



## EUBANK & BETTS

A Professional Limited Liability Company

CERTIFIED PUBLIC ACCOUNTANTS

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August 3, 2007

To the Shareholders  
Darnall, Sikes, Gardes & Frederick  
(A Corporation of Certified Public Accountants)

We have reviewed the system of quality control for the accounting and auditing practice of Darnall, Sikes, Gardes & Frederick (the Firm) in effect for the year ended May 31, 2007. 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, audits of Employee Benefit Plans and 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, the system of quality control for the accounting and auditing practice of Darnall, Sikes, Gardes & Frederick in effect for the year ended May 31, 2007, 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.

As is customary in a system review, we have issued a letter under this date that sets forth a comment that was not considered to be of sufficient significance to affect the opinion expressed in this report.

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We have reviewed the system of quality control for the accounting and auditing practice of Darnall, Sikes, Gardes & Frederick (the firm) in effect for the year ended May 31, 2007, and have issued our report thereon dated August 3, 2007. That report should be read in conjunction with the comment in this letter, which was considered in determining our opinion. The matter described below was not considered to be of sufficient significance to affect the opinion expressed in that report.

**Comment**—Professional standards and the firm's quality control policies and procedures require that the firm be independent with respect to all audit and accounting clients. The firm's monitoring activities for the prior year disclosed instances where the documentation requirements involving the effects of non-attest services and client competencies were not complete with respect to certain compilation engagements. However, corrective action did not begin to be implemented until six months later, and at May 31, 2007, had not been completely implemented on a firm-wide basis. Consequently, our review also found that on selected compilation engagements there was inadequate documentation of an understanding with clients relative to their responsibilities concerning non-attest services. From discussions with the partners responsible for these engagements, we were able however, to determine that professional and firm requirements had been followed.

**Recommendation**—The firm should emphasize the importance of timeliness of the corrective action called for by its policies and procedures. It is also recommended that the firm review the independence requirements of the AICPA with all professional staff, and carefully document its compliance in the conduct of its accounting and auditing practice.

EUBANK & BETTS, PLLC



# Darnall, Sikes, Gardes & Frederick.

(A Corporation of Certified Public Accountants)

Eugene H. Darnall, CPA, Retired 1990  
Paula D. Bihm, CPA, Deceased 2002

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Rachel W. Ashford, CPA  
Dustin R. Buck, CPA  
Veronica L. LeBleu, CPA

August 30, 2007

Peer Review Committee  
Society of Louisiana Certified Public Accountants

This letter represents our response to the report and letter of comments issued in connection with the review of the firm's system of quality control for the accounting and auditing practice in effect for the year ended May 31, 2007.

Documentation of Non-Attest Services on Compilations - Our Firm has adopted a policy of obtaining written engagement letters on all compilations. All partners will be responsible for obtaining the required written communication for their compilation engagements. We also discussed this matter with all professional personnel. The partner in-charge of each office will monitor the timely implementation of this policy.

Sincerely,

DARNALL, SIKES, GARDES & FREDERICK

Danny P. Frederick

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