



## Report on the Firm's System of Quality Control

June 22, 2021

To the Partners of Hillberg & Co.  
and the Peer Review Committee of the CalCPA Peer Review Program

We have reviewed the system of quality control for the accounting and auditing practice of Hillberg & Co. (the firm) in effect for the year ended December 31, 2020. 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 [aicpa.org/prsummary](http://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 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.

### Deficiency Identified in the Firm's System of Quality Control

We noted the following deficiency during our review:

The firm's quality control policies and procedures regarding human resources have not been suitably complied with to provide reasonable assurance that audit engagements are consistently performed in accordance with professional standards. The firm requires the engagement partner

and professional staff obtain training relevant to their clients' industries to ensure the work has been performed in accordance with professional standards. During our review we noted an instance where the auditors did not update the financial statements for recent non-profit accounting pronouncements and another instance where the auditors did not adequately document their reliance on a third-party service provider as required by professional standards. In our opinion this contributed to audit engagements, including an audit of an employee benefit plan, that did not conform to professional standards in all material respects.

### Opinion

In our opinion, except for the deficiency previously described, the system of quality control for the accounting and auditing practice of Hillberg & Co. in effect for the year ended December 31, 2020, 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*. Hillberg & Co. has received a peer review rating of *pass with deficiency*.



Mann, Urrutia, Nelson CPAs & Associates, LLP