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Report on the Firm's System of Quality Control

December 29, 2017

To the Partners of
Kabat, Schertzer, De La Torre, Taraboulos & Co., LLC
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Kabat, Schertzer, De La Torre, Taraboulos & Co., LLC (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended June 30, 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 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 engagement performed under *Government Auditing Standards* and audits of employee benefit plans.

As 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

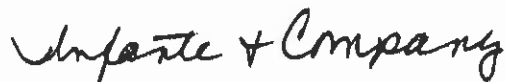
We noted the following deficiencies during our review:

1. The firm's quality control policies and procedures regarding risk assessment and independence related to non-attest services engagement performance have not been suitably designed or complied with to provide reasonable assurance that audit engagements are consistently performed in accordance with professional standards. During our review we noted procedures were not performed and documented as to risk assessment in the development of the audit plan and strategy. Additionally, our review of a government audit engagement the firm failed to document the required elements of Yellow Book independence related to non-attest services as required under the Conceptual Framework. Specifically, the auditor did not document the skills, knowledge and experience of the specific client personnel that would be overseeing the non-attest service nor did the auditor identify the preparation of financial statements a significant threat and document appropriate safeguards. In our opinion, this contributed to certain audit engagements under *Governmental Auditing Standards* and the employee benefits industry to not conform with certain professional standards.

2. The firm's quality control policies and procedures regarding monitoring were not complied with to provide reasonable assurance that the policies and procedures established by the firm are suitably designed and effectively applied. During our review, we noted that the firm's inspection and EQCR procedures were not sufficiently detailed to detect departures from the applicable professional standards. In our opinion, this contributed to the firm not detecting the non-conformity with applicable professional standards on certain audit engagements.

Opinion

In our opinion, except for the deficiencies previously described, the system of quality control for the accounting and auditing practice of Kabat, Schertzer, De La Torre, Taraboulos & Co., LLC applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended June 30, 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*. Kabat, Schertzer, De La Torre, Taraboulos & Co., LLC has received a peer review rating of *pass with deficiencies*.



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