

**Inspection of
Michael F. Albanese CPA
(Headquartered in Parsippany, New Jersey)**

**Issued by the
Public Company Accounting Oversight Board
April 29, 2011**

**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. 104-2011-166A
(Includes portions of Part II of the full report that
were not included in PCAOB Release No. 104-2011-166)

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 financial statement misstatements, including failures to comply with 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 apparent misstatements 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 whether an issuer's financial statements are misstated or fail to comply with Commission disclosure requirements, rests with the Commission. Any description, in this report, of financial statement misstatements or failures to comply with 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.

INSPECTION OF MICHAEL F. ALBANESE CPA

The Public Company Accounting Oversight Board ("PCAOB" or "the Board") has conducted an inspection of the registered public accounting firm Michael F. Albanese CPA^{1/} ("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 and portions of Part IV of the report. Part IV of the report consists of the Firm's comments, if any, on a draft of the report.^{2/}

The Board has elsewhere described in detail its approach to making inspection-related information publicly available consistent with legal restrictions.^{3/} 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 Firm has issued audit reports under the names of Michael F. Albanese, CPA and Michael F. Albanese, C.P.A.

^{2/} The Board does not make public any of a firm's comments that address a nonpublic portion of the report unless a firm specifically requests otherwise. 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.

^{3/} 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 on various dates from September 2, 2009 to September 28, 2009. These procedures were tailored to the nature of the Firm, certain aspects of which the inspection team understood at the outset of the inspection to be as follows:

Number of offices	1 (Parsippany, New Jersey)
Ownership structure	Sole practitioner
Number of partners	1
Number of professional staff ^{4/}	None
Number of issuer audit clients ^{5/}	2

Board inspections are designed to identify and address weaknesses and deficiencies related to how a firm conducts audits.^{6/} To achieve that goal, Board

^{4/} "Professional staff" includes all personnel of the Firm, except partners or shareholders and administrative support personnel.

^{5/} The number of issuer audit clients shown here is based on the Firm's self-reporting and the inspection team's review of certain information for inspection planning purposes. It does not reflect any Board determination concerning which, or how many, of the Firm's audit clients are "issuers" as defined in the Act. In some circumstances, a Board inspection may include a review of a firm's audit of financial statements of an issuer that ceased to be an audit client before the inspection, and any such former clients are not included in the number shown here.

^{6/} This focus 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.

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.

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 U.S. Generally Accepted Accounting Principles ("GAAP"), or, as applicable, International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").^{7/} 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, are free of any deficiencies not specifically described in an inspection report.

A. Review of Audit Engagements

The inspection procedures included a review of aspects of the Firm's auditing of financial statements of two issuers. 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.

The inspection team identified what it considered to be audit deficiencies.^{8/} The deficiencies identified in both of the audits reviewed included deficiencies of such

^{7/} 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 or IFRS, the Board's practice is to report that information to the SEC, which has jurisdiction to determine proper accounting in issuers' financial statements.

^{8/} PCAOB standards require a firm to take appropriate actions to assess the importance of audit deficiencies identified after the date of the audit report to the firm's present ability to support its previously expressed opinions. *See* AU 390, *Consideration of Omitted Procedures After the Report Date*, and 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). Failure to comply with these PCAOB standards could be a basis for Board disciplinary sanctions.

significance that it appeared to the inspection team that the Firm did not obtain sufficient competent evidential matter to support its opinion on the issuer's financial statements.^{9/} Those deficiencies were –

- (1) the Firm's failure to identify, or to address appropriately, a departure from GAAP that related to a potentially material misstatement in the audited financial statements concerning omitted disclosure of the issuer's revenue recognition policy;
- (2) the failure to perform an audit and instead issue an audit report on the basis of procedures performed by another auditor, without the Firm having planned, performed, supervised, or meaningfully reviewed the work performed;
- (3) the failure to perform sufficient procedures to test revenue;
- (4) the failure to perform sufficient procedures to test the valuation of inventory; and
- (5) the failure to perform procedures with respect to related party relationships and transactions.

