

Bates CPAs

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System Review Report

November 6, 2013

To the Owners of **Martin & Hanway CPA's P.C.**
and the Peer Review Committee of the Missouri Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of **Martin & Hanway CPA's P.C.** (the firm) in effect for the year ended June 30, 2013. 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 and the system of quality control and 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 Government Auditing Standards.

We noted the following deficiency during our review:

1. Deficiency – The firm's quality control policies and procedures require the use of library resource materials and other consulting resources to insure the firm's audit reports are in compliance with current professional standards. However, on an engagement subject to Government Auditing Standards, the firm failed to adequately consult its available resource materials. As a result, we noted the firm's audit report was not in compliance with recent changes in professional standards (clarity standards). The firm represented that the only action necessary is to correct this audit report on the subsequent engagement.

Recommendation – The firm should carefully review its consultation resources to insure their audit reports are in compliance with professional standards. The firm should also consult with resources outside the firm when they are unsure of the results of their research.

In our opinion, except for the deficiency described above, the system of quality control for the accounting and auditing practice of **Martin & Hanway CPA's P.C.** in effect for the year ended June 30, 2013, 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*. **Martin & Hanway CPA's P.C.** has received a peer review rating of *pass with deficiency*.

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