

James L. Nicholson, Jr., CPA  
G. Kenneth Pavy, II, CPA  
Michael A. Roy, CPA  
Lisa Trouille Manuel, CPA  
Dana D. Quebedeaux, CPA



**JOHN S. DOWLING & COMPANY**  
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS  
www.jsdc-cpas.com  
**System Review Report**

John S. Dowling, CPA  
1904-1984  
John Newton Stout, CPA  
1936-2005  
Chizal S. Fontenot, CPA  
1955-2012

Van L. Auld, CPA

Retired

Harold Dupre, CPA  
1996  
Dwight Ledoux, CPA  
1998  
Joel Lanclos, Jr., CPA  
2003  
Russell J. Stelly, CPA  
2005

October 22, 2015

To the Members of Baxley & Associates, L.L.C.  
and the Peer Review Committee of the Louisiana Society of CPA's

We have reviewed the system of quality control for the accounting and auditing practice of Baxley & Associates, L.L.C. (the firm) in effect for the year ended May 31, 2015. 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. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. 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](http://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 significant deficiencies during our review:

1. Deficiency – The firm's quality control policies and procedures require consultation base upon experience in a particular area and/or familiarity with the accounting principles in a particular area. We noted instances in which the firm did not consult during the year, either by use of the firm's technical reference material or by requesting assistance from outside the firm from a qualified source in the subject matter. As a result, the financial statements for a review and an audit engagement did not conform with applicable professional standards. The firm was not aware of certain of the particular disclosure and presentation requirements until it was brought to their attention during the peer review.

Recommendation – We recommend that the firm emphasize its consultation policies and procedures on those engagements that present new or unique presentation and/or disclosure requirements with which the firm is not familiar. Such consultation should be with individuals who are qualified in the particular area of concern.

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2. Deficiency – Professional standards require that the audit workpapers contain documentation of audit procedures performed to support the firm's opinion on the financial statements audited. The Firm's documentation in one of the audits reviewed did not provide support that the procedures the Firm had performed in sampling provided for a complete sample nor test and document the population's integrity, nor were the sample results then evaluated and where necessary, related to the risk assessments in planning. In both of the audits reviewed, the firm's documentation of analytical procedures in planning, final review and as a substantive test, did not always include clearly documented relevant expectations and the results of the analytical procedures were not then evaluated in light of the expectations. The Firms' documentation of its risk assessment in the planning process did not clearly document the Firm's risk assessment by significant area and provide clear linkage to the planned procedures to be responsive to the risks identified/assessed. In addition, in the documentation of the risk assessment, the basis for the inherent risk, where assessed below High, was not explained. As a result the audit documentation for these areas were not complete. We were not able to satisfy ourselves that, in each case, sufficient procedures had been performed.

Recommendation – The Firm should attend training sessions to allow engagement partners and personnel to identify and document these areas in their audit workpapers in accordance with professional standards and the Firm's Quality Control Document. In addition, the engagement partner should carefully review these checklists at the completion of an engagement to ensure that checklists appropriate to the audit are utilized and properly completion as required by firm policy.

3. Deficiency – Professional standards require that the audit workpapers contain documentation of audit procedures performed to determine the relevance, completeness and accuracy of significant source data used by the specialist actuary that the Firm's relies upon in forming their opinion on the financial statements audited. The Firm's documentation on one audit did not provide support that these procedures had been performed on underlying claims data.

Recommendation – The Firm should consult with appropriate knowledgeable personnel in the conduct of insurance audits on testing unique to the industry. The Firm's partners and staff should also attend training sessions to allow them to efficiently identify and document these areas in their audit workpapers in accordance with professional standards and the Firm's quality Control Document. In addition, the engagement partner should carefully review the Firm's documentation at the completion of the engagement to ensure that the appropriate testwork has been performed and documented as required by firm policy.

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In our opinion, as a result of the significant deficiencies previously described, the system of quality control for the accounting and auditing practice of Baxley & Associates, L.L.C. in effect for the year ended May 31, 2015, was not 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*. Baxley & Associates, L.L.C. has received a peer review rating of *fail*.

  
John S Dowling & Company

# **BAXLEY AND ASSOCIATES, LLC**

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P. O. Box 482  
58225 Belleview Drive  
Plaquemine, Louisiana 70764  
Phone (225) 687-6630 Fax (225) 687-0365

**Hugh F. Baxley, CPA/CGMA/CVA**  
**Margaret A. Pritchard, CPA/CGMA**

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**Staci H. Joffrion, CPA/CGMA**

January 8, 2016

Ms. Stacey Lockwood  
Director of Professional Oversight  
P.O. Box 1279  
Destrehan, LA 70047

Dear Ms. Lockwood:

This letter is submitted in response to your correspondence dated December 29, 2015 and our subsequent telephone conversation concerning the remediation of matters cited in the firm's peer review.