^{9/} In some cases, an inspection team's observation that a firm failed to perform a procedure may be based on the absence of documentation and the absence of persuasive other evidence, even if a 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. See AS No. 3, paragraph 9; Appendix A to AS No. 3, paragraph A28. 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.

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, training, compliance with independence standards, client acceptance and retention, and the establishment of policies and procedures. As described above, 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



PCAOB Release No. 104-2011-166A
Inspection of Michael F. Albanese CPA
April 29, 2011
Page 6

PORTIONS OF THE REST OF THIS REPORT ARE NONPUBLIC AND ARE OMITTED
FROM THIS PUBLIC DOCUMENT

PART II

* * * *

B. Issues Related to Quality Controls

The inspection of the Firm included consideration of aspects of the Firm's system of quality control. Assessment of a firm's quality control system rests both on review of a firm's stated quality control policies and procedures and on inferences that can be drawn from respects in which a firm's system has failed to assure quality in the actual performance of engagements.^{10/} On the basis of the information reported by the inspection team, the Board has the following concerns about aspects of the Firm's system of quality control.

1. Design of Quality Control System
 - a. Audit Policies, Procedures, and Methodologies

The Firm's system of quality control appears not to provide sufficient assurance that the Firm provides its staff with a current audit manual that incorporates all required PCAOB standards and SEC reporting requirements, rules, and regulations. The Firm's guidance is largely based on and updated from miscellaneous professional journals and consequently results in an audit methodology that does not incorporate all the requirements of the PCAOB standards.

- b. Practice Monitoring

The Firm's policies and procedures appear not to provide sufficient assurance that the Firm is effectively monitoring its accounting and auditing practice. Specifically, the Firm has not adopted quality control policies and procedures for monitoring as required by QC 20, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*.

^{10/} A firm's failure to comply with the requirements of PCAOB standards when performing an audit may be an indication of a potentially significant defect in a firm's quality control system even if that failure did not result in an insufficiently supported audit opinion.

c. Audit Documentation

The Firm's system of quality control appears not to provide sufficient assurance that the Firm will comply with the audit documentation and retention rules set forth in AS No. 3, in that the Firm's policies and procedures do not address the requirement that a complete and final set of audit documentation be assembled for retention not more than 45 days after the report release date.

2. Audit Performance

A firm's system of quality control should provide reasonable assurance that the work performed on an audit engagement will meet applicable professional standards and regulatory requirements. On the basis of the information reported by the inspection team, including the audit performance deficiencies described in Part II.A (and summarized in Part I.A) and any other deficiencies identified below, the Board has concerns that the Firm's system of quality control fails to provide such reasonable assurance in at least the following respects* * * * –

* * * *

Testing Appropriate to the Audit

The Firm's system of quality control appears not to provide sufficient assurance that the Firm will conduct all testing appropriate to a particular audit, specifically with respect to the following issuers:

(i) Omitted Disclosure of Revenue Recognition Policy

As discussed above, in one of the audits reviewed, the inspection team identified a significant deficiency related to the Firm's failure to identify, or to address appropriately, departures from GAAP that related to potentially material misstatements in the audited financial statements concerning the omission of disclosures of revenue recognition policy. This information provides cause for concern that the Firm's quality control policies and procedures do not provide sufficient assurance that the Firm will identify and address GAAP departures related to revenue recognition policy disclosure.
[Issuer B]

(ii) Revenue

As discussed above, in one of the audits reviewed, the inspection team identified a significant deficiency related to the Firm's testing of revenue. This information provides cause for concern regarding the Firm's quality control policies and procedures related to auditing of revenue. [Issuer B]

(iii) Inventory

As discussed above, in one of the audits reviewed, the inspection team identified a significant deficiency related to the Firm's testing of inventory. This information provides cause for concern regarding the Firm's quality control policies and procedures related to auditing of inventory. [Issuer B]

