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System Review Report

July 23, 2013

To the Owners of Ferraioli, Wielkotz, Cerullo & Cuva, P.A.
And the Peer Review Committee of the New Jersey Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Ferraioli, Wielkotz, Cerullo & Cuva, P.A. (the firm) in effect for the year ended February 28, 2013. 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. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. 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 the *Government Auditing Standards*.

We noted the following deficiencies during our review:

1. Deficiency—The firm's quality control policies and procedures require that engagements subject to the Federal Single Audit Act be performed and documented in accordance with the requirements of the federal Office of Management and Budget Circular A133 (OMB A133). During our review we found several instances where the specific requirements of OMB A133 were not adequately documented in the areas of testing of internal controls to attain a low level of control risk; using the appropriate federal compliance supplement to identify specific compliance areas to test and, in one instance, the internal control or compliance testing performed on a program identified as being required to be tested. As a result, the single audit report on those engagements was not supported by the documentation.

Recommendation—The firm should comply with its quality control policies and procedures and review the specific requirements of OMB A133 related to documenting the internal control and compliance testing requirements of the circular. In addition, the firm should obtain specific training in performing and documenting audit procedures for engagements subject to the requirements of OMB A133.

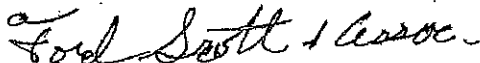
2. Deficiency – The firm’s quality control policies and procedures require that the firm comply with *Government Auditing Standards* (the Yellow Book) on all audits subject to those standards. The Yellow Book requires that all audit engagements, subject to the Yellow Book, for periods ending after December 15, 2012 contain documentation of all non-attest services performed and identify and document the safeguards applied to ensure that independence is maintained. For those same audits, the Yellow Book requires the auditor to document that the responsible party identified to oversee those non-attest services has the requisite skills, knowledge and/or experience to accept responsibility for those services. None of the engagements reviewed subject to those standards complied with the documentation requirement. We were able to satisfy ourselves that the firm had reviewed the information sufficiently to insure that independence was not impaired; but, the review was not documented.

Recommendation – The firm should comply with its quality control policies and procedures for ensuring that audit documentation is maintained in accordance with applicable standards. This could be accomplished by carefully reviewing both the general auditing standards and the standards specific to governmental engagements. In addition, the firm should obtain specific training in the requirements related to audit documentation required by the Yellow Book.

3. Deficiency – The firm’s quality control policies and procedures require that the firm perform ongoing monitoring of the elements of quality control including performing an annual inspection. Although we found that an annual inspection was performed, the inspector did not use appropriate materials in performing the inspection resulting in the single audit and Yellow Book components not being adequately reviewed. Had those components been reviewed the firm would have likely identified the deficiency and taken corrective action.

Recommendation – The firm should insure that all engagement reviewed as part of the firm’s ongoing monitoring have all relevant components of the engagement reviewed using practice aids that are appropriate to the unique requirements of the individual engagements.

In our opinion, except for the deficiencies described above, the system of quality control for the accounting and auditing practice of Ferraioli, Wielkocz, Cerullo & Cuva, P.A. in effect for the year ended February 28, 2013, 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(ies)* or *fail*. Ferraioli, Wielkocz, Cerullo & Cuva, P.A. has received a peer review rating of *pass with deficiencies*.



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