



VAIL & KNAUTH, LLP
CERTIFIED PUBLIC ACCOUNTANTS
AUDIT, TAX AND ADVISORY SERVICES

Michael G. Vail, CPA
Chris E. Knauth, CPA
Don E. Graves, CPA
Charles T. Gregg, CPA
Cliff E. Wall, CPA
Pamela C. Moore, CPA

Members:
American Institute of CPAs
Texas Society of CPAs

Report on the Firm's System of Quality Control

June 24, 2016

To the Owner of Nabors CPA Services, P.C. and the
Peer Review Committee of the Texas Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Nabors CPA Services, P.C. (the firm) in effect for the year ended January 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.

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*.

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 provide that the firm monitor and list all audit engagements performed during its peer review year. However during the peer review process, the firm failed to note that an audit engagement in its list of engagements performed was conducted in accordance with *government audit standards*. Thus the leadership of firm (a.k.a. tone at the top) does not properly code all of its engagements types during its monitoring of its quality control policies and procedures. This did not conform to professional standards in all material respects.
2. The firm's quality control policies and procedures regarding engagement performance have not been suitably complied to provide reasonable assurance that not-for-profit audit engagements are consistently performed in accordance with *government auditing standards*. During our review we noted procedures were not performed to document all non-attest services performed in an audit of a not for profit organization. This non-conforming engagement did not conform to professional standards in all material respects.

Recommendation—The firm's management should consider performing a cold review on the listing of its engagements and monitor the listed engagements during the firm's monitoring of its system of quality control. The firm's owner should consider obtaining 8 hours continuing professional education for performing audits of not for profit entities.

Opinion

In our opinion, except for the deficiencies previously described, the system of quality control for the accounting and auditing practice of Nabors CPA Services, P.C. in effect for the year ended January 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*. Nabors CPA Services, P.C. has received a peer review rating of *pass with deficiencies*.



Vail & Knauth LLP