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System Review Report

November 2, 2010

To the partners of John A. Powell and Associates, LLP
and the Peer Review Committee of the California Society of CPAs

I have reviewed the system of quality control for the accounting and auditing practice of John A. Powell and Associates, LLP (the firm) in effect for the year ended December 31, 2009. My 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. My responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on my 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* and audits of employee benefit plans.

I noted the following deficiencies during my review:

Deficiency – The firm's quality control policies and procedures require that the firm's professional reference materials be consulted when performing accounting and auditing engagements. However, during my review, I noted that this policy was not being fully complied with. As a result, for the firm's ERISA audit engagement selected for review, the financial statements failed to include required supplemental information and the auditor's report was not modified for the omission. In addition, for a review engagement selected for review, the financial statements for a construction contractor failed to properly present information related to uncompleted contracts and did not include all required disclosures, and the accountant's report was not modified for the departures. Also, for the firm's audits performed in accordance with Government Auditing Standards selected for review, I noted that the firm did not properly document and report all deficiencies related to internal controls. The firm has indicated that for the ERISA engagement, all applicable supplemental information will be included, that for the construction contractor, appropriate presentation and required disclosures will be made and, for the Government Auditing Standards audits, that internal control deficiencies will be properly reported, for all upcoming engagements, which is imminent.

Recommendation - The firm should following its policies and procedures pertaining to the review and use of its practice aids specially in areas unique or unusual to the firm. This procedure should be reviewed for completion during the review stage of the engagement .

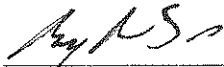
Deficiency – Although the firm’s quality control policies and procedures require that inspections or post-issuance review procedures be performed as part of its monitoring procedures, the firm failed to perform such procedures for each of the three years since its previous review. If timely inspection or post-issuance review procedures had been performed on an annual basis, the departures from professional standards noted during the review may have been identified and corrected in a timely manner. The firm has indicated that it will follow its policy of performing annual inspections or post issuance review procedures on an annual basis.

Recommendation The firm should follow its quality control policies and procedures that require inspections or post-issuance review procedures be performed on an annual basis. The inspections or post-issuance review procedures should address each element of quality control, including engagement performance and should include written communication that summarize any deficiencies identified and document the actions taken or planned to prevent similar deficiencies from occurring in the future .

Deficiency – The firm’s policies and procedures require that the owners and professional staff, if any, participating in applicable governmental and not for profit audit engagements meet the continuing education requirements established by Government Auditing Standards. However, I noted that the firm had not consistently monitored its conformity with this policy. As a result, I noted an individual who had not completed sufficient professional education courses to conform with Government Auditing Standards. The firm has indicated that it will insure that all staff members have appropriate continuing professional education prior to the start of future engagements.

Recommendation – The firm should consistently monitor those individuals participating in applicable governmental and not for profit audit engagements to insure that the Government Auditing Standards regarding continuing professional education requirements are met.

In my opinion, except for the deficiencies described above, the system of quality control for the accounting and auditing practice of John A. Powell and Associates, LLP in effect for the year ended December 31, 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*. John A. Powell and Associates, LLP has received a peer review rating of *pass with deficiencies*..



Roy R. Seiler, CPA