human Resources: Statements on Quality Control Standards require the firm to establish policies and procedures designed to provide it with reasonable assurance that engagements are performed in accordance with professional standards and applicable legal and regulatory requirements. The firm's quality control policies and procedures require the firm to attend appropriate CPE to assist personnel in performing complex engagements under GAS and the Single Audit. Also, the firm's quality control policies and procedures require the firm to perform comprehensive monitoring and annual inspection procedures. Although these were performed, they were not sufficiently comprehensive to detect departures from professional standards on these complex engagements. If adequate monitoring and inspection procedures and appropriate CPE had been obtained, some or all the departures from professional standards noted in the other deficiency in the peer review report might have been identified and corrected. There was a similar finding noted in the prior peer review.

## Opinion

In our opinion, except for the deficiencies previously described, the system of quality control for the accounting and auditing practice of Sanders, Bledsoe & Hewett, CPA's, LLP in effect for the year ended May 31, 2019, 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*. Sanders, Bledsoe & Hewett, CPA's, LLP has received a peer review rating of *pass with deficiencies*.

A handwritten signature in black ink that reads "Steven F. Cundiff, CPA, Inc." The signature is written in a cursive style with a large, stylized initial 'S'.

Steven F. Cundiff, CPA, Inc.

December 20, 2019

Jeffrey Hewett  
Sanders, Bledsoe & Hewett, CPAs, LLP  
P.O. BOX 1310  
Broken Arrow, OK 74013-1310

Dear Jeffrey Hewett:

On December 20, 2019, the Oklahoma Peer Review Committee discussed the report on the most recent System Review of your firm and your firm's response thereto.

As you know, the report had a peer review rating of pass with deficiencies. The Committee accepted the aforementioned documents with the understanding that the firm will take the actions outlined in its response to the report, which will be monitored during your firm's next peer review and:

- Agree to have all professional staff in the firm who work on Single Audit engagements participate in at least 8 hours of continuing professional education in the area of Single Audit Documentation. Please send a letter to the Committee detailing the courses taken along with proof of attendance by each individual by **June 30, 2020**.
- Agree to have all professional staff in the firm who work on audit engagements participate in at least 3.5 hours of continuing professional education in the AICPA Risk Assessment Deep Dive Course. Please send a letter to the Committee detailing the courses taken along with proof of attendance by each individual by **June 30, 2020**.
- Agree to permit an outside party, acceptable to the Committee, to perform a pre-issuance review of the reports, financial statements, and working papers for the firm's next Single Audit engagement. The reviewer shall report on the results of the review and is due to the Committee by **March 31, 2020**. This action will be performed at the firm's expense.

As a reminder, independence would be considered impaired for purposes of being able to perform a firm's peer review (whether as a team captain or team member) for anyone also performing pre-issuance or post-issuance reviews, performing a revisit, reviewing the quality control document or formal CPE plan, reviewing corrective actions of non-conforming engagements, reviewing the firm's remedial actions in its letter of response, performing, overlooking, or visiting during an inspection, or reviewing or overlooking the firm's monitoring report prior to the peer review. The only except is if

this action was performed for the year immediately following the previous peer review year end. Therefore, performing pre-issuance or post-issuance reviews, performing a revisit, reviewing the quality control document or formal CPE plan, reviewing corrective actions of non-conforming engagements, reviewing the firm's remedial action in its letter of response, performing, overlooking, or visiting during an inspection, or reviewing or overlooking the firm's monitoring report for the year immediately preceding or during the peer review year would impair independence for peer review purposes.

The documentation for your corrective action(s) should be submitted through the Peer Review Integrated Management Application (PRIMA) system by the due date.

Please note that Paragraph .144 of the *Standards for Performing and Reporting on Peer Reviews* states that a firm that fails to correct deficiencies or significant deficiencies after consecutive remedial or corrective actions required by the Committee on the same peer review may be deemed as a firm refusing to cooperate.