(iv) Related Party Relationships and Transactions

As discussed above, in one of the audits reviewed, the inspection team identified significant deficiencies related to the Firm's testing of related party relationships and transactions. This information provides cause for concern regarding the Firm's quality control policies and procedures related to auditing of related party relationships and transactions. [Issuer B]

Technical Competence

The audit performance deficiencies discussed in Part II.A suggest that the Firm's system of quality control may not provide sufficient assurance that the audit partner and contract staff have the level of knowledge and the degree of technical training and proficiency required in the circumstances and that they refer to authoritative literature or other sources and consult with knowledgeable individuals (within or outside the Firm) when appropriate.

Fraud Procedures

The Firm's system of quality control appears not to provide sufficient assurance that the Firm will perform all of the required procedures in accordance with the provisions of AU 316, *Consideration of Fraud in a Financial Statement Audit*. Specifically, the Firm did not perform audit procedures to test journal entries and other

adjustments for evidence of possible material misstatements due to fraud nor did it hold a brainstorming discussion among engagement personnel regarding the risks of material misstatement due to fraud. [Issuer B]

Engagement Completion Document

The Firm's system of quality control appears not to provide sufficient assurance that the Firm will prepare an engagement completion document in accordance with AS No. 3, which is necessary to demonstrate that the work performed by engagement personnel addresses the significant findings and issues of the engagement. [Issuer B]

Auditor Communications

The Firm's system of quality control appears not to provide sufficient assurance that the required auditor communications to the audit committee, or equivalent, occur and are appropriately documented. [Issuer B]

3. Monitoring and Addressing Identified Weaknesses

The Firm's system of quality control appears to lack a monitoring element sufficient to provide the Firm with reasonable assurance that the Firm's policies and procedures for engagement performance are suitably designed and effectively applied. The Firm's monitoring appears to have been deficient with respect to at least two types of previously identified weaknesses. In a report dated September 30, 2008, which related to an inspection of the Firm conducted in 2007, the Board noted that the Firm's procedures appeared not to provide sufficient assurance that (i) the Firm would prepare an engagement completion document in accordance with AS No. 3 or (ii) the required communications to the audit committee, or equivalent, would occur and would be appropriately documented. An appropriate approach to monitoring would have resulted in the Firm avoiding these deficiencies in audits performed after they were brought to the Firm's attention, yet the same deficiencies were noted in this inspection.

* * * *

PART IV

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.^{11/}

^{11/} 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.

Michael F. Albanese, CPA
18 Lisa Court Parsippany, NJ 07054
Phone (201) 406-5733; Fax 973-887-9103
E-mail: mikealban@aol.com

February 28, 2011

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

Re: Response to the Draft Report on the 2009 Inspection of Michael F. Albanese, CPA

I have received the updated Draft Report of Inspection dated February 2, 2011 of Michael F. Albanese, CPA and am pleased to submit my updated response. I welcome the inspection process that the Public Company Accounting Oversight Board (the PCAOB) has instituted as it provides a mutual respect for the integrity of the services I provide to my clients and the protection of the general public as it relates to my independent auditing responsibilities.

I am committed to any necessary improvements in any aspect of my audit process. The inspection processes of both the CPCAF chapter of the AICPA Peer Review program and the PCAOB addresses this directly and is a positive means for feedback that will assist in the continuous improvement of the process.

I understand the inspection may only take into account some of the work of the auditor and might not take into account the complete auditor quality processes that the practitioner provides.

This letter provides my response & actions to matters identified in your draft report of inspection. It is important to note that two (2) of the three (3) issuers (issuers A & C) are no longer listed.

I intend for my response to be made entirely public, since the purpose of the SEC and PCAOB is to protect the interests of the shareholders and I am committed to this process.

