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Inspection of
Child, Van Wagoner, & Bradshaw, PLLC

Issued by the

Public Company Accounting Oversight Board

January 30, 2009

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. 104-2009-008A
(Includes portions of Parts II and IV of the full report that were not included in PCAOB Release No. 104-2009-008)

PCAOB
Public Company Accounting Oversight Board

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 CHILD, VAN WAGONER, & BRADSHAW, PLLC

The Public Company Accounting Oversight Board ("PCAOB" or "the Board") has conducted an inspection of the registered public accounting firm Child, Van Wagoner, & Bradshaw, PLLC ("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 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.

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 primary procedures for the inspection from September 10, 2007 to September 14, 2007 and from October 9, 2007 to October 11, 2007. These procedures were 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	3 (Kaysville and Salt Lake City, Utah; and Hong Kong Special Administrative Region, People's Republic of China)
Ownership structure	Professional limited liability company
Number of partners	6
Number of professional staff[3/]	30
Number of issuer audit clients[4/]	76

[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. 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.

Board inspections are designed to identify and address weaknesses and deficiencies related to how a firm conducts audits.[5/] 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 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 inspection procedures included a review of aspects of the Firm's auditing of financial statements of nine 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.[7/] The deficiencies identified in four of the audits reviewed included deficiencies of such

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[5/] 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.

[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's practice is to report 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* 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.[8/] Those deficiencies were –

(1) the failure to perform audit procedures related to the completeness of deferred revenue and revenue cut-off;

(2) the failure, on two audits, to perform sufficient audit procedures related to the valuation and appropriateness of stock-based compensation; and

(3) the failure to perform sufficient audit procedures related to the valuation of assets in an asset purchase.

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

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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.

[8/] 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.

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

PORTIONS OF THE REST OF THIS REPORT ARE NONPUBLIC AND ARE OMITTED FROM THIS PUBLIC DOCUMENT

PART II

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B. Issues Related to Quality Controls

The inspection of the Firm included consideration of aspects of the Firm's system of quality control. Assessment of a firm's quality control system rests both on review of a firm's stated quality control policies and procedures and on inferences that can be drawn from respects in which a firm's system has failed to assure quality in the actual performance of engagements.[9/] On the basis of the information reported by the inspection team, the Board has the following concerns about aspects of the Firm's system of quality control.

Audit Performance

A firm's system of quality control should provide reasonable assurance that the work performed on an audit engagement will meet applicable professional standards and regulatory requirements. On the basis of the information reported by the inspection team, including the audit performance deficiencies described in Part II.A and any other deficiencies identified below, the Board has concerns that the Firm's system of quality control fails to provide such reasonable assurance in at least the following respects –

a. Technical Competence, Due Care, and Professional Skepticism

The Firm's system of quality control appears not to do enough to ensure technical competence and the exercise of due care or professional skepticism.

* * * *

[9/] A firm's failure to comply with the requirements of PCAOB standards when performing an audit may be an indication of a potentially significant defect in a firm's quality control system even if that failure did not result in an insufficiently supported audit opinion.

Appropriate Procedures

The Firm's system of quality control appears not to provide sufficient assurance that the Firm will conduct all testing appropriate to a particular audit. The information reported by the inspection team suggests an apparent pattern of failures to perform the appropriate procedures related to the testing of stock-based transactions. [Issuers B and C]

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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 an inspection report that the Board makes publicly available, any portions of a firm's response that address nonpublic portions of the report are omitted. In some cases, the result may be that none of a firm's response is made publicly available.

Child, Van Wagoner & Bradshaw, PLLC

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November 20, 2008

Mr. George Diacont
Director Division of Registration and Inspections
Public Company Accounting Oversight Board
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Washington, D.C. 20006-2803

Response to Part 1 of the October 24, 2008 Draft Report on the 2007 Inspection of Child, Van Wagoner & Bradshaw, PLLC

Dear Mr. Diacont:

We are pleased to provide our response to the Public Company Accounting Oversight Board regarding the Draft Report on the 2007 Inspection of Child, Van Wagoner & Bradshaw, PLLC (the "Report"). We are supportive of the inspection process, a fundamental component of the PCAOB's mission, and believe the Board's comments and observation enhance the ability to achieve our shared objective of improving audit quality. This letter represents our response to the public portion of the draft report of the Inspection. We request that this letter be made part of the final Report.

