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**Inspection of
Trice Geary & Myers LLC**

Issued by the

Public Company Accounting Oversight Board

December 15, 2005

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT

**PORTIONS OF THE COMPLETE REPORT ARE OMITTED
FROM THIS DOCUMENT IN ORDER TO COMPLY WITH
SECTIONS 104(g)(2) AND 105(b)(5)(A)
OF THE SARBANES-OXLEY ACT OF 2002**

PCAOB RELEASE NO. 104-2005-170

Notes Concerning this Report

1. Portions of this report may describe deficiencies or potential deficiencies in the systems, policies, procedures, practices, or conduct of the firm that is the subject of this report. The express inclusion of certain deficiencies and potential deficiencies, however, should not be construed to support any negative inference that any other aspect of the firm's systems, policies, procedures, practices, or conduct is approved or condoned by the Board or judged by the Board to comply with laws, rules, and professional standards.
2. Any references in this report to violations or potential violations of law, rules, or professional standards should be understood in the supervisory context in which this report was prepared. Any such references are not a result of an adversarial adjudicative process and do not constitute conclusive findings of fact or of violations for purposes of imposing legal liability. Similarly, any description herein of a firm's cooperation in addressing issues constructively should not be construed, and is not construed by the Board, as an admission, for purposes of potential legal liability, of any violation.
3. Board inspections encompass, among other things, whether the firm has failed to identify departures from Generally Accepted Accounting Principles ("GAAP") in its audits of financial statements. This report's descriptions of any such auditing failures necessarily involve descriptions of the related GAAP departures. The Board, however, has no authority to prescribe the form or content of an issuer's financial statements. That authority, and the authority to make binding determinations concerning an issuer's compliance with GAAP, rests with the Securities and Exchange Commission ("SEC" or "Commission"). Any description, in this report, of perceived departures from GAAP should not be understood as an indication that the Commission has considered or made any determination regarding these GAAP issues unless otherwise expressly stated.

INSPECTION OF TRICE GEARY & MYERS LLC

The Public Company Accounting Oversight Board ("PCAOB" or "the Board") has conducted an inspection of the registered public accounting firm Trice Geary & Myers LLC ("the Firm"). The Board is issuing this report of that inspection in accordance with the requirements of the Sarbanes-Oxley Act of 2002 ("the Act").

The Board is making portions of the report publicly available. Specifically, the Board is releasing to the public Part I of the report and portions of Part IV of the report. Part IV of the report consists of the Firm's comments, if any, on a draft of the report.^{1/}

The Board has elsewhere described in detail its approach to making inspection-related information publicly available consistent with legal restrictions.^{2/} A substantial portion of the Board's criticisms of a firm (specifically criticisms of the firm's quality control system), and the Board's dialogue with the firm about those criticisms, occurs out of public view, unless the firm fails to make progress to the Board's satisfaction in addressing those criticisms. In addition, the Board generally does not disclose otherwise nonpublic information, learned through inspections, about the firm or its clients. Accordingly, information in those categories generally does not appear in the publicly available portion of an inspection report.

^{1/} The Board does not make public any of a firm's comments that address a nonpublic portion of the report. In addition, pursuant to section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(b), if a firm requests, and the Board grants, confidential treatment for any of the firm's comments on a draft report, the Board does not include those comments in the final report at all. The Board notes that it routinely grants confidential treatment, if requested, for any of a firm's comments that identify factually inaccurate statements in the draft that the Board corrects in the final report.

^{2/} See Statement Concerning the Issuance of Inspection Reports, PCAOB Release No. 104-2004-001 (August 26, 2004).

PART I

INSPECTION PROCEDURES AND CERTAIN OBSERVATIONS

Members of the Board's inspection staff ("the inspection team") conducted fieldwork for the inspection from July 11, 2005 to July 15, 2005. The fieldwork included procedures tailored to the nature of the Firm, certain aspects of which the inspection team understood at the outset of the inspection to be as follows:

Number of offices	1 (Salisbury, Maryland)
Ownership structure	Limited liability company
Number of partners	5
Number of professional staff ^{3/}	14
Number of issuer audit clients ^{4/}	2

Board inspections are designed to identify and address weaknesses and deficiencies related to how a firm conducts audits. To achieve that goal, Board inspections include reviews of certain aspects of selected audits performed by the firm and reviews of other matters related to the firm's quality control system.

In the course of reviewing aspects of selected audits, an inspection may identify ways in which a particular audit is deficient, including failures by the firm to identify, or to address appropriately, respects in which an issuer's financial statements do not present fairly the financial position, results of operations, or cash flows of the issuer in

^{3/} "Professional staff" includes all personnel of the Firm, except partners or shareholders and administrative support personnel. The number of partners and professional staff is provided here as an indication of the size of the Firm, and does not necessarily represent the number of the Firm's professionals who participate in audits of issuers or are "associated persons" (as defined in the Act) of the Firm.

