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Certified Public Accountants

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System Review Report

September 13, 2016

To the Members
Sanders, Bledsoe & Hewett, CPA's, LLP
and the Peer Review Committee of the OSCP

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, 2016. 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. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. 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. 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. The nature, objectives, scope, limitations of, and procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*.

We noted the following deficiencies during our review:

1. Deficiency—The firm's quality control policies and procedures require compliance with reporting requirements of professional standards. During our review we noted an instance where the auditor's report was not appropriately modified for departures from the basis of accounting and didn't properly address supplemental information accompanying the financial statements. In another instance the report on an agreed-upon procedures engagement did not include all of the required elements required by the attestation standards. In the first instance the firm did not properly consider the requirements of professional standards during the planning and completion of the engagement. In the second instance the firm appropriately researched professional standards during the planning stage but came to an inappropriate conclusion regarding the reporting requirements during the completion stage. The incomplete reporting resulted in these engagements not conforming with professional standards. Reporting issues were noted on the firm's previous peer review. The firm concluded that the reporting deficiencies were not of such significance to require recalling and reissuing the reports.

Recommendation—The firm should insure that engagements are properly performed and reported on in compliance with the requirements of professional standards. Firm members should properly consult authoritative material contained in the firm's professional library during the planning and review stages of engagements to insure that reporting is in conformity with the requirement of professional standards. When questions arise regarding the interpretation of professional standards firm members should consult with outside parties.

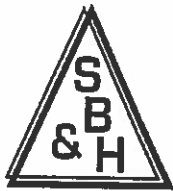
2. Deficiency—The firm's quality control policies and procedures require compliance with the reporting requirements of professional standards issued by the Accounting and Review Services Committee of the AICPA. We noted an instance where the firm failed to properly implement the requirements of SSARS 19 in reporting on compiled financial statements contained in prescribed forms for regulatory purposes, which was effective for reporting periods ending on or after December 15, 2010. This engagement did not conform with the requirements of professional standards applicable at the time of the engagement. SSARS 21 has subsequently been issued effective for reporting periods ending on or after December 15, 2015, which further revises the reporting requirements on such engagements. A similar finding was noted on the firm's previous peer review. We noted that firm members had not attended a recent continuing professional education course on the requirements for compilation engagements. The firm plans to conform subsequent engagements to the requirements of SSARS 21.

Recommendation—The firm should insure that staff participate in appropriate continuing education applicable to all elements of the firm's accounting and auditing practice. Firm members should periodically attend an updating course on the requirements for performing compilation engagements to insure compliance with professional standards.

In our opinion, except for the deficiencies described above, 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, 2016 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*.

CBEW Professional Group LLP

CBEW PROFESSIONAL GROUP, LLP
Certified Public Accountants



SANDERS, BLEDSOE & HEWETT
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September 23, 2016

Peer Review Committee
Oklahoma Society of CPA's
50 Penn Place
1900 NW Expressway, Suite 910
Oklahoma City, OK 73118-1804

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 control for its accounting and auditing practice for the year ended May 31, 2016. The corrective action discussed in this letter will be monitored to ensure that it is effectively implemented as part of our system of quality control.

Because the reporting issues noted in the peer review were directed to our not-for-profit engagements where we only perform three of those engagements we have decided not to continue to perform those type of engagements effective immediately. We also have discontinued performing full GAAP audits of Career Techs for similar reasons because our specialty is school district audits, all of which are reported on a regulatory basis. However, we will continue to monitor changes in professional standards as applicable. As for the AUP engagement, we only occasionally perform such engagements and although we appropriately researched the requirements we concentrated on the engagement letter and performance requirements and failed to reconcile the reporting requirements to the applicable attestation standards. In the future if we are not certain as to the resolution we will consult with an outside party. We will also insure that one of our audit partners participate in appropriate continuing education applicable to compilations so that we more fully understand the requirements of SSARS 21. We have already revised the wording of our compilation reports in the prescribed form engagements for compliance with the requirements of the State Auditor & Inspector. We believe these actions are responsive to the findings of the peer review.

Respectfully,

Sanders, Bledsoe & Hewett

Sanders, Bledsoe & Hewett, LLP
Certified Public Accountants

OSCPA Peer Review Program
Administered in Oklahoma by the
Oklahoma Society of CPAs

AICPA Peer Review Program
Administered in Oklahoma and South Dakota by the
Oklahoma Society of CPAs

October 31, 2016

RECEIVED
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Jeffrey D Hewett
Sanders, Bledsoe & Hewett, CPAs, LLP
PO Box 1310
Broken Arrow, OK 74013-1310

BY:.....

Dear Mr. Hewett:

On October 27, 2016, the Oklahoma Society of CPAs Peer Review Committee considered the report on the most recent system peer review of your firm and firm's response thereto.

As you know, the report had a peer review rating of pass with deficiency(ies). The Committee accepted the aforementioned documents with the understanding that the firm will take the actions outlined in its response to the report. Compliance with these actions will be monitored during your firm's next review. The due date for your next review is **November 30, 2019**. This is the date by which all review documents should be completed and submitted to the administering entity.

Thank you for your cooperation and support of the profession's practice-monitoring programs.

Sincerely,



David L Eatmon, CPA
Peer Review Committee Chair

cc: Walter H. Webb, CPA, Reviewer

Firm Number: 10099234

Review Number: 463915

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