



March 26, 2009

Mr. George Diacont
Director
Division of Registration and Inspections
Public Company Accounting Oversight Board
1666 K Street NW
Washington DC 20006

Re: Malone & Bailey, PC – Response to Part I of Draft Report on 2008 Inspection

Dear Mr. Diacont:

We are pleased to submit our response to your March 2, 2009 draft report on your 2008 inspection of our public company audit practice completed October 2008. Our highest priority is to continuously improve our audit quality while also performing our engagements in an effective and efficient manner. Your inspections of our practice (annually beginning 2007) help us identify areas where we can improve our audit process.

We believe that your reported observations on certain aspects of our practice reflect the fact that professional judgments are involved both in auditing financial statements as well as in subsequently inspecting any such audits. Professional judgments of reasonable and highly competent people may differ as to the nature and extent of necessary auditing procedures, conclusions reached and required documentation. We recognize the constructive intent of the inspection process and we have made every effort to cooperate fully, understand your team's views and carefully consider their judgments.

Your report was designed to report any deficiencies found. Based on your limited selection of our files, your findings are not reflective of the overall high quality of our audit practice. Further, your report provides condensed information regarding the findings, so there is no description of the procedures that were performed in the applicable areas at the time of the audits or other information that may provide additional context for understanding the nature or magnitude of the findings.

While we disagree with your findings of inadequate procedures, we generally do agree with your assertion that our overall audit documentation still needs some improvements and we continue to upgrade our practice to accomplish these goals. We carefully considered each of your findings as to whether it was necessary to perform additional procedures. In some cases we added additional documentation and in others, we decided that none were needed. In one case, additional audit procedures were performed. There were no changes in our overall audit conclusions or any audit report.

We appreciate this opportunity to respond.

Respectfully submitted,

Malone & Bailey, PC