

Report on the Firm's System of Quality Control

November 29, 2017

To the Owners of
Kass & Jaffe, CPA's, PC
And the Peer Review Committee of the NYSSCPA

We have reviewed the system of quality control for the accounting and auditing practice of Kass & Jaffe, CPA's, PC, (the firm) in effect for the year ended May 31, 2017. 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*, and an audit of an employee benefit plan.

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:

1. The firm's quality control policies and procedures require that the engagement partner review the firm's reports, the accompanying financial statements and the supporting working papers, including the applicable third-party practices aid prior to issuance of the firm's reports and accompanying financial statements. However, on several engagements reviewed, we noted that these procedures were ineffective. As a result, we noted several instances of inadequate documentation of risk assessment related procedures and the failure to document the risks related to providing non-attest services in engagements performed under *Government Auditing Standards*. We also noted instances where certain required engagement procedures were not performed in the audit of an employee benefit plan and a review engagement. In our opinion, this contributed to five engagements that did not conform with professional standards. These included an audit of an employee benefit plan, and an audit engagement and attestation engagement performed under *Government Auditing Standards*.
2. The firm's quality control policies and procedures for monitoring require the performance of an annual inspection of all the functional areas of quality control. During our review, we noted that the firm had only performed monitoring procedures related to engagement performance by a post issuance review of selected engagements. We also noted that this post-issuance review was ineffective as the matters noted during our review should have been detected and corrected.

Opinion

In our opinion, except for the deficiencies previously described, the system of quality control for the accounting and auditing practice of Kass & Jaffe, CPA's, PC, in effect for the year ended May 31, 2017, 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*. Kass & Jaffe, CPA's, PC, has received a peer review rating of *pass with deficiencies*.

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