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**Inspection of
Tschopp, Whitcomb & Orr, P.A.**

Issued by the

Public Company Accounting Oversight Board

December 18, 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. 104-2007-164



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 TSCHOPP, WHITCOMB & ORR, P.A.

The Public Company Accounting Oversight Board ("PCAOB" or "the Board") has conducted an inspection of the registered public accounting firm Tschopp, Whitcomb & Orr, P.A.^{1/} ("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.^{2/}

The Board has elsewhere described in detail its approach to making inspection-related information publicly available consistent with legal restrictions.^{3/} 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 Firm has issued audit reports under the name of Tschopp, Whitcomb, and Orr, P.A.

^{2/} The Board does not make public any of a firm's comments that address a nonpublic portion of the report unless a firm specifically requests otherwise. 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 routinely grants confidential treatment, if requested, for any portion of a firm's response that addresses any point in the draft that the Board omits from, or any inaccurate statement in the draft that the Board corrects in, the final report.

^{3/} 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 September 25, 2006 to October 11, 2006. 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 (Maitland, Florida)
Ownership structure	Corporation
Number of partners	3
Number of professional staff ^{4/}	5
Number of issuer audit clients ^{5/}	2

Board inspections are designed to identify and address weaknesses and deficiencies related to how a firm conducts audits.^{6/} To achieve that goal, 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 some circumstances, a Board inspection may include a review of a firm's audit of financial statements of an issuer that ceased to be an audit client before the inspection, and any such former clients are not included in the number shown here.

^{6/} This focus necessarily carries through to reports on inspections and, accordingly, Board inspection reports are not intended to serve as balanced report cards or overall rating tools.

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 conformity with GAAP.^{7/} 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 inspection procedures included a review of aspects of the Firm's auditing of financial statements of three issuers. The scope of this review was determined according to the Board's criteria, and the Firm was not allowed an opportunity to limit or influence the scope.

The inspection team identified what it considered to be audit deficiencies.^{8/} The deficiencies identified in two of the audits reviewed included deficiencies of such significance that it appeared to the inspection team that the Firm did not obtain sufficient

^{7/} 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's practice is to report that information to the SEC, which has jurisdiction to determine proper accounting in issuers' financial statements.

^{8/} 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.

competent evidential matter to support its opinion on the issuer's financial statements.^{9/}
Those deficiencies were –

- (1) the failure in two audits to perform sufficient audit procedures related to revenue;
- (2) the failure to test an issuer's goodwill impairment analysis; and
- (3) the failure to perform sufficient audit procedures to test the existence and valuation of an issuer's investments.

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

^{9/} In some cases, an inspection team's observation that a firm failed to perform a procedure may be based on the absence of documentation and the absence of persuasive other evidence, even if a firm claims to have performed the procedure. PCAOB Auditing Standard No. 3, *Audit Documentation* ("AS No. 3"), provides that, in various circumstances including PCAOB inspections, a firm that has not adequately documented that it performed a procedure, obtained evidence, or reached an appropriate conclusion must demonstrate with persuasive other evidence that it did so, and that oral assertions and explanations alone do not constitute persuasive other evidence. See AS No. 3, paragraph 9; Appendix A to AS No. 3, paragraph A28. For purposes of the inspection, an observation that the Firm did not perform a procedure, obtain evidence, or reach an appropriate conclusion may be based on the absence of such documentation and the absence of persuasive other evidence.

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 Firm provided a written response to a draft of this 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.^{10/}

^{10/} 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 unless a firm specifically requests otherwise. In some cases, the result may be that none of a firm's response is made publicly available.



TSCHOPP, WHITCOMB & ORR, P.A.

Certified Public Accountants

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August 27, 2007

Mr. George H. Diacont
Public Company Accounting Oversight Board
Director
Division of Registrations and Inspections
1666 K Street N.W.
Washington, D.C. 20006

Dear Mr. Diacont:

We have recently received the report regarding the review of our SEC practice conducted in September and October 2006 by the Public Company Accounting Oversight Board (PCAOB or Board). We very much appreciated the professionalism and the general practice improvement suggestions provided by the review team (Team) during the engagement. We wish now to respond to that report to provide a record of our position with respect to the findings and conclusions of the Team.

While we generally agree with the findings of the Team, particularly with respect to documentation issues, we disagree with the conclusions arising from those findings. In the cases of both Issuers A and B, the Team concluded that the findings related to the conduct of the engagements constituted a lack of sufficient evidence to support the associated audit opinions.

After having had opportunity to revisit and discuss these matters amongst ourselves, we respectfully disagree with those conclusions. As an example, with respect to Issuer B, the Team noted concerning revenue recognition, that there was a lack of cut-off testing and analytical analysis of revenue fluctuations. Responding to these assertions, we would remind the Team that there was also significant confirmation of receivables and extensive inventory test work (existence and valuation) coupled with analytical review procedures which were designed at least in part to provide some comfort with respect to appropriate revenue recognition. The analytical review procedures consisted of gross profit comparison from year to year and review of both inventory and accounts receivable turnover ratios and other key statistics. Accordingly, we believe there existed more than sufficient evidence in this area to safely render our opinion on the financial statements and overcome the perceived shortfalls in evidence as alluded to by the Team. Further, with respect to Issuer B, although we did not receive direct and traditional confirmation of certain investment balances, we did receive and use the year end brokerage statement (which we received unopened from the Issuer) as evidence of the existence and valuation of the ending balances. We should note that the investments are held by a well known brokerage house whose monthly statements for the entire fiscal year were closely reviewed by the engagement team (and documented within the workpapers) as part of the analysis of

investment activity. Accordingly, given the level of effort and evidence received and documented in the workpapers, albeit not traditional confirmation, we would again respectfully disagree that the lack of traditional confirmation in and of itself would constitute a lack of sufficient audit evidence on which to render our opinion given the substantial volume of audit work completed in this area as described herein.

While we could continue to specifically describe in detail our disagreements with the conclusions of the Team, we feel that the information provided above provides sufficient explanation and basis for our position with respect to the Team's conclusions. We would like to inform the Board that as a result of this process, we have made several changes to our system of quality control including more stringent reliance on available practice aids, development of more experienced staff and associating with other professionals to provide additional technical resources. Again, we appreciate the Team's contribution to our effort to improve our system of quality control which continues to evolve with the introduction of more accounting and auditing pronouncements and general regulation of our profession.

Finally, and most importantly, we want to inform the Board that we have resigned from all of our SEC engagements and have established a policy that our firm will no longer participate in providing professional services to entities involved in any way in the public markets. We have determined that our firm does not have sufficient resources to address the needs of entities within the public markets while maintaining a high level of service to our privately held clients. Accordingly, effective in March 2007, we no longer provide professional services to publicly held entities and therefore, plan to resign our membership in the PCAOB immediately.

If you require further information or have any questions regarding this communication, please let us know.

Very truly yours,

Tschopp, Whitcomb & Orr, P.A.

Tschopp, Whitcomb and Orr, P.A.