Finally, permit me to ensure the PCAOB that I have a sincere and dedicated commitment to conduct any and all audits with sufficient competence (and I will take all steps where needed to ensure competence) in order to protect the interests of investors and to further the public interest in the preparation of informative, fair and independent audit reports.

Respectfully submitted,

Michael F. Albanese, CPA

Michael F. Albanese, CPA
18 Lisa Court Parsippany, NJ 07054
Phone (201) 406-5733; Fax 973-887-9103
E-mail: mikealban@aol.com

Part II Responses

A. Insufficiently Supported Audit Opinions

1. ISSUER A:

Planning, performance, supervision, and review

RESPONSE & ACTION:

The workpapers were reviewed for proper auditing procedures which would be performed by the firm. Any questions regarding procedures performed were submitted to the other auditor. All questions were answered to the satisfaction of the firm.

A planning meeting was held by the firm immediately upon accepting the engagement. Further discussions between the firm and the other auditor were held via telephone to discuss all auditing procedures performed to the satisfaction of the firm. All workpapers were reviewed by the firm and any questions were forwarded to the other auditor. Satisfactory answers were given to the firm. In addition, the auditor's conclusion was that this issuer had substantially all of its business assets written down to an immaterial amount so that the shareholders of this public company would not have any material misstatement or investment value overstatement.

The firm obtained an engagement letter from the other auditor for the December 31, 2008 audit of issuer and the other auditor acknowledged use and reliance of its workpapers. All workpapers were reviewed and accepted for the audit under the supervision of the firm.

2. ISSUER B:

A. Omitted disclosure of revenue recognition policy

RESPONSE & ACTION:

The Company recognizes revenue at the time that its products are shipped from its plant to its client. There is no industry specific method of billing in use by the Company and the billing methodology used is in conformity with generally accepted accounting principles. In addition, the auditor's permanent workpapers have documentation that this longstanding small cap issuer is consistent from year to year and period to period in its revenue recognition using the matching principle. Comparative results have not had a material variance. Therefore the auditor did not insist upon disclosure of the policy. We will commit to insure that the Company's revenue recognition policy is disclosed in a manner that is acceptable to the PCAOB inspection process in the future.

B. Revenue

RESPONSE & ACTION:

Generally accepted accounting principles requires that 3 conditions are met before a company can recognize revenue in its financial statements: 1) performance has been completed by the company creating a legally binding obligation to the customer;

Michael F. Albanese, CPA
18 Lisa Court Parsippany, NJ 07054
Phone (201) 406-5733; Fax 973-887-9103
E-mail: mikealban@aol.com

RESPONSE & ACTION (Cont'd):

2) the amount owing is measurable and 3) the collectability of the amount owing can be reasonably assured.

The Company issues a small number larger dollar value invoices per month and therefore the auditor reviewed 100% of the transactions the week before and the week after the year end including the shipping documentation associated with these invoices. This procedure was performed in order to verify that the revenue was recorded in the proper period and that the receivables represented valid amounts due.

The auditor then confirmed the validity of the revenues because the customer either confirmed the accounts receivable balance outstanding or subsequent to year end paid the invoice.

C. Inventory

RESPONSE & ACTION:

My workpapers indicated planning, action, support and conclusion that the Company recorded total adjusting journal entries to reduce the value of the inventory by \$176,792 of a total initial inventory valuation of \$375,535, or 47% of the inventory. Of this total, \$31,364 represented a valuation allowance for the work in process or 25% of the value of the work in process. The Company's finished goods inventory consists primarily of items that are no longer manufactured and are unique in nature and generally not available from any other manufacturer. When an order is received from a customer for an item in inventory the Company is able to charge a significant premium for that item. Although it is difficult to determine at the end of each year which items in finished goods will be sold in the subsequent period, based upon the company's history of generating a significant portion of its revenues from its on hand finished goods and the write-down of the total inventory by 47%, the auditor deemed the finished goods inventory to be fairly stated.

