

Lilling & Company LLP

Certified Public Accountants

System Review Report

September 10, 2013

To the Partners of Adelman Katz & Mond LLP and the Peer Review Committee of the New York State Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Adelman Katz & Mond LLP (the firm) in effect for the year ended March 31, 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 a 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.

We noted the following deficiencies during our review:

Deficiency – The firm's policies and procedures require that the firm use purchased practice aids to assist in documenting audit work performed. The firm used peer reviewed practice aids, however they did not adequately complete the practice aids in accordance with instructions. This caused the firm to not fully document all matters required by professional standards including planning, substantive procedures and engagement communication; none of which caused the engagements to not be in conformity with professional standards. The firm plans on reviewing its practice aids and improving documentation during the subsequent year's engagements. A similar finding was noted during the firm's prior review.

Recommendation – The firm should reemphasize its policies and procedures and require that all practice aids and related documentation and communication be completed in accordance with applicable instructions and comply with professional standards. A partner of the firm should be responsible for ensuring that these matters are performed in accordance with professional standards.

Deficiency – The firm's monitoring policies and procedures require that the firm perform a pre-issuance review of engagements prior to issuance; however, the firm does not document its consideration of the functional elements of quality control. If the firm documented its consideration of the functional elements of quality control, the deficiencies that we encountered during our review may have been identified and corrected. A similar finding was noted on the firm's prior review.

Recommendation - The firm should reemphasize its quality control policies and procedures and document its consideration of the functional elements of quality control using purchased practice aids. A partner of the firm should be responsible for ensuring that adequate monitoring be performed annually.

In our opinion, except for the deficiencies described above, the system of quality control for the accounting and auditing practice of Adelman Katz & Mond LLP in effect for the year ended March 31, 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. Adelman Katz & Mond LLP has received a peer review rating of *pass with deficiencies*.



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