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Inspection of Mintz & Partners LLP

**Issued by the
Public Company Accounting Oversight Board**

June 14, 2007

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. 104-2007-077

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 U.S. Generally Accepted Accounting Principles ("GAAP") or Securities and Exchange Commission ("SEC" or "Commission") disclosure requirements in its audits of financial statements. This report's descriptions of any such auditing failures necessarily involve descriptions of the related GAAP or disclosure 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 or Commission disclosure requirements rests with the Commission. Any description, in this report, of perceived departures from GAAP or Commission disclosure requirements should not be understood as an indication that the Commission has considered or made any determination regarding these issues unless otherwise expressly stated.

INSPECTION OF MINTZ & PARTNERS LLP

The Public Company Accounting Oversight Board ("PCAOB" or "the Board") has conducted an inspection of the registered public accounting firm Mintz & Partners LLP ("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 October 17, 2005 to October 21, 2005.^{3/} 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 (Toronto, Ontario, Canada)
Ownership structure	Limited liability partnership
Number of partners	20
Number of professional staff ^{4/}	63
Number of issuer audit clients ^{5/}	8

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.

^{3/} The Board's inspection was conducted in cooperation with the Canadian Public Accountability Board.

^{4/} "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.

^{5/} 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.

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 conformity with GAAP.^{6/} 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 two of the Firm's audits of the financial statements of issuers. Those audits and 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.^{7/} 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 –

^{6/} 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.

^{7/} 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.

- (1) the failure to evaluate whether an issuer's misclassification of certain receivables was material to the financial statements;
- (2) the failure to perform and document sufficient audit procedures to test the valuation of shares issued and the assets acquired and liabilities assumed in acquisitions; and
- (3) the failure to perform and document sufficient audit procedures to test the impairment of goodwill and intangible assets.

The auditing deficiencies described above include a deficiency in auditing an aspect of an issuer's financial statements that the issuer revised in a restatement of its financial statements subsequent to inspection fieldwork.^{8/}

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

^{8/} The Board inspection process did not include any review of any additional audit work related to the restatement.



PCAOB Release No. 104-2007-077
Inspection of Mintz & Partners LLP
June 14, 2007
Page 5

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

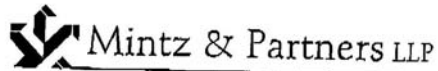
PART IV

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.



March 19, 2007

Mr. George Diacont, Director
Division of Registration and Inspections
Public Company Accounting Oversight Board
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By fax (202-862-8433) and by courier

Dear Mr. Diacont:

RE: INSPECTION REPORT OF MINTZ & PARTNERS LLP

Thank you for the opportunity to respond to the draft inspection report that was provided to us on February 28, 2007.

Our response is contained in this letter and addresses matters contained in Part I(A) and I(B) as well as responses to Part II(A) and II(B). We understand that matters related to Part II(B) will not be made public, on the basis that we either have or will have satisfactorily addressed the criticisms or defects in our Quality Control system as identified by the Board, no later than 12 months after the issuance of the Board's final inspection report.

A) Review of Audit Engagements

We have reviewed the comments of the inspection team regarding audit deficiencies noted in the report in respect of 2004 audits.

In addition to our specific responses contained herein, we advise and confirm that the results of any further audit work done or determinations made as a result of the inspection report, do not require any further disclosures by our firm, or by the specific registrants, and that no specific actions as required by AU 561.05-09 to prevent unwarranted reliance on previously expressed opinions are required. Specifically, our work did not indicate that any of the opinions were inappropriately rendered.

Registrant A

We note the comments regarding the misclassification by the issuer of certain receivables that were incorporated into the financial statements and the comment regarding evaluation of the materiality of the matter noted.

We have undertaken the following:

- a) We have advised this, and other clients, that in similar circumstances, where there were rebates receivable from and trade amounts payable to the same vendor that, unless they are specifically permitted (on a legal basis) to be offset as contemplated by Financial Accounting Standards Board Interpretation ("FIN") Number 39, that it is not in accordance with the United States Generally Accepted Accounting Principles to offset the receivables and the payable, notwithstanding that these amounts may have been settled on a net basis (as in the case of this specific issuer), subsequent to year-end but prior to the completion of the audit.
- b) We have also ensured that our work programs and risk analysis, in clients where this may exist, specifically, address this issue and this is taken into account during our planning work with respect to these clients.
- c) We have also ensured that our entire team and our underlying work programs address the requirements of the United States Securities and Exchange Commission Staff Accounting Bulletins 99 and 108 regarding unadjusted differences arising in the course of an audit.

Registrant B

We have noted the comments in connection with the matters regarding the support documented for the share price value used in the valuation of an acquisition and the documentation of testing of assumptions in goodwill and intangible audit impairment testing. We advise of the following undertaken by our firm:

- a) We have taken steps to ensure that the specific working paper documentation regarding testing of assumptions of the new, revised share price discount used to value an acquisition have been included with the working paper files.

We have made another requirement in our audit programs and procedures that such documentation be required in the files.

We now have established as a requirement that clients, in future circumstances, obtain external support for such valuations of shares being issued or other such factors in an acquisition.

- b) We have also made it a standard requirement in our audit planning that, when acquisitions have taken place that external support of for the purchase price allocation be provided.

- c) We have reviewed the assumptions used by the client in the goodwill and intangibles impairment test and ensured that the work done is properly documented in accordance with PCAOB documentation standards.

As noted above, there was no basis on which the results of the impairment test be amended nor to have the financial statements restated, nor to have actions taken to advise that the audit report should not be relied upon.

Also, as part of our documentation requirements in our programs, now require that such work is, at all times fully documented, in accordance with PCAOB standards.

REDACTED

Comments on Non-public Aspects of Report

REDACTED

Comments on Non-public Aspects of Report

Respectfully submitted,

Mintz & Partners LLP

Per: Elliott M. Jacobson, C.A.
Partner