

September 12, 2012



SYSTEM REVIEW REPORT

To the Owner of
Gibson & Company, Inc.
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Gibson & Company, Inc. (the firm) in effect for the year ended March 31, 2012. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable 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 therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and employee benefit plans.

We noted the following deficiency during our review:

1. Deficiency – The firm uses a mix of third party practice aides from two providers for its employee benefit plan audits. The materials from one of the providers have not been peer reviewed and are not suitably designed for employee benefit plan engagements in that they do not address the unique aspects of these engagements. As a result, we noted an instance where investment transactions and the ending fair value of investments were not adequately tested and the auditor's report was not modified. The firm plans to perform the testing in the next engagement, which is imminent. We also noted instances where other audit procedures common in this specialized industry were not adequately documented, such as use of a specialist and consideration of controls at a service organization. These matters were not of such significance as to require additional action by the firm. A similar matter was noted in the firm's previous review.

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Recommendation – Though not required by professional standards, we recommend that the firm require the use of the risk assessment tool from its third party practice aides that are specifically designed for the specialized industry of employee benefit plans for its employee benefit plan engagements, and that the firm also consult with third party practice aides specifically designed for employee benefit plans when preparing its audit programs.

In our opinion, except for the deficiency described above, the system of quality control for the accounting and auditing practice of Gibson & Company, Inc. in effect for the year ended March 31, 2012, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency* or *fail*. Gibson & Company, Inc. has received a peer review rating of *pass with deficiency*.

John Waddell & Co., CPAs