D. Related party relationships and transactions

RESPONSE & ACTION:

Both the deferred compensation and the sale leaseback were fully disclosed in the footnotes, but not under a separate heading of "Related Party Transactions". We will require the company to disclose the related party transactions in a separate footnote in the future. My audit workpapers indicate both planning, support and conclusion for this item. Finally, the company provided us with a representation letter that indicated that there were no other related party transactions.

Michael F. Albanese, CPA
18 Lisa Court Parsippany, NJ 07054
Phone (201) 406-5733; Fax 973-887-9103
E-mail: mikealban@aol.com

3. **Other Matters: (COMPANY C)**

A. Related party relationships and transactions

RESPONSE & ACTION:

The firm reviewed cash disbursements and requested supporting documentation for disbursements made to related party. These were expense reports. There were confirmations of notes and the management representation letter further documented that all related party disclosures were properly made.

B. Evaluation of opening balances and consistency of accounting principles

RESPONSE & ACTION:

The prior year's audit report was reviewed and read thoroughly in order to adequately plan and conduct my audit. All figures and results relating to this action item were traced to the amounts in the current report, without exception. The auditor's conclusion did not create a material audit risk for the shareholders, nor did it present a different opinion other than the auditor report as presented.

B. Issues Related to Quality Controls

The firm understands that according to PCAOB Release 104-2006-077 because of the Firms size, the Board's quality control assessments may represent less of a review of formal policies and procedures and result more from inferences drawn from deficiencies in the performance of audits.

The Firm assures the Board and the public that it has already taken action and will continue to improve on its system of quality controls so that it meets the standards of the Public Company Accounting Oversight Board as well as the high standards the Firms strives to hold itself.

During and subsequent to the Board's inspection, the Firm underwent and passed its peer review as required by the "CPCAF" (public audit section of the private accounting industry) Chapter of the American Institute of Certified Public Accountants. Pursuant to the Board's findings and those of the peer review, the Firm has updated and improved its system of quality controls appropriately and in accordance with the requirements of "SQAS 7" as well overall. These policies and procedures also address engagement quality reviews pursuant to PCAOB Auditing Standard No. 7, Engagement Quality Review - QC Section 20, 30 and 40.

The Firm has made the necessary improvements to fully satisfy any follow-up inspection by the Board or any other regulatory agency. The Firm has completed the following to ensure that the Boards detailed Quality Control Procedures deficiencies were accounted for and corrected.

B. Issues Related to Quality Controls (Cont'd)

1. Design of Quality Control System

a. Audit Policies, Procedures, and Methodologies

Subsequent to the peer review and inspection process as listed above in B. Issues Related to Quality Controls, The Firm hire a full time person and implemented a maintenance process which includes updating it's auditing library with up-to-date research, audit materials and procedures, for all required PCAOB standards and SEC reporting requirements, rules and regulations.

b. Practice Monitoring

The Firm has updated its Quality Control Procedures to include detailed Monitoring policies required in QC Section 30.10 including critical performance reviews and assessment of strengths.

c. Audit Documentation

The Firm abides by AS No. 3 that requires a complete and final set of audit documentation is assembled for retention not more than 45 days after the report release.

2. Audit Performance

a. Planning, Performance, Supervision and Review

The Firm is committed to the entire process of planning, performing, supervising and reviewing all of its audit work. It understands that due to the Firm size this issue in question results more from inferences drawn from deficiencies in the performance than a review of its formal policies and procedures.

b. Testing Appropriate to the Audit

i. Omitted Disclosure of Revenue Recognition Policy

The firm addressed this above in Part II, 2. Issuer B, section A - Omitted disclosure of revenue recognition policy. It also addressed the firm's measures of quality control policies and procedures relating to Testing Appropriate to the Audit in Part II, Section B. Issues Related to Quality Controls.

ii. Revenue

The firm addressed this above in Part II, 2. Issuer B. section B – Revenue.

