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**Inspection of
Jerome Rosenberg, C.P.A., P.C.**

**Issued by the
Public Company Accounting Oversight Board
September 30, 2008**

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. 104-2008-169A
(Includes portions of Parts II and IV of the full report that
were not included in PCAOB Release No. 104-2008-169)



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 departures from U.S. Generally Accepted Accounting Principles ("GAAP") or 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 related GAAP 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 an issuer's compliance with GAAP or Commission disclosure requirements, rests with the Commission. Any description, in this report, of perceived departures from GAAP or 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 JEROME ROSENBERG, C.P.A., P.C.

The Public Company Accounting Oversight Board ("PCAOB" or "the Board") has conducted an inspection of the registered public accounting firm Jerome Rosenberg, C.P.A., P.C.^{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 name of Jerome Rosenberg, CPA, P.C.

^{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 fieldwork for the inspection from October 2, 2007 to October 3, 2007. The fieldwork included procedures 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 (Melville, New York)
Ownership structure	Professional corporation
Number of partners	1
Number of professional staff ^{4/}	3
Number of issuer audit clients ^{5/}	1

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. The number of partners and professional staff is provided here as an indication of the size of the Firm, and does not necessarily represent the number of the Firm's professionals who participate in audits of issuers or are "associated persons" (as defined in the Act) of the Firm.

^{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 GAAP.^{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 Engagement

The inspection procedures included a review of aspects of the Firm's auditing of financial statements of one issuer. 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. This review did not identify any audit performance issues that, in the inspection team's view, resulted in the Firm failing to obtain sufficient competent evidential matter to support its opinion on the issuer's financial statements.

B. Review of Quality Control System

In addition to evaluating the quality of the audit work performed on a specific audit, 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

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

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

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

PART II

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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.^{8/} On the basis of the information that the inspection team reported, the Board has the following concerns about aspects of the Firm's quality control system.

1. Audit Performance

a. Fraud Procedures

The Firm's system of quality control appears not to provide sufficient assurance that the Firm will perform the required procedures in accordance with the provisions of AU 316, *Consideration of Fraud in a Financial Statement Audit*. [Issuer A]

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, including the independence confirmations required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*. [Issuer A]

c. 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

^{8/} 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.

PCAOB Auditing Standard No. 3, *Audit Documentation*, which is necessary to demonstrate that the work performed by engagement personnel addresses the significant findings and issues of the engagement. [Issuer A]

2. 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. Appropriate monitoring includes meaningfully addressing identified weaknesses in the Firm's audit practice, which the Firm has failed to do in at least one respect. In a report dated February 2, 2006, which related to an inspection of the Firm conducted in late 2004, the Board noted that the Firm's procedures appeared not to provide sufficient assurance that all required auditor communications to the audit committee occur and are appropriately documented. An appropriate approach to monitoring would have resulted in the Firm avoiding this deficiency in audits performed after it was brought to the Firm's attention, yet the same deficiency, with respect to the same issuer client, was noted in this inspection. This indicates that the Firm had not responded meaningfully to this deficiency identified in its previous PCAOB inspection.

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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.^{9/}

^{9/} 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.

Jerome Rosenberg
CERTIFIED PUBLIC ACCOUNTANT, P.C.

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June 20, 2008

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

Re: Jerome Rosenberg CPA, P.C.
Draft Report of Inspection

Dear Mr. Diacont:

In response to your letter dated May 21, 2008 regarding the Draft Report of Inspection, we do wish to comment regarding certain of the Inspection Team's findings and are requesting that the attached documentation relative to Part II be treated confidentially.

Presented below are the Firm's responses to the above referenced inspection report re: Issuer "A":

Audit Performance:

Fraud Procedures

We do take exception to this comment in that we did provide the Inspection Team with a Binder entitled "Planning and Evaluation of Internal Control", which apparently was not referenced when this comment was written. This Binder specifically references and documents the following procedures that we had taken in planning the audit engagement in compliance with AU 316. We are enclosing herewith copies of those documents.

Those procedures are enumerated as follows:

- A memo discussing planning for the audit engagement, areas to be reviewed, and actions to be taken
- A memo discussing adequacy of internal control with management, and their code of ethics.
- ICQ Audit program
- ICQ Questionnaire
- Memo re: Identification of fraud risks in revenue
- Copy of Issuer's Quality Control Manual
- Copy of their code of ethics
- Organizational chart with specific duties
- Detailed work papers regarding a payroll observation and payoff

Additionally, we have subsequently taken steps to insure full compliance with AU 316 in the current audit examination as well as in future engagements as follows:

- Prior to the initiation of the current years audit engagement we have documented our discussion among team members regarding Issuer A's financial statement's susceptibility to material misstatement due to fraud. The discussion included how the Company's assets could be stolen; the nature and risks of management overwrite of controls; the importance of maintaining an appropriate attitude of professional skepticism throughout the audit when considering the risk of material misstatement due to fraud; how management could possibly perpetrate and conceal fraudulent financial reporting and how the Company's financial statements might be susceptible to material misstatement due to fraud.
- We have documented our interview with Issuer A's President and Chief Financial Officer regarding fraud risks.
- We have documented communication with Issuer A's Board of Directors on their view of the risk of fraud and whether they have had any knowledge of any fraud or suspected fraud affecting the Issuer.

- During the course of the current audit examination we have prepared a narrative paper detailing the Issuer's financial reporting

Auditor Communications

We now have initiated and prepared annual letters to the Issuer's Board of Directors evidencing Independence and Communications of Significant Issues.

Engagement completion document

We have implanted and are currently using an Engagement Completion Document that assists us in reviewing the audit and documenting our conclusions.

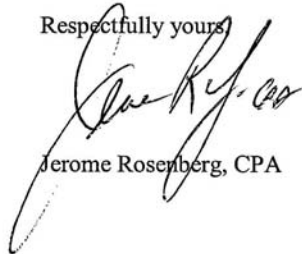
Monitoring and Addressing Identified Weaknesses:

We do take exception to this comment by the Inspection Team in that we have enclosed herewith copies of documentation (*referred to in fraud procedures*) that document that we have acted on the comment relative to this area from the previous inspection report.

We trust that you will consider our comments and the enclosed documentation and that the report in Draft Format will be amended to take these comments into consideration.

Should you have any questions, please do not hesitate to contact me directly.

Respectfully yours,

A handwritten signature in black ink, appearing to read "Jerome Rosenberg", is written over the typed name.

Jerome Rosenberg, CPA

SENT VIA FED EX