We respect the PCAOB's inspection process and understand that judgments are involved both in performing an audit and in subsequently inspecting it. Recognizing the constructive intent of the inspection process, we made every effort to cooperate with the inspection staff. In evaluating the matters identified, we have considered whether it was necessary to perform additional auditing procedures in accordance with AU 390, *Consideration of Omitted Procedures After the Report Date*. Accordingly, we thoroughly evaluated the matters described in Part I *Inspection Procedures and Certain Observations* of the Report and have taken actions where appropriate in accordance with Child, Van Wagoner & Bradshaw, PLLC policies and PCAOB standards.

Of the four Issuers on which the Board has commented, we have performed certain additional procedures on one of them and improved aspects of our audit documentation in response to the inspection on all four of the engagements. In the other three instances, we are in the process of performing additional procedures and are nearing the completion of the performance of those procedures. In no instance have these procedures changed our original audit conclusions or affected our reports on the issuers' financial statements nor

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do we expect any additional procedures that are yet to be performed to result in changes to our conclusions and/or reports. If our assessment changes at the completion of these procedures, we will promptly inform you.

We have performed these procedures in accordance with PCAOB standards that require the 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 (AU 390). In some cases, the procedures had been performed, but not adequately documented, prior to the issuance of the audit report. Our additional procedures, in these cases, involved including documentation as part of the working papers for the audit.

As a result of these additional audit procedures performed, no new facts have come to our attention that caused us to believe that our previously issued auditor's report should have been withdrawn or that our work, as originally documented and performed, was inconsistent with the conclusions reached.

It should be noted that Issuers A, B, and C are no longer clients of the firm, and the Issuer's have not restated the financial statements noted in the Inspection as a result of the audits performed by the Issuer's successor auditors.

In connection with our 2007 year-end audits, we issued guidance relating to the areas raised in the Report to the engagement team in order to specifically address the concerns raised by the Inspection Team, especially as it relates to more fully documenting our procedures and conclusions. In addition, we have provided several in-house training sessions dedicated to addressing the areas of deficiency noted in the Report.

We appreciate the opportunity to provide our response to the Report and look forward to continuing to work with the PCAOB on matters of interest to our public company audit practice. We also wish to express our appreciation to the Inspection Team for the professional manner and demeanor in which it performed the Inspection. We believe that future inspections will continue to enhance our audit quality and strengthen the accounting profession.

Respectfully,

Child, Van Wagoner + Bradshaw, PLLC

Child, Van Wagoner & Bradshaw, PLLC
Certified Public Accountants

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November 20, 2008

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Response to Part IIB of the October 24, 2008 Draft Report on the 2007 Inspection of Child, Van Wagoner & Bradshaw, PLLC

Dear Mr. Diacont:

We are pleased to provide our response to the Public Company Accounting Oversight Board regarding the Draft Report on the 2007 Inspection of Child, Van Wagoner & Bradshaw, PLLC (the "Report). We are supportive of the inspection process, a fundamental component of the PCAOB's mission, and believe the Board's comments and observation enhance the ability to achieve our shared objective of improving audit quality. This letter represents our response to the non-public portion of the draft report of the Inspection. Accordingly, we request that this letter not be made a part of the final public Report.

Again, we respect the PCAOB's inspection process and understand that judgments are involved both in performing an audit and in subsequently inspecting it. We believe we have made every attempt to cooperate with the inspection staff and will continue to do so in the future.

We recognize that a firm's system of quality control should provide reasonable assurance that the work performed on an audit engagement will meet applicable professional standards and regulatory requirements. Accordingly, we have made some significant changes to our system of quality control to address the concerns the Board identified with respect to our quality control procedures designed to ensure technical competence, due care and professional skepticism. Among those changes we have:

1) Increased the minimum required number hours of continuing education to be taken by all audit staff through seminars conducted internal to the firm as well as outside the firm. These seminars are to address auditing and accounting issues encountered during our