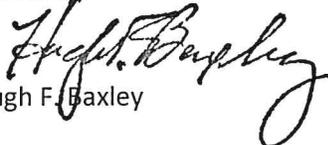
The first matter dealt with additional CPE that would be required for professional staff responsible for planning or performing engagements. Please be advised that the professional staff responsible have completed 24 hours as listed below. Both of these courses were sponsored by the LCPA and represent excess CPE for the 3 year reporting period ending December 31, 2015.

2015 Governmental Accounting and Auditing Conference on 11/8&9/2015	16 Hours
New Single Audit Super Circular on December 14, 2015	8 Hours

The second matter related to a pre-issuance review by an outside party acceptable to the Peer Review Committee of all reports issued subsequent to the peer review. As we discussed in our telephone conversation, the letter from you dated December 29, 2015 was received by us in 2016. We were required to release five (5) audit reports (including an A-133 report) prior to December 31, 2015 and therefore prior to the receipt of your letter. We would be agreeable to having those reports reviewed and request that this suffice as an alternative to pre-issuance. It would appear to assure the conformance of the firm's services to professional standards.

I thank you in advance for the Peer Review Committees consideration of these matters.

Sincerely,

  
Hugh F. Baxley



LCPA Peer Review Program  
Administered in Louisiana by the  
Society of Louisiana CPAs



AICPA Peer Review Program  
Administered by the  
Society of Louisiana CPAs

December 29, 2015

Hugh F Baxley  
Baxley & Associates, LLC  
58225 Belleview Dr  
Plaquemine, LA 70764

Dear Mr. Baxley:

On December 28, 2015 the Society of Louisiana CPAs Peer Review Committee accepted the report on the most recent system peer review of your firm and your firm's response thereto.

The Committee accepted the aforementioned documents with the understanding that the firm will:

- ensure that all professional staff responsible for planning or performing engagements participate in at least 16 hours of continuing professional education in auditing no later than June 30, 2016. Please send a letter to the Committee detailing the courses taken by each individual within thirty days of that date, along with proof of attendance at the courses. Self study, teleconferences or webcasts will not satisfy this requirement. If you have taken CPE in this or similar areas in the previous six months, please contact the peer review department to determine if the course qualifies.
- permit an outside party, acceptable to the Committee chair, to review the report, financial statements, and working papers on ALL engagements subsequent to the review PRIOR to release. The outside party should report to the Committee by June 30, 2016 on the results of the review. You must obtain the services of the outside party at your expense and ensure they are acceptable to the committee by contacting the Peer Review Department. Upon completion of the pre issuance review, the reviewer will be required to issue a letter of corrective action to the committee. The committee will review the letter along with any workpapers prepared during the preissuance review and determine if further action will be required. If you do not expect to have an engagement completed in time to meet the deadline, please contact the Peer Review Department with an expected date.

This review is not considered accepted until we receive the signed document.

State Board Rules provide that timely completion of a peer review of firms that have performed attest services (e.g., compilations, reviews, audits, agreed upon procedures, etc.) is required in order to maintain and renew a CPA firm permit to practice.

As defined in Interpretation 25-2 of the Standards the review will not be considered complete until the committee accepts the report and letter of response (if applicable) or decides that the reviewed firm has performed the agreed-to corrective action(s) to the committee's satisfaction and the committee requires no additional corrective action(s) by the reviewed firm. This date is noted in a final letter from the administering entity to the reviewed firm and is posted on the State Board secure website.

Letter ID: 1045309A

Your firm's agreement to take this action voluntarily demonstrates its commitment to the objectives of the profession's practice-monitoring programs. Please acknowledge that agreement by returning a signed copy of this letter to us via email [gsnyder@lcpa.org](mailto:gsnyder@lcpa.org) or fax 985-764-4345.

Sincerely,  
SOCIETY OF LOUISIANA CPAs



Stacey Lockwood  
Director of Professional Oversight  
slockwood@lcpa.org 504 904-1136

cc: George Kenneth Pavy; Margaret Ann Pritchard

Firm Number: 10098820    Review Number: 326592

Acknowledged for the Firm:

Signature: Margaret Pritchard      Date: 1-11-16