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*Members of American Institute and
Kansas Society of Certified Public Accountants*

System Review Report

To the Stockholder at Kickhaefer & Associate, P.A.
And the Peer Review Committee of the
Kansas Society of CPA's

We have reviewed the system of quality control for the accounting and auditing practice of Kickhaefer & Associate, P.A. (the Firm) in effect for the year ended June 30, 2012. 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 *Government Auditing Standards*.

We noted the following significant deficiencies during our review:

1. 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 a government accounting standards board financial statement, the fixed asset activity was not properly disclosed, proper sampling was not performed and adjusting entries were not given to the board of governance. On a review and a compilation engagement reviewed, the reports were not in conformance with professional standards.

Also on an OMB Circular A-133 audit engagement the report on compliance, with each major program and internal control over compliance, did not include the word independent in the title for the auditors' report. The above reports and financial statements will not be recalled and reissued because issuance of the current year is imminent. This is a repeat deficiency from the prior peer review.

Recommendation - The Firm should follow 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.

2. Deficiency - The Firm's quality control policies and procedures identify situations where, because of the nature or complexity of the subject matter, consultation is ordinarily needed. During our review, we noted instances where the Firm did not consult when it was warranted. As a result the Firm issued an incorrect auditors' report by restricting the use of a report in compliance with generally accepted accounting principles and the Firm on an OMB A-133 audit did not document compliance with overarching principles and implementation of safeguards regarding independence. The Firm will not recall and reissue the reports since issuance of this year's reports are imminent. This is a repeat deficiency from the prior peer review.

Recommendation - We recommend that the Firm should follow its policies and procedures regarding consultation in situations of new pronouncements or unusual situations.

3. Deficiency - The Firm's quality control policies and procedures do not require proper monitoring procedures as required by professional standards. As a result we found several incorrect audit reports, missing disclosures in the financial statements, missing documentation of audit procedures and incorrect reporting language for review and compilation engagements.

Recommendation - The Firm's quality control policies and procedures should be revised to provide for adequate monitoring procedures which may include an inspection of engagements by a competent third party and an annual written report on the monitoring findings.

In our opinion, as a result of the significant deficiencies described above, the system of quality control for the accounting and auditing practice of Kickhaefer & Associate, P.A. in effect for the year ended June 30, 2012, was not suitably designed or 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 & Associate, P. A. has received a peer review rating of *fail*.

Thomas H. Lowell, CPA, LLC

Independence, Kansas
September 18, 2012
