

SYSTEM REVIEW REPORT

June 8, 2015

To the Owner
David J. Ardoin, CPA, P.C.
and the Peer Review Committee of the Maryland
Association of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of David J. Ardoin, CPA, P.C. (the firm) in effect for the year ended December 31, 2014. 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 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, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by professional standards, engagements selected for review included an engagement performed under *Government Auditing Standards* and an audit of an employee benefit plan.

We noted the following significant deficiencies during our review:

1. **Deficiency** – The firm's quality control policies and procedures have established criteria for the use of third party practice aids as a means of ensuring that all necessary procedures are performed on audit engagements. We noted that the firm did not consistently and properly use the practice aids. As a result, the firm failed to document and, when necessary test, internal controls over both financial reporting and compliance and whether the controls were in place and functioning. We also noted that the firm failed to document and perform risk assessment procedures relating to both financial and compliance processes, including assessing risk due to fraud, documenting inherent and control risks, and support for concluding whether the auditee is high or low risk. Accordingly, an audit of a non-profit organization, subject to the Single Audit Act, was deemed to not have been performed in accordance with professional standards in all material respects. This is a repeat finding.

Recommendation – The firm should comply with its quality control policies and procedures and properly utilize all applicable checklists and forms available from their third party practice aids materials.

2. Deficiency – The firm’s quality control policies and procedures do not provide for an independent pre-issuance or engagement quality control review of high-risk audit engagements. As a result, required audit procedures were not performed and the omissions were not detected and required supplemental information was not included in the financial statements and the report was not modified. In particular procedures to assess grant materiality, identify related parties, and verification of valuations provided by third parties on several engagements were not performed or documented. We also noted that procedures specific to audits of employee benefit plans were not performed or conclusions reached were not supported, specifically in relation to testing payroll, income allocations, vesting provisions, and timeliness of contributions. Further, on an audit of an employee benefit plan the financial statements did not include a required schedule of delinquent contributions. Accordingly, the audit of the employee benefit plan was not performed in accordance with professional standards in all material respects.

Recommendation – The firm’s quality control policies and procedures should be revised to include a requirement that high-risk engagements be subjected to an engagement quality control review by an individual independent of the engagement.

In our opinion, as a result of the significant deficiencies previously described, the system of quality control for the accounting and auditing practice of David J. Ardoin, CPA, P.C. in effect for the year ended December 31, 2014 was not suitably designed or 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*. David J. Ardoin, CPA, P.C. has received a peer review rating of *fail*.

RW Group, LLC

Kennett Square, Pennsylvania