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Report on

2009 Inspection of McGladrey & Pullen, LLP
(Headquartered in Bloomington, Minnesota)

Issued by the

Public Company Accounting Oversight Board

June 24, 2010

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. 104-2010-081

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Preface to Reports Concerning Annually Inspected Firms

The Sarbanes-Oxley Act of 2002 requires the Public Company Accounting Oversight Board ("PCAOB" or "the Board") to conduct an annual inspection of each registered public accounting firm that regularly provides audit reports for more than 100 issuers. The Board's report on any such inspection includes this preface to provide context for information in the public portion of the report.

A Board inspection includes, among other things, a review of selected audits of financial statements and of internal control over financial reporting. If the Board inspection team identifies deficiencies in those audits, it alerts the firm to the deficiencies during the inspection process. Deficiencies that exceed a certain significance threshold are also summarized in the public portion of the Board's inspection report. The Board encourages readers to bear in mind two points concerning those reported deficiencies.

First, inclusion in an inspection report does not mean that the deficiency remained unaddressed after the inspection team brought it to the firm's attention. Under PCAOB standards, a firm must take appropriate action to assess the importance of the deficiency to the firm's present ability to support its previously expressed audit opinions. Depending upon the circumstances, compliance with these standards may require the firm to perform additional audit procedures, or to inform a client of the need for changes to its financial statements or reporting on internal control, or to take steps to prevent reliance on previously expressed audit opinions. A Board inspection does not typically include review of a firm's actions to address deficiencies identified in that inspection, but the Board expects that firms are attempting to take appropriate action, and firms frequently represent that they have taken, are taking, or will take, action. If, through subsequent inspections or other processes, the Board determines that the firm failed to take appropriate action, that failure may be grounds for a Board disciplinary sanction.

Second, the Board cautions against drawing conclusions about the comparative merits of the annually inspected firms based on the number of reported deficiencies in any given year. The total number of audits reviewed is a small portion of the total audits performed by these firms, and the frequency of deficiencies identified does not necessarily represent the frequency of deficiencies throughout the firm's practice. Moreover, if the Board discovers a potential weakness during an inspection, the Board may revise its inspection plan to target additional audits that may be affected by that weakness, and this may increase the number of deficiencies reported for that firm in that year. Such weaknesses may emerge in varying degrees at different firms in different years.

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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.

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2009 INSPECTION OF McGLADREY & PULLEN, LLP

In 2009, the Board conducted an inspection of the registered public accounting firm McGladrey & Pullen, LLP ("McGladrey" or "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, Appendix B, and portions of Appendix C. Appendix B provides an overview of the inspection process. Appendix C includes 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 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 2009 to December 2009. The inspection team performed field work at the Firm's National Office and at ten of its approximately 75 U.S. practice offices.[3/]

Board inspections are designed to identify and address weaknesses and deficiencies related to how a firm conducts audits.[4/] 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. Appendix B to this report provides a description of the steps the inspection team took with respect to the review of audits and the review of certain firm-wide quality control processes, along with a brief description of the Alternative Practice Structure ("APS") in which McGladrey is a participant.

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.[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 or reporting on

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[3/] This represents McGladrey's total number of practice offices; however, approximately 36 of the Firm's practice offices have primary responsibility for issuer audit clients.

[4/] This focus on weaknesses and deficiencies 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.

[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's practice is to report that information to the SEC, which has jurisdiction to determine proper accounting in issuers' financial statements.

internal control, 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 19 audits performed by the Firm. 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.

In reviewing the audits, the inspection team identified matters that it considered to be audit deficiencies.[6/] Those deficiencies included failures by the Firm to identify or appropriately address errors in the issuer's application of GAAP. In addition, the deficiencies included failures by the Firm to perform, or to perform sufficiently, certain necessary audit procedures.

In some cases, the conclusion that the Firm failed to perform a procedure may be based on the absence of documentation and the absence of persuasive other evidence, even if the 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.[7/] 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.

[6/] The discussion in this report of any deficiency observed in a particular audit reflects information reported to the Board by the inspection team and does not reflect any determination by the Board as to whether the Firm has engaged in any conduct for which it could be sanctioned through the Board's disciplinary process.

