



stafford & westervelt

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SYSTEM REVIEW REPORT

December 1, 2009

To the Shareholder of
Kickhaefer & Associates, P.A.
and the Peer Review Committee of the Kansas Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Kickhaefer & Associates, P.A. (the firm) in effect for the year ended June 30, 2009. 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. 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 the *Government Auditing Standards*.

We noted the following deficiencies during our review:

Deficiency – The Firm's quality control policies and procedures identify situations where, because of the nature or complexity of the subject's matter, consultation is ordinarily needed. During our review, we noted instances where the firm did not consult when it was warranted. As a result, on one audit the Firm did not perform and/or document all required audit procedures. Prior to performing the audit, the Firm was aware that it would disclaim the opinion on the financial statements due to scope limitations. They did not believe that it was necessary to perform the missing procedures. Therefore, the files did not contain the Firm's assessment of materiality, risk, internal controls, or fraud, or required elements, such as audit programs. On an audit performed under *Government Auditing Standards* and *OMB Circular A-133*, the Firm incorrectly assessed the auditee as

low risk. The Firm was not aware that an unqualified report on the statutory financial statements required a Department of Education GAAP waiver to be considered low risk. This is a repeat finding. The Firm will perform and document the missing procedures on both audits, and will recall and reissue the reports, if necessary.

Recommendation – We recommend that the Firm should follow its policies and procedures in regard to consultation in any situation that is unusual in nature.

Deficiency – The Firm's quality control policies and procedures specifically require the Firm's personnel to obtain CPE covering accounting and auditing topics to the extent necessary to obtain a degree of technical training and proficiency required in the circumstances. Although the Firm's personnel complied with the CPE requirements of the State Board of Accountancy, our review disclosed that the Firm's personnel did not demonstrate an appropriate level of competency to perform the work assigned as a result of not obtaining sufficient CPE pertaining to certain work undertaken by the Firm. As a result, on an audit performed under *Government Auditing Standards* and *OMB Circular A-133*, the Firm did not document which controls for major programs were being tested and perform the test of controls for preventing or detecting noncompliance relevant to material compliance requirements.

Recommendation – The Firm should revise its quality control policies and procedures to ensure that the Firm's personnel will obtain CPE in all subject areas relevant to engagements to which they are assigned, with an emphasis on specialized industries served by the Firm and the level of service provided by the Firm. The Firm's management should monitor compliance with such requirements and ascertain on an ongoing basis that the Firm's personnel have the necessary competency commensurate with their assignments.

In our opinion, except for the deficiencies described above, the system of quality control for the accounting and auditing practice of Kickhaefer & Associates, P.A. in effect for the year ended June 30, 2009, 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*. Kickhaefer & Associates, P.A. has received a peer review rating of *pass with deficiencies*.

Stafford & Westervelt, Chfd
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