

Report on the Firm's System of Quality Control

March 18, 2019

To the Owner
Pettit & Company, LLC
and the Peer Review Alliance Report Acceptance Committee

We have reviewed the system of quality control for the accounting and auditing practice of Pettit & Company, LLC (the firm) in effect for the year ended September 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. 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

We noted the following deficiency during our review:

1. The firm's quality control policies and procedures addressing nonattest services and threats to independence under the independence rules in *Government Auditing Standards* (GAS) were not complied with as the firm misunderstood the need for safeguards outside of those within the audit client's control system. The firm routinely prepares financial statements as a nonattest service for audit clients under GAS rules. The firm did not maintain or document safeguards adequate to mitigate the risk to independence for the self-review of the financial statements and was incorrectly relying on the safeguards of the audit client. In our opinion, this contributed to audit engagements performed under *Government Auditing Standards* that did not conform to professional standards in all material respects.

Opinion

In our opinion, except for the deficiency previously described, the system of quality control for the accounting and auditing practice of Pettit & Company, LLC in effect for the year ended September 30, 2018, has been suitably designed and complied with to provide the firm with reasonable assurance of performing or reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Pettit & Company, LLC has received a peer review rating of *pass with deficiency*.

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