[7/] See AS No. 3, paragraph 9; Appendix A to AS No. 3, paragraph A28.

When audit deficiencies are identified after the date of the audit report, PCAOB standards require a firm to take appropriate actions to assess the importance of the deficiencies to the firm's present ability to support its previously expressed opinions,[8/] and failure to take such actions could be a basis for Board disciplinary sanctions. In response to the inspection team's identification of deficiencies, the Firm, in some cases, performed additional procedures or supplemented its work papers, and in some instances, follow-up between the Firm and the issuer led to a change in the issuer's accounting or disclosure practices or led to representations related to prospective changes.[9/]

In some cases, the deficiencies identified were of such significance that it appeared to the inspection team that the Firm, at the time it issued its audit report, had not obtained sufficient competent evidential matter to support its opinion on the issuer's financial statements. The deficiencies that reached this degree of significance are described below, on an audit-by-audit basis, with the exception of similar deficiencies that were observed in multiple audits and are therefore grouped together.

Going Concern Analyses (two audits)

In two audits, the Firm failed to perform sufficient procedures to consider the issuer's ability to continue as a going concern.

- In one audit, the Firm's going concern analysis included the consideration of certain debt covenants; however, the Firm failed to identify additional debt covenants associated with the issuer's long-term debt agreements and the issuer's failure to comply with one of those additional covenants, including a failure that occurred both before and subsequent to the issuer's year end, but

[8/] See AU 390, *Consideration of Omitted Procedures After the Report Date,* 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), and PCAOB Auditing Standard No. 5, *An Audit of Internal Control Over Financial Reporting That is Integrated With an Audit of Financial Statements* ("AS No. 5"), ¶ 98.

[9/] The Board inspection process generally did not include review of such additional procedures or documentation, or of such revised accounting, although future Board inspections of the Firm may, as appropriate, include further review of any of these matters.

before the issuance of the Firm's audit report.[10] The Firm also failed to consider and test the issuer's budgeted forecast in assessing the issuer's ability to comply with certain debt covenants as part of its evaluation of management's plans. [Issuer A]

- In another audit, the Firm, when considering the issuer's ability to continue as a going concern, failed to evaluate management's plans, including its financial projections that were important in determining the issuer's ability to make certain required debt payments. In addition, the Firm failed to consider and test the issuer's ability to comply with covenants included in debt amendments and other requirements that were established either during the issuer's fiscal year under audit or in the first quarter of the next fiscal year, but prior to the issuance of the Firm's audit report on the fiscal year under audit.[11] [Issuer B]

Issuer C

In this audit, the Firm failed to perform sufficient audit procedures related to the allowance for loan losses. Specifically –

- The Firm failed to sufficiently test the completeness and accuracy of the issuer's list of impaired loans, in that neither the Firm's testing of the issuer's loan monitoring process nor the Firm's loan review procedures included a sufficient evaluation of the impairment designation decisions made by the issuer. Specifically, the Firm's testing failed to evaluate the issuer's determinations that certain loans were not impaired when strong adverse evidence existed concerning the borrowers' ability to service the debt.

10/ Subsequent to the inspection, the issuer requested and received a waiver regarding its compliance with the additional debt covenant.

11/ Subsequent to the inspection, the issuer and the Firm, upon further review and analysis of the debt amendments, identified a departure from GAAP. The issuer failed to properly account for a loan modification as required by Emerging Issues Task Force No. 96-19, *Debtor's Accounting for a Modification or Exchange of Debt Instruments*. The issuer has restated its previously issued first quarter of the next fiscal year financial statements for this matter.

- The Firm failed to sufficiently test loans restructured in troubled debt restructurings involving modifications of terms ("TDRs"). Specifically, the firm failed to evaluate for impairment certain loans that were accounted for by the issuer as loans restructured in TDRs. The Firm also failed to perform procedures to determine whether the issuer had identified all loans that should be accounted for as loans restructured in TDRs, including testing the completeness of the population of loans that the issuer used to identify the loans to be accounted for as loans restructured in TDRs.

