

# Phillips & Associates, CPAs, P.C.

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August 24, 2007

To the Shareholders  
Nietzke & Faupel, P.C.

We have reviewed the system of quality control for the accounting and auditing practice of Nietzke & Faupel, P.C. (the firm) in effect for the year ended March 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 Nietzke & Faupel, P.C. in effect for the year ended March 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 comments that were 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 Nietzke & Faupel, P.C. (the firm) in effect for the year ended March 31, 2007, and have issued our report thereon dated August 24, 2007. That report should be read in conjunction with the comments in this letter, which were considered in determining our opinion. The matters described below were not considered to be of sufficient significance to affect the opinion expressed in that report.

Comment—The firm's quality control policies and procedures require firm personnel to obtain appropriately tailored written representations on all audit and review engagements. Written representations were obtained, but they were not tailored to engagements for matters such as when the client represented that it had not consulted legal counsel during the year, and in one case, the representation letter did not cover all periods presented. None of the matters noted represented significant departures from professional standards.

Recommendation—We recommend the firm hold a staff meeting and emphasize the importance of properly tailoring written client representations to each engagement. In addition, the independent engagement reviewer should place special emphasis to ensure all written representations are appropriate.

*Phillips & Associates, CPAs, P.C.*  
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# Nietzke & Faupel, PC

ALLAN W. NIETZKE, CPA  
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Members of: Michigan Association of Certified Public Accountants • American Institute of Certified Public Accountants

CPA's On Your Team

September 28, 2007

Michigan Association of CPAs  
Peer Review Department  
Suite 200  
P.O. Box 5068  
Troy, MI 48007-5068

Ladies and Gentlemen:

This letter represents our response to the letter of comments issued in connection with the review of our firm's system of quality control for the year ended March 31, 2007. The matter discussed herein will be brought to the attention of all professional personnel at a training session to be held on October 22, 2007. In addition, the matter discussed in the letter will be monitored to ensure it is effectively implemented as part of our system of quality control.

Client Representations – All professional personnel will be reminded of the need to tailor the written client representations to the circumstances for each engagement. We will discuss the importance of appropriately modifying the client representation letters in the areas of legal representations and that the representation letter should cover all periods included in the financial statements. In addition, all engagement reviewers will be instructed to monitor compliance with this policy and to ensure that the client representation letters are appropriately modified for each engagement.

We believe this action is responsive to the finding of the review.

Sincerely,

Nietzke & Faupel, P.C.  
Certified Public Accountants