^{4/} The number of issuer audit clients shown here is based on the Firm's self-reporting and the inspection team's review of certain information for inspection planning purposes. It does not reflect any Board determination concerning which, or how many, of the Firm's audit clients are "issuers" as defined in the Act.

conformity with GAAP.^{5/} It is not the purpose of an inspection, however, to review all of a firm's audits or to identify every respect in which a reviewed audit is deficient. Accordingly, a Board inspection report should not be understood to provide any assurance that the firm's audits, or its issuer clients' financial statements, are free of any deficiencies not specifically described in an inspection report.

A. Review of Audit Engagements

The scope of the inspection procedures performed included reviews of aspects of the performance of both of the Firm's audits of the financial statements of issuers. Those aspects were selected according to the Board's criteria, and the Firm was not allowed an opportunity to limit or influence the selection process.

The inspection team identified matters that it considered to be audit deficiencies.^{6/} The deficiencies identified in both of the audits reviewed included deficiencies of such significance that it appeared to the inspection team that the Firm did not obtain sufficient competent evidential matter to support its opinion on the issuer's financial statements. Those deficiencies included –

- (1) the failure to perform and document sufficient audit procedures to test loan interest income; and
- (2) the failure to perform and document sufficient audit procedures with respect to controls at a significant third-party service organization.

^{5/} When it comes to the Board's attention that an issuer's financial statements appear not to present fairly, in a material respect, the financial position, results of operations or cash flows of the issuer in conformity with GAAP, the Board reports that information to the SEC, which has jurisdiction to determine proper accounting in issuers' financial statements.

^{6/} PCAOB standards require a firm to take appropriate actions to assess the importance of audit deficiencies identified after the date of the audit report to the firm's present ability to support its previously expressed opinions. *See* AU 390, *Consideration of Omitted Procedures After the Report Date*, and AU 561, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report* (both included among the PCAOB's interim auditing standards, pursuant to PCAOB Rule 3200T). Failure to comply with these PCAOB standards could be a basis for Board disciplinary sanctions.

B. Review of Quality Control System

In addition to evaluating the quality of the audit work performed on specific audits, the inspection included review of certain of the Firm's practices, policies and procedures related to audit quality. This review addressed practices, policies and procedures concerning audit performance, training, compliance with independence standards, client acceptance and retention, and the establishment of policies and procedures. As described above, any defects in, or criticisms of, the Firm's quality control system are discussed in the nonpublic portion of this report and will remain nonpublic unless the Firm fails to address them to the Board's satisfaction within 12 months of the date of this report.

END OF PART I

PARTS II AND III OF THIS REPORT ARE NONPUBLIC
AND ARE OMITTED FROM THIS PUBLIC DOCUMENT

PART IV

RESPONSE OF THE FIRM TO DRAFT INSPECTION REPORT

Pursuant to section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the Board provided the Firm an opportunity to review and comment on a draft of this report. The Firm provided a written response.

Pursuant to section 104(f) of the Act and PCAOB Rule 4007(b), if a firm requests, and the Board grants, confidential treatment for any of the firm's comments on a draft report, the Board does not include those comments in the final report. The Board routinely grants confidential treatment, if requested, for any of a firm's comments that identify factually inaccurate statements in the draft that the Board corrects in the final report.

Pursuant to section 104(f) of the Act and PCAOB Rule 4007(b), the Firm's response, minus any portion granted confidential treatment, is attached hereto and made part of this final inspection report. In any version of this report that the Board makes publicly available, any portions of the Firm's response that address nonpublic portions of the report are omitted.



November 3, 2005

Mr. George Diacont
Director
Division of Registration and Inspections
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, DC 20006

Re: Response to Part I of Draft Report of Inspection

Dear Mr. Diacont:

We appreciate the opportunity to respond to the Board's Draft Report of Inspection (the "Report") dated October 6, 2005 in accordance with Section 104(f) of the Sarbanes-Oxley Act of 2002. We recognize the importance of the inspection process in restoring the public's trust in the independent audit process.

As a growing Firm that has built an audit practice based on sound quality control principles, we take pride in both serving clients and adhering to standards of the profession. We have taken, or will be taking, steps to address the matters in the Board's Report and believe that future inspections will only serve to further strengthen the quality of our audit practice.

Our comments below are summarized in response to Part I of the Report so that we may provide our views on the particular findings, add context to the findings, and discuss the actions we are taking as a Firm. We have provided more detailed responses to each of the findings in an attachment to this letter. We request that you consider this information in preparing your final report on the inspection of our Firm.