Issuer D

In this audit, the Firm failed in the following respects to obtain sufficient competent evidential matter to support its audit opinion –

- The issuer used a service organization to account for its investments and mortgage-backed securities and engaged a pricing specialist to validate values received from the service organization. The Firm failed to perform sufficient procedures concerning the valuation of the issuer's investments and mortgage-backed securities. Specifically -
  - The Firm failed to obtain an understanding of the methods and to evaluate the reasonableness of the assumptions used by either the service organization or the pricing specialist to value the issuer's investments and mortgage-backed securities.
  - For the valuation assertion, the Firm relied on controls in place at the service organization to support its control risk assessment of low even though the service auditor's report covered only one month of the issuer's fiscal year. Other than obtaining a representation from the service organization that there were no changes to controls during the remaining eleven-month period, the Firm failed to obtain evidence regarding whether the controls were operating effectively during the eleven-month period not covered by the service auditor's report.
- The Firm failed to perform sufficient procedures to evaluate goodwill for impairment. Specifically –
  - The issuer engaged an external specialist to assist in performing its annual goodwill impairment test as of the end of its third quarter. The

Firm selected the market approach to support its audit conclusions, one of the three valuation methods used by the specialist, as it determined this method to be more representative of fair value of the single reporting unit. Using this method, the specialist calculated the fair value using the closing market value of the issuer's stock at the end of the third quarter plus a premium related to the value of control of the enterprise and the issuer concluded that no impairment of goodwill existed. The use of a control premium resulted in the calculated fair value of the issuer's reporting unit exceeding its carrying amount by a small margin. The Firm failed to sufficiently evaluate the reasonableness of the assumptions used by the specialist in that it failed to evaluate the comparability of the transactions used to develop the control premium, despite indications that the transactions included companies that differed significantly from the issuer.

- The Firm failed to sufficiently evaluate the issuer's need to reassess goodwill for impairment as of year end. The Firm concluded that the decline in the issuer's stock price from the annual goodwill assessment date through year end, which caused the issuer's market capitalization to continue to decline below its carrying value, was not an event or change in circumstances that would more likely than not reduce the fair value of the reporting unit below its carrying value ("triggering event"), and that it was not aware of any other triggering events that would indicate a need to reassess goodwill for impairment. The market value of the issuer's stock was a significant assumption in the issuer's estimation of the fair value of its reporting unit in its annual goodwill impairment assessment. The Firm did not consider the effect that the continued decline in the market value of the issuer's stock had on the small margin by which the fair value exceeded the carrying value of the reporting unit in the annual goodwill impairment assessment, along with the negative events impacting the issuer's industry in determining if a triggering event had occurred that would require the issuer to reassess goodwill for impairment.

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 and the following seven functional areas (1) tone at the top; (2) practices for partner evaluation, compensation, admission, assignment of responsibilities, and disciplinary actions; (3) independence implications of non-audit services; business ventures, alliances, and arrangements; personal financial interests; and commissions and contingent fees; and the alternative practice structure; (4) practices for client acceptance and retention; (5) practices for consultations on accounting, auditing, and SEC matters; (6) the Firm's internal inspection program; and (7) establishment and communication of audit policies, procedures, and methodologies. 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

PART II, PART III, AND APPENDIX A OF THIS REPORT ARE NONPUBLIC AND ARE OMITTED FROM THIS PUBLIC DOCUMENT

APPENDIX B

THE INSPECTION PROCESS

The inspection process was designed and performed to provide a basis for assessing the degree of compliance of the Firm with applicable requirements related to auditing issuers. This process included reviews of components of selected issuer audits completed by the Firm. These reviews were intended both to identify deficiencies, if any, in those components of the audits and to determine whether the results of those reviews indicated deficiencies in the design or operation of the Firm's system of quality control over audits. In addition, the inspection included reviews of policies and procedures related to certain quality control processes of the Firm that could be expected to affect audit quality.

1. Review of Selected Audits

The inspection team reviewed aspects of selected audits, which it chose according to the Board's criteria. The Firm was not allowed an opportunity to limit or influence the engagement selection process or any other aspect of the review.

