

Boyer & Associates, PC

Certified Public Accountants

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P.O. Box 98 – 905 E. Main Street

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July 3, 2008

To the Shareholders
Daniel Jones & Associates, CPA's, P.C.

We have reviewed the system of quality control for the accounting and auditing practice of Daniel Jones & Associates, CPA's, P.C. (the firm) in effect for the year ended January 31, 2008. A system of quality control encompasses the firm's organizational structure, the policies adopted and procedures established to provide it with reasonable assurance of conforming with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of CPAs (AICPA). The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with 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 with its system of quality control based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. During our review, we read required representations from the firm, interviewed firm personnel and obtained an understanding of the nature of the firm's accounting and auditing practice, and the design of the firm's system of quality control sufficient to assess the risks implicit in its practice. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the firm's system of quality control. The engagements selected represented a reasonable cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagements selected included among others, engagements performed under *Government Auditing Standards*. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with firm management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Our review was based on selected tests therefore it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it. There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, except for the effects of the deficiencies described below, the system of quality control for the accounting and auditing practice of Daniel Jones & Associates, CPA's, P.C. in effect for the year ended January 31, 2008, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.

Reasons for Modified Opinion and Recommendation

Deficiency - The firm's quality control policies and procedures require that practitioners in charge of engagements performed subject to *Government Auditing Standards* have certain knowledge, skills and abilities (competencies) necessary to fulfill their engagement responsibilities, including knowledge of governmental accounting principles and

professional standards. However, we noted several engagements where the financial statements departed from professional standards. Those departures included inconsistent reporting of Business Type activities in the entity wide financial statements, improper identification of major funds, inadequate support and disclosure of pledged collateral, inadequate documentation of clearing of reconciling items for cash, missing footnote disclosures for proprietary funds, missing required disclosures in Managements Discussion and Analysis, unclear reconciliation between fund level and entity wide financial statements, unclear contingent liability footnotes and limited documentation in support of complex transactions. Although the presentations were not in compliance with professional standards, the disclosures were inclusive, and therefore, the departures were not of such significance as to make the financial statements misleading.

Recommendation - The firm should identify high risk areas that are unique to its audit practice and develop in-house training sessions to specifically address the complexities of governmental accounting principles for staff involved in audits subject to *Governmental Auditing Standards*.

Deficiency - The firm's quality control policies and procedures require supervision and review by the engagement partner however, on several engagements performed subject to *Government Auditing Standards* we noted auditor's reports with missing disclosures required by professional standards. Financial Statements with prior period corrections did not include an explanatory paragraph, reports on internal control and compliance with laws and regulations did not refer to separate management letters issued and the auditor's report was not properly dated. None of the missing disclosures were of such significance to make the auditors reports misleading.

Recommendation - The firm's quality control policies and procedures should be modified to include a memo or checklist highlighting areas of high risk which require special attention during partner review.

Deficiency - The firm's quality control policies and procedures require that engagements be properly planned before the field work begins. Because the firm performs a number of engagements under *Government Auditing Standards* for public school districts that have the same year end and similar audit requirements, much of the planning is performed simultaneously. This resulted in a failure to modify client representation letters to fit specific engagement requirements such as a representation for the wrong basis of accounting utilized, representation concerning a schedule of uncorrected misstatements when none existed and a representation concerning capital assets when none were presented. The management representation letter was also not correctly dated in accordance with professional standards. The performance of the firm's next annual audit of these entities is currently in process or imminent; and the firm has concluded that the only additional action needed is its consideration of these matters in the current audits.

Recommendation - The firm should hold a training session for all professionals to emphasize the need to prepare client representations letters that are responsive to the characteristics of each engagement being performed.

Deficiency - The firm's quality control policies and procedures do not establish proper guidelines in accordance with professional standards when planning sampling applications for Tests of Controls. The planning procedures did not document the planned assessed level of control risk and a tolerable rate of error. The procedures required that sample sizes be increased as deviations are discovered without regard to the impact on the tolerable rate. This failure to properly document the planning of compliance sampling did not impact the sampling results for the engagement reviewed.

Recommendation - The firm should hold a training session for all professionals to emphasize the proper use of sampling applications in all areas where the firm utilizes sampling as a key audit technique and establish standard documentation for planning and performing those tests as part of its system of quality control.

Deficiency - The firm's quality control policies and procedures require that the firm's inspection procedures be sufficiently comprehensive to enable the firm to assess conformity with all applicable professional standards and the firm's compliance with quality control policies and procedures. However, the nature and extent of the deficiencies outlined in this report demonstrate the inspection procedures were

ineffective in monitoring the firm's adherence to its quality control policies and procedures. The ineffective inspection procedures prevented the firm from achieving the objectives of monitoring procedures.

Recommendation - Until the firm's owners more fully understand the administration of a system of quality control, we recommend the firm hire an outside party to perform pre-issuance or post-issuance engagement reviews and other monitoring procedures, and assist the firm in identifying systemic reasons for engagement deficiencies; and the firm should communicate such deficiencies timely to appropriate professional staff.

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**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

July 3, 2008

Missouri Society of Certified Public Accountants
Attention: Christine Bacon
P.O. Box 419042
St. Louis, MO 63141

Ladies and Gentlemen:

This letter represents our response to the letter of comments issued in connection with our firm's on-site quality review for the year ended January 31, 2008. The matters discussed have been brought to the attention of all professional personnel subsequent to the exit conference with our peer reviewer.

Comment 1 – Firms Response: We agree with recommendation and are in the process of developing an in-house training session.

Comment 2 – Firms Response: We agree with recommendation and will implement a summary memo in the audit file regarding high risk audit areas.

Comment 3- Firms Response: We agree with recommendation and will implement a modification to the engagement and client representation letter.

Comment 4- Firm Response: We disagree with the recommendation that our sampling does not comply with professional standards. The firm follows the PPC audit programs for sampling size.

Comment 5- Firm Response: We disagree with the recommendation that the administration hire an outside party to perform pre-issuance or post-issuance engagement reviews. We will corrected our processes in-house and obtain put additional review processes in place to rectify the findings.

We believe these actions are responsive to the comments.

Sincerely,

Daniel Jones & Associates

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Certified Public Accountants