

System Review Report

To the Partners of Winter, Kloman, Moter & Repp, S.C. and the
National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Winter, Kloman, Moter & Repp, S.C. (the firm) applicable to engagements not subject to PCAOB permanent inspection 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 the 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* and audits of employee benefit plans.

We noted the following deficiencies during our review:

1. Deficiency—The firm's quality control policies and procedures require the firm to evaluate the acceptability of the client and the engagement before the firm agrees to provide professional services to determine if the firm has the requisite competence and capabilities to perform the engagement in accordance with professional standards. Our review noted an instance of the acceptance of a client in a new industry which the firm did not have or obtain the requisite competence and capabilities. As a result, on certain audit engagements in the investment company industry, the reporting was inappropriate and incorrectly referred to the client as being an issuer under the Public Company Accounting Oversight Board standards. The subject reports will be recalled and the reporting is being revised.

Recommendation—The firm should conduct a training session for all personnel to review the firm's policies and procedures related to client acceptance and continuance. We also recommend the firm expand its client acceptance and continuance policies and procedures to include a concurring partner approval when a new industry is being considered and for an appropriate period of time to assure the firm's ability to comply with professional standards related to that engagement. In addition, we recommend the firm consult with its practice aids and the professional library in order to assure proper reporting.

2. Deficiency—The firm's quality control policies and procedures do not provide its staff with a means of ensuring that all necessary procedures are performed on defined benefit and defined contribution employee benefit plans as well as single audits. As a result, the firm did not include documentation of all procedures required by professional standards, in particular relating to testing of investing transactions related to unrealized/realized gains and losses, applicable compliance requirements not determined to be direct and material, understanding of internal controls over direct and material compliance requirement, and sample sizes. We were able to satisfy ourselves that, in each case, sufficient procedures had been performed, and the firm subsequently prepared the appropriate documentation.

Recommendation—The firm's quality control policies and procedures should be revised to ensure documentation of all procedures performed as required by professional standards. Although not required by professional standards, the firm should consider using the practice aids in the reference manuals available in the firm's library in order to accomplish this step.

In our opinion, except for the deficiencies previously described, the system of quality control for the accounting and auditing practice of Winter, Kloman, Moter & Repp, S.C. applicable to engagements not subject to PCAOB permanent inspection 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*. Winter, Kloman, Moter & Repp, S.C. has received a peer review rating of *pass with deficiencies*.



KerberRose SC
January 17, 2018