For each audit engagement selected, the inspection team reviewed the issuer's financial statements and certain SEC filings. The inspection team selected certain higher-risk areas for review and inspected the engagement team's work papers and interviewed engagement personnel regarding those areas. The areas subject to review included, but were not limited to, revenues, fair value, financial instruments, impairment of goodwill, allowance for loan losses, inventories, going concern, consideration of fraud, and assessment of risk by the engagement team. The inspection team also analyzed potential adjustments to the issuer's financial statements that had been identified during the audit but not corrected. For certain selected engagements, the inspection team reviewed written communications between the Firm and the issuer's audit committee. With respect to certain engagements, the inspection team also interviewed the chairperson of the issuer's audit committee.

When the inspection team identified a potential issue, it discussed the issue with members of the engagement team. If the inspection team was unable to resolve the issue through this discussion and any review of additional work papers or other documentation, the inspection team issued a comment form on the matter and the Firm provided a written response to the comment form.

2. Review of Seven Functional Areas

The inspection team reviewed the seven functional areas both to identify possible defects in the Firm's system of quality control and, where applicable, to update the Board's knowledge of the Firm's policies and procedures in the functional areas.

As reflected in the descriptions that follow, the inspection team's procedures took account of the fact that McGladrey is part of an APS with H&R Block, Inc. ("H&R Block"). H&R Block, through its wholly-owned subsidiary, RSM McGladrey Business Services, Inc., owns the non-attest businesses and assets of many certified public accounting firms, including RSMI. RSMI performs accounting, tax, and consulting services for corporate clients. McGladrey performs audits and other attest services. H&R Block does not have an ownership interest in McGladrey; however, RSMI provides working capital financing to McGladrey under a loan agreement, and the partners of McGladrey are employed as managing directors of RSMI. In addition, through an administrative services agreement, RSMI provides accounting, payroll, human resources, and other services to McGladrey and receives a management fee for these services. As a consequence, the inspection procedures included interviews with certain personnel of RSMI.

a. Review of Partner Evaluation, Compensation, Admission, Assignment of Responsibilities, and Disciplinary Actions

The objective of the inspection procedures was to assess whether the design and application of the Firm's processes related to partner evaluation, compensation, admission, assignment, termination, and disciplinary actions could be expected to encourage an appropriate emphasis on audit quality and technical competence, as compared to marketing or other activities of the Firm. The inspection team interviewed members of the Firm's and RSMI's leaderships, as well as audit partners in practice offices, regarding these topics. In addition, the inspection team reviewed a sample of partners' personnel files, including files of partners who resigned or took early retirement, partners who had significant negative inspection results from recent internal or PCAOB inspections, and partners who received bonus compensation. Also, the inspection team interviewed audit partners regarding their time and responsibilities and interviewed practice office leadership regarding the performance of partners being inspected, the evaluation and compensation process, any disciplinary actions, and any situations where client management requested a change in the lead audit partner.

b. Review of Independence Policies and the Alternative Practice Structure

The objective of the inspection procedures in this area was to evaluate the Firm's policies and procedures for compliance with the independence requirements applicable to its audits of issuers. To accomplish this objective, the inspection team reviewed the Firm's policies, procedures, and guidance; reviewed the Firm's monitoring of compliance with its policies and procedures; reviewed information concerning the Firm's existing business ventures, alliances, and arrangements, as well as the Firm's process for establishing such enterprises; interviewed numerous National Office and practice office personnel regarding the Firm's independence policies, practices, and procedures; and, for a sample of the audits reviewed, tested compliance with the Firm's policies and applicable independence requirements.

The objectives of the inspection procedures in this area also included gaining an understanding of McGladrey's APS relationship with H&R Block and certain of its subsidiaries. The inspection team focused on independence issues related to the provision of non-audit services to issuer clients; whether the personnel of H&R Block and its subsidiaries were familiar with the applicable policies and procedures regarding independence, integrity, and objectivity; and whether H&R Block has implemented an appropriate system of quality controls to ensure compliance with such policies and procedures. The inspection team reviewed, analyzed, and evaluated McGladrey's and RSMI's policies, procedures, and guidance materials related to independence (including independence consultations) for non-audit services to issuer audit clients; their training programs on independence; and their procedures for independence consultations, which included reviewing the results of a sample of independence inquiries.