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2) audits, new accounting standards and auditing pronouncements, issues specific to our clients and the industries they do business in, as well as issues identified in prior SEC issuer comments and by the staff and partners conducting the engagements. We have identified a principle within the firm to monitor compliance with these CPE requirements and to provide reasonable opportunities for attending seminars.
3) Established a means for communicating with our clients the need for more timely submission of financial statements to the auditors for conducting the audit in a reasonable time frame. This communication includes verbal and, in some cases, written communication of the consequences of violating this requirement, which may include terminating the engagement, increased fees and non-timely submissions.
4) Communicated with our staff regarding the importance of finishing their work on audit areas far enough in advance to allow the engagement and concurring partners enough time to conduct a timely and sufficient review. Consequences of violating this requirement could result in disciplinary action commensurate with the number and severity of the violations including termination, if necessary.
5) Increased the minimum scope of the concurring partners' reviews in accordance with recent auditing standards to ensure that concurring partners have conducted a review similar in scope to the engagement partner, if deemed warranted, and sufficient to make the conclusion that the procedures performed will support the opinion rendered on the financial statements. Our internal inspection procedures will focus on workpapers that document the procedures performed by the concurring partners and the procedures performed to address findings.
6) Enhanced our client acceptance and retention procedures in an attempt to cull out potentially high-risk clients and those that have created problems in the past that bring to bear increased risk of reporting and accounting deficiencies, inability to pay audit fees, or the inability to timely produce financial statements and related footnotes to be audited as well as those that exhibit severe accounting incompetence. We have gone through the process of ranking clients from most-desirable to least desirable as a precursor to the process of terminating client relationships, where warranted.
7) Provided a process to conduct weekly audit staff meetings that are designed to address engagements in which reassignments need to be made and scheduling conflicts can be addressed. These meetings also provide accountability to staff and partners during the audit process, and provide weekly training opportunities and brainstorming sessions in which issues unfamiliar to the staff assigned to the engagements can be brought up and addressed as a team.
8) Established standardized workpapers that have been included in our electronic audit engagement workpapers including certain fraud procedures and documentation requirements (including forms for auditor communications and documentation of matters brought to the concurring reviewer) that will alert auditors to the need for this documentation on every audit.

We believe an important part of any quality control system is the training and communication of results of peer reviews, PCAOB Inspections, internal inspections and results of routine engagement partner and concurring partner engagement reviews. This communication now takes place in several of the weekly audit meetings or in firm-wide training seminars in which partners, managers and senior accountants are encouraged to bring up deficiencies noted in their respective reviews. We firmly believe that our audit staff and partners possess the necessary technical competence, consistent with the staff level and experience obtained by their peers in other firms. As a result, we feel the deficiencies noted in the Inspection are more indicative of the lack of due care and professional skepticism required to conduct an adequate audit. In our firm, such lack of due care is usually the result of the lack of sufficient time to conduct the audits and the lack of communication with our clients. We believe the enhanced procedures listed above will adequately address these problems.

We are currently in the process of conducting our annual internal inspection. Because of the alleged number of deficiencies noted in the PCAOB Inspection, we have greatly increased our scope to include a larger percentage of the total audits performed by our firm. As part of the inspection, we have focused on the areas of deficiency noted in the PCAOB Inspection. The results of the internal inspection conducted thus far indicate a substantial improvement in addressing the deficiencies noted in the Inspection.

We fully intend to maintain verbal and written communications with the PCAOB over the course of the next twelve months in order to adequately address the criticisms and defects in our quality control systems to the satisfaction of the Board.

We recognize the importance of the Inspection process to the firm and the auditing profession as a whole. While we acknowledge the mission of the PCAOB is to enforce compliance with applicable auditing standards in order to protect the investing public and to enhance the role that auditors play in protecting the investing public, we also wish to express our desire to comply with the standards to which we are bound. We understand that the process of developing a system of quality control that ensures compliance is just that, a process, designed to provide continuous improvement. An adequate system cannot be created overnight and necessarily requires the constructive feedback of regulatory bodies such as the PCAOB over a sufficient period of time. While we intend to do all that we can to mitigate the potential findings of future inspections, we realize that the process of continuous improvement will involve addressing additional criticisms in the future. Again, we appreciate the role of the PCAOB in that process.

Respectfully,

Child, VanWagoner & Bradshaw, PLLC

Child, Van Wagoner & Bradshaw, PLLC