2. Audit Performance (Cont'd)

iii. Inventory

The firm addressed this above in Part II, 2. Issuer B. section C – Inventory.

iv. Related Party Relationships and Transactions

The firm addressed this above in Part II, 2. Issuer B. section D - Related party relationships and transactions. The firm also addressed this above in Part II, 2. Company C. section A - Related party relationships and transactions.

v. Evaluation of Opening Balances and Consistency of Accounting Principles

The firm addressed this above in Part II, 2. Company C. section B - Evaluation of opening balances and consistency of accounting principles. The Firm is committed to following specific procedures ensuring that testing appropriate to its audit work is fully and thoroughly completed. It understands that due to the Firm size this problems in question results more from inferences drawn from deficiencies in the performance than a review of its formal policies and procedures.

c. Technical Competence

The Firm maintains that its system of quality control ensure that the Audit partner and staff is adequately knowledgeable and maintains the appropriate degree of technical training necessary to perform its engagements. In addition, the Audit partner and staff regularly attend CPE courses particularly for audit work papers, procedures and FASB updates as well as PCAOB CPE seminars in Washington DC, New York City and Jersey City and consistently works towards meeting all the new and existing PCAOB and AICPA, Quality Control Procedures and Requirements.

The auditor has a keen awareness of the PCAOB inspection process and also maintains a web based group of audit professionals who communicate a variety of topics including quality control specifics geared towards the respect and importance of independence, integrity and objectivity, engagement performance, personnel management, acceptance and continuance of clients and engagements and finally the monitoring of such. In addition, the auditor developed and maintains an audit library.

The auditor engages independent practitioners to perform and also assist in work paper preparation as well as engages an independent concurrent reviewer for a public audit engagement. In addition, the auditor engages other independent parties, where necessary, for various review work of all public audits.

d. Fraud Procedures

The Firm follows the provisions of AU 316, Consideration of Fraud in a Financial Statement Audit including but not limited to using 20+ years of individual professional experience to exercise professional skepticism (section AU 316.13) and holding multiple brainstorming discussions over different platforms of communication (teleconference, email correspondence, and in-person audit planning meeting) (section AU 316.14). The Firm also conducts a detailed Fraud Interview with a Fraud Questionnaire detailed in its workpapers. The Firm successfully completed these steps, as detailed and mandated by its system of quality controls for all of its issuers specifically related to the sited deficiencies for ISSUER B and C.

e. Engagement Completion Document

The Firm's policy according to its Quality Control Procedures is to comply with AS No. 3 section 13 and always prepare an engagement completion document demonstrating that the work performed by the engagement personnel addressed the significant findings and issues. I perform this part on all of my audits via an electronic email to my permanent audit files with a summary conclusion.

f. Auditor Communications

The Firm documents and archives every piece of correspondence to an encrypted and password protected electronic filing system on its main server. This communication represents all e-mail correspondence, Voice Messages and scanned hard copy support, letters and memorandums between the Firm, the audit committee, company management and any other parties involved in the audit process.

3. Monitoring and Addressing Identified Weaknesses

The Firm has subsequently made steps (i.e. as previously stated, hired a full time person) to correct the aforementioned issues by implementing an updated Quality Control Policy in June of 2010. These policies ensure the proper actions associated to these audits are performed.

Michael F. Albanese, CPA
18 Lisa Court Parsippany, NJ 07054
Phone (201) 406-5733; Fax 973-887-9103
E-mail: mikealban@aol.com

Conclusion:

As a conclusion to my response I am committed to utilizing this review process to apply, enhance, upgrade and perform to a maximum the proper procedures, where applicable. I am also committed to working with the PCAOB staff to improve my system of quality control.

As per the cover page of this response letter, it is important to note that two (2) of the three (3) issuers (issuers A & C) are no longer listed.

The auditor has embraced and welcomed the inspection process of both the PCAOB inspection team and most recently passed the AICPA Peer Review process.

Thank you for your diligent inspection and consideration in this matter.

Respectfully submitted,

Michael F. Albanese, CPA