c. Review of Client Acceptance and Retention Policies

The objectives of the inspection procedures in this area were to evaluate whether the Firm appropriately considers and addresses the risks involved in accepting and retaining clients in the particular circumstances. Toward those objectives, the inspection team reviewed the Firm's policies, procedures, and forms related to client acceptance and continuance; interviewed members of the Firm's leadership; and for a sample of the engagements reviewed, assessed whether the audit procedures included the specific actions, if any, contemplated in response to any risks identified in the client acceptance or retention process.

d. Review of Practices for Consultations

The objective of the inspection procedures in this area was to assess the effectiveness of the Firm's consultation process. Toward this objective, the inspection team gained an understanding of and evaluated the Firm's policies and procedures relating to its consultation process, and reviewed a sample of consultations that occurred during the inspection period to evaluate the Firm's compliance with its policies and procedures, whether the conclusions were in accordance with professional standards, and whether the engagement teams acted in accordance with the conclusions.

e. Review of Internal Inspection Program

The objective of the inspection procedures in this area was to evaluate the effectiveness of the Firm's internal inspection program, including the pre-release monitoring program, in enhancing audit quality. To meet this objective, the inspection team reviewed policies, procedures, guidance, and forms; documentation of the results of the current year's internal inspection program; and steps the Firm took in response to those results. The inspection team also interviewed the Firm's leadership concerning the process and effectiveness of its internal inspection program. In addition, the inspection team reviewed certain audits that the Firm had either inspected or subjected to pre-release monitoring review and compared its results to those from either the internal inspection or the pre-release monitoring review, as applicable.

f. Review of Tone at the Top

The objective of the review of the Firm's "tone at the top" was to assess whether actions and communications by the Firm's and RSMI's leaderships demonstrate a commitment to audit quality. Toward that end, the inspection team interviewed members of the Firm's national, regional, and local, and RSMI's leaderships to understand their perspectives on the Firm's culture and the messages being conveyed by leadership. The inspection team also interviewed certain engagement partners to obtain their perspectives on communications from the Firm's and RSMI's leaderships. In addition, the inspection team reviewed the Firm's code of conduct; documents relating to measuring and monitoring audit quality; descriptions of the duties of, and relationships between and among, staff and leadership; internal and external communications from management; descriptions of the Firm's financial structure and business plan; and agendas and minutes of the Firm's board of directors.

g. Review of Audit Policies, Procedures, and Methodologies

In this area, the procedures included obtaining an update of the inspection team's understanding of Firm certain policies, procedures, and the training delivered to audit personnel related to the Firm's audit policies and procedures. In addition, the inspection team reviewed documents, including certain newly issued policies and procedures, and interviewed Firm leadership to update its understanding of the Firm's methods for developing audit policies, procedures, and methodologies, including internal guidance and delivery of training to audit personnel.

APPENDIX C

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.[12/]

[12/] 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.

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May 25, 2010

Mr. George H. Diacont, Director
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1666 K Street, N. W.
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Re: Response to the Public Company Accounting Oversight Board (PCAOB)
Report of 2009 Inspection of McGladrey & Pullen, LLP

Dear Mr. Diacont:

Thank you for the opportunity to submit our response to the PCAOB's April 23, 2010 draft of its Report of Inspection of McGladrey & Pullen, LLP. We support the PCAOB's inspection process and believe that the inspection comments and observations will help us enhance the quality of audit engagements. McGladrey & Pullen is committed to using the inspection comments and observations to improve our system of quality controls. We have a long history of audit quality founded on our commitment to integrity, objectivity and excellence.

We have taken appropriate actions to address the deficiencies identified by the PCAOB's inspection team, including, in certain instances, performing additional procedures in accordance with AU 390, *Consideration of Omitted Procedures after the Report Date* and, in other instances, adding currently dated documentation to our workpapers to more completely and accurately describe the procedures performed, evidence obtained and conclusions reached. We note that none of the inspection comments resulted in the restatement of financial statements.

Please contact Bruce Jorth, Executive Partner, at (561/682-1623) with any questions regarding this letter.

Sincerely,

McGladrey & Pullen, LLP