Your firm's agreement to take this action voluntarily demonstrates its commitment to the objectives of the AICPA Peer Review Program. Please acknowledge your agreement within PRIMA.

Sincerely,

*OSCPA Peer Review Committee*

Peer Review Committee  
peerreview@oscpa.com  
1-800-522-8261 ext. 3805

Oklahoma Society of CPAs

cc: Steven Cundiff

Firm Number: 900010099234

Review Number: 569805



**SANDERS, BLEDSOE & HEWETT**  
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Stephen H. Sanders, CPA (ret.)  
Eric M. Bledsoe, CPA  
Jeffrey D. Hewett, CPA  
Christopher P. Gullekson, CPA

P.O. BOX 1310 • 101 N. MAIN ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

September 20, 2019

To: Oklahoma Society of CPAs Peer Review Committee

Ladies and Gentlemen:

This letter represents our response to the report issued in connection with the peer review of the firm's system of quality for the accounting and auditing practice in effect for the year ended May 31, 2019. The firm is committed to providing clear, consistent, and frequent actions and messages from all levels of the firm's management to emphasize the firm's commitment to quality. The remedial actions discussed in this letter will be monitored to ensure that they are effectively implemented as part of our system of quality control.

**Response to Deficiency #1 Engagement Performance:** The audit engagements identified as nonconforming will not be recalled and reissued. The financial statements and audit report did not mislead the user of the financial statements. We will add the documentation necessary for the nonconforming engagements in the areas of:

1. Risk considerations of management override of controls.
2. Testing of controls in the significant audit areas when control risk was assessed at less than high.
3. To support the risk assessment, we will document our sample rationale, size, and the items selected.
4. We will document our consideration of and conclusions regarding the entity's ability as a going concern.
5. For the engagement subject to the Single Audit, we will document the testing of controls over the SEFA preparation, why some of the compliance requirements were not considered direct or material, the risk of non-compliance due to fraud, and finally to document the test of controls that were done over each of the compliance requirements.
6. On our future GAS audits, we will add an additional safeguard when we provide non-attest services. This safeguard will include having the auditee personnel with SKE to use a financial disclosure checklist. The auditee will complete the checklist, we will have a discussion, compare our disclosure checklist to theirs, and resolve any differences in how each of us completed the checklist.

7. Finally, we agree to have our next engagement performed under the Single Audit to have a reissuance review by a qualified reviewer.

**Response to Deficiency #2 Monitoring and Human Resources:** To insure these finding will not be repeated on future engagements, we will have all professional staff attend additional CPE in risk assessment and Single Audit documentation. We will join the AICPA's Governmental Audit Quality Center. We will reemphasis our monitoring procedures including inspections and communicating any findings with the firm's professional staff.

We believe these actions address the matters noted by the reviewer. We have already begun to implement procedures to address the documentation issues mentioned, and will have the review done by December 31, 2019, if possible, but no later than January 31, 2020. We will join the AICPA's Governmental Audit Quality Center immediately, and obtain the continuing professional education by April 30, 2020.

Sincerely,

A handwritten signature in black ink that reads "Sanders, Bledsoe & Hewett". The signature is written in a cursive, flowing style.

Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

May 12, 2020

Jeffrey Hewett  
Sanders, Bledsoe & Hewett, CPAs, LLP  
101 N MAIN ST  
BROKEN ARROW, OK 74012-3938

Dear Jeffrey Hewett:

On May 12, 2020, the Oklahoma Peer Review Committee determined that your most recent peer review is complete.

The due date for your next review is November 30, 2022. This is the date by which all review documents should be completed and submitted to the administering entity.

Sincerely,  
*OSCPA Peer Review Committee*

Peer Review Committee  
peerreview@oscpa.com  
1-800-522-8261 ext. 3805

cc: Steven Cundiff

Firm Number: 900010099234

Review Number: 569805