Auditing Comments

We acknowledge the two findings reported by the PCAOB inspection team and included in the Board's Report. The two findings noted in the report were identified in each of the two engagements chosen for review; each engagement had one finding.

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In the cases where we agree that the documentation clarity could be improved or additional audit procedures are required, we have undertaken steps to incorporate additional documentation into our workpapers in accordance with AU 390, *Consideration of Omitted Procedures After Report Date*. In all cases, however, we do not anticipate that any such additional documentation will lead to any changes in our clients' audited financial statements or our reports thereon and that our present ability to support our previously expressed opinions has not been impaired.

As we do place a high value on the inspection process and strive to maintain an audit practice of high quality and excellence, we have also conducted internal training sessions with our engagement auditing teams to address the specific and general findings of the inspection team and have implemented those changes in our documentation processes. We have also had discussions with both clients to address ways to assist us in resolving these findings.

We appreciate the opportunity to respond to the draft Inspection Report and would welcome any opportunity to discuss any matters that may require further explanation before you finalize the Report.

Sincerely,

A handwritten signature in cursive script that reads "Trice Geary & Myers LLC".

TRICE GEARY & MYERS LLC

Attachment

**ATTACHMENT TO TRICE GEARY & MYERS LLC RESPONSE
DETAILED COMMENTS ON PART I**

The following information provides additional detail in response to the specific findings in Part I.A. of the Draft Report of Inspection. The detail is cross-referenced by number and description of the comments in Part I.A.

(1) Failure to perform and document audit procedures to sufficiently test loan interest income – Issuer A.

We believe our audit working papers sufficiently document our understanding of the issuer's internal control, including control environment, risk assessment, control activities, information and communication, and monitoring. Consistent with our firm quality control policies, this understanding is documented using the appropriate PPC checklists and forms and through various narrative descriptions (which include access controls) contained in our audit working papers. We believe that our design and execution of these audit procedures were tests of controls which directly tested the financial statement assertions and provided our basis for a below maximum control risk assessment consistent with AU 319.90-104. We also believe that our design of these tests did indeed consider the risk of the system not processing information properly due to breakdowns in IT general controls and that the issuer's IT general controls were indirectly tested by the tests of controls we performed.

Subsequent to receiving the related comment from the inspection team, we have further studied AU 319 and engaged in audit department discussions regarding an auditor's responsibility to test IT general controls, and the extent of such testing, given the specific fact pattern that existed with this issuer. Although we believe that we indirectly tested the issuer's IT general controls in an amount sufficient to support our audit opinion, we have concluded that we could have increased the extent of our testing and designed and executed direct tests of IT general controls, as commented by the inspection team and as inferred in applicable auditing standards. We will be, therefore, performing additional auditing procedures with respect to 2004, concurrently with our 2005 audit of the related issuer, and documenting such in our 2004 audit working papers in accordance with AU 390. We do not believe that such additional audit procedures will lead to any changes in the issuer's audited financial statements or our report thereon.

**ATTACHMENT TO TRICE GEARY & MYERS LLC RESPONSE
DETAILED COMMENTS ON PART I (continued)**

(2) Failure to perform and document sufficient audit procedures with respect to controls at a significant third party service provider – Issuer B.

We again acknowledge your comments and agree that we did not perform sufficient procedures to determine that user organization (issuer) controls were in place, and will expand our auditing procedures and related documentation for our audit of the Issuer's 2005 financial statements.

As to the comments regarding determining if any update procedures were required, in that the SAS 70 Type II report covered a period through September 30, 2004, and Issuer's year end was December 31, 2004, we acknowledge that we did not provide written documentation as to any assessment relating to this stub period.

In order to further put this issue into perspective, the third party service provider is also a client of our firm, and an audit was performed on the 2004 calendar year financial statements of this entity, and in January 2005, the managing partner of our firm, who was the engagement partner on the 2004 financial statement audit of the third party service provider, and the concurring reviewer on the 2004 audit of the financial statements of the Issuer, made specific verbal inquiries of management of this third party service provider as to the Type II engagement referred to above, and whether any matters had evolved as a result of or since this Type II engagement was completed. These verbal inquiries and related responses were, however, not documented in the workpapers for the inspection team to consider.

A memorandum of those inquiries and responses will be prepared and included in the 2004 audit workpapers.

In the future, the Firm will be making appropriate inquiries and consider additional testing that may be necessary, based on those inquiries, as to any stub period, and through the periods covered by Issuer's financial statements. The inquiries and related responses will be documented in the workpapers of the Issuer.