

Alan L. Grothe, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANT

MEMBER OF THE
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

System Review Report

June 26, 2009

To the Shareholders of R. Michael LaBounty & Associates, PC and the Peer Review Committee of the Georgia Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of R. Michael LaBounty, PC (the firm) in effect for the year ended December 31, 2008. 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:

1. Deficiency-The firm's quality control policies and procedures do not require preparation of financial statement disclosure and presentation checklists on some engagements and on other engagements there is not enough focus on these checklists. As a result, on an engagement reviewed the financial statements were missing several disclosures including the method for determining the allowance for bad debts and FIN-48 accounting policy for pass-through entities. Also, several number inconsistencies were noted. On another engagement the financial statements did not reference the accountant's report, as required. None of these financial statements were misleading in the circumstances. There was a similar finding on the firm's previous peer review.

Recommendation-The firm's quality control policies and procedures should be revised to require preparation, if not presently being done, and more emphasis in preparation and review of these checklists. The shareholder should carefully review these checklists at the completion of an engagement to ensure the proper checklists are utilized and to ensure their proper completion as required by firm policy. This can be accomplished by adding a procedure to the firm's engagement review checklist requiring the shareholder to document his review of these checklists.

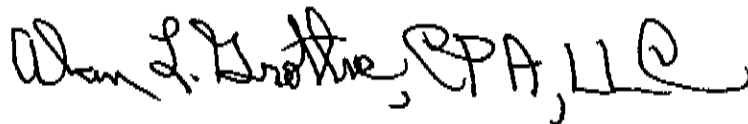
2. Deficiency-The firm's quality control policies and procedures do not require shareholder review of engagements documented by completion of a supervisory and review checklist. As a result, a representation letter was dated before the accountant's report. Also, an engagement was noted where the report was released after the report date. In neither of these cases were incorrect financial statements issued. There was a similar finding on the firm's prior peer review.

Recommendation-The firm's quality control policies and procedures should require completion and documentation of shareholder engagement review to enhance quality control and improve performance.

3. Deficiency-The firm's quality control policies and procedures do require monitoring system performance and documentation as required by the Quality Control Standards, but the process was not effective to address the deficiencies noted above.

Recommendation-As part of its monitoring process, the firm needs to address deficiencies noted above and new professional standards in effect now and in the near future. Appropriate engagement checklists should be used to help perform and document this process. An effective engagement quality review process performed by an outsider may be helpful.

In our opinion, except for deficiencies described above, the system of quality control for the accounting and auditing practice of R. Michael LaBounty & Associates, PC in effect for the year ended December 31, 2008, 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*. R. Michael LaBounty & Associates, PC has received a peer review rating of *pass with deficiencies*.



Alan L. Grothe, CPA, LLC