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System Review Report

October 23, 2015

To the Owners of Hurley, Williams, & Cook, PS
and the Peer Review Committee of the
Washington Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Hurley, Williams, & Cook, PS (the firm) in effect for the year ended April 30, 2015. 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.

We noted the following deficiency during our review:

Deficiency – The firm's quality control document appropriately addresses independence, and the additional requirements with respect to *Government Auditing Standards*, including the documentation of non-attest services and the resulting safeguards put in place when potential independence matters are identified. Although there were no engagements identified with an impairment of independence, documentation did not in all cases include the matters related to independence required by *governmental auditing standards*, including documentation of the non-attest services, the ability of the client to take responsibility for the non-attest services provided, and the mitigating safeguards in place related to the non-attest services the firm provided.

Recommendation – The firm should conduct a training session for all personnel to review the firm's policies and procedures regarding independence documentation for *Government Auditing Standards*. The engagement partner should carefully review the independence documentation at the completion of an

engagement to ensure the appropriate practice aids are utilized and properly completed as required by firm policy.

In our opinion, except for the deficiency previously described, the system of quality control for the accounting and auditing practice of Hurley, Williams, & Cook, PS in effect for the year ended April 30, 2015, 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. Hurley, Williams, & Cook, PS has received a peer review rating of pass with deficiency.

Petersen CPAs + Advisors, PLLC

Petersen CPAs and Advisors, PLLC



Hearthstone CPA Group

Certified Public Accountants

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Principals
Larry A. Hurley, CPA
Neal K. Williams, CPA, MPAcc (tax)
Christopher J. Cook, CPA, CFP®
David H. Ball, CPA (retired)
Dennis R. Treger, CPA

August 29, 2016

Peer Review Committee of the
Washington Society of CPA's:

On August 11, 2016 we were presented a draft of our System Review Report for the accounting and auditing practice of Hurley, Williams & Cook, PS (now known as Hearthstone CPA Group). This letter represents our response to the report issued in connection with the peer review of the Firm's system of quality control for the accounting and auditing practice in effect for the year ended April 30, 2015.

We have reviewed the deficiency identified in the System Review Report including the recommendation. As a result we will implement changes to our system of quality control to require documentation in the form of a checklist to the independence requirement when conducting an audit that must comply with *government auditing standards*, as follows:

- 1) When conducting an audit in accordance with government auditing standards, 2011 Revision (Yellow Book) we will require the use of the practice aide provided by our major software provider "Evaluating Independence-Government Auditing Standards, 2011 Revision (Yellow Book). This practice aid will document:
 - a. Conditions or activities that pose threats to independence including the facts and circumstances creating the threat.
 - b. Identification of prohibited nonaudit services.
 - c. List each nonaudit services we will provide to include our understanding with the auditee of the individual they designate to oversee each nonaudit service including their skills, knowledge and experience.
 - d. Evaluation of threats to independence using the yellow books conceptual framework for independence.
 - e. List each identified threat and evaluate its significance and mitigation of threats.
 - f. Our conclusion as to whether we are independent for audit purposes.

Our firm is committed to providing quality audit and accounting services and the strengthening of our audit documentation. We have reviewed this matter with our audit and accounting staff. Engagement partners will monitor each audit engagement we conduct to ensure our documentation of independence meets applicable AICPA and Yellow Book requirements.

Sincerely,

Larry A. Hurley, CPA



October 12, 2016

Larry Allan Hurley
Hearthstone CPA Group
4312 Kitsap Way Ste 102
Bremerton, WA 98312

Dear Mr. Hurley:

On October 12, 2016 the System Review Committee accepted the report on the most recent system peer review of your firm and your firm's response thereto.

The Committee accepted the aforementioned documents with the understanding that the firm will:

- agree to submit a copy of its next inspection report to the Committee for its review by no later than 01/31/2017. The inspection report should describe the scope of the inspection, the findings, and the corrective actions taken or to be taken on the findings noted.

Your firm's agreement to take this action voluntarily demonstrates its commitment to the objectives of the profession's practice-monitoring programs. Please acknowledge that agreement by returning a signed copy of this letter to us at the address noted on this letterhead.

Sincerely,

Julie B. Phipps
Manager of Practice Quality

cc: Abby Sanders

Firm Number: 10111620

Review Number: 375953

Acknowledged for the Firm:

Signature: _____

Date: _____

10/17/2016