

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 70564 / September 30, 2013**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 3501 / September 30, 2013**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-15535**

**In the Matter of**

**Malcolm L. Pollard, CPA and**  
**Malcolm L. Pollard, Inc.**

**Respondents.**

**ORDER INSTITUTING PUBLIC  
ADMINISTRATIVE AND CEASE-  
AND-DESIST PROCEEDINGS PURSUANT  
TO SECTIONS 4C AND 21C OF THE  
SECURITIES EXCHANGE ACT OF 1934  
AND RULE 102(e) OF THE  
COMMISSION'S RULES OF PRACTICE,  
MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS AND A CEASE-  
AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that public administrative and cease-and-desist proceedings be, and hereby are, instituted against Malcolm L. Pollard, CPA (“Pollard”) and Malcolm L. Pollard, Inc. (the “firm” or “Pollard, Inc.”) (collectively “Respondents”) pursuant to Sections 4C<sup>1</sup> and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 102(e)(1)(ii) of the Commission’s Rules of Practice.<sup>2</sup>

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<sup>1</sup> Section 4C provides, in relevant part, that:

The Commission may censure any person, or deny, temporarily or permanently, to any person the privilege of appearing or practicing before the Commission in any way, if that person is found . . . (1) not to possess the requisite qualifications to represent others . . . (2) to be lacking in character or integrity, or to have engaged in unethical or improper professional conduct; or (3) to have willfully violated, or willfully aided and abetted the violation of, any provision of the securities laws or the rules and regulations thereunder.

<sup>2</sup> Rule 102(e)(1)(ii) provides, in pertinent part, that:

## II.

In anticipation of the institution of these proceedings, Respondents have submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Sections 4C and 21C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

## III.

On the basis of this Order and Respondents’ Offer, the Commission finds<sup>3</sup> that:

### SUMMARY

This matter concerns multiple failures of Respondents to comply with Public Company Accounting Oversight Board (“PCAOB”) Standards in connection with annual audits and quarterly reviews of the financial statements of three microcap issuers, herein referred to as Issuers A, B and C.

Respondents repeatedly engaged in unreasonable conduct that resulted in violations of applicable professional standards and which demonstrate a lack of competence to practice before the Commission. Among other things, Respondents repeatedly failed to prepare and maintain adequate audit work papers, consider and document fraud risks, obtain engagement quality reviews, and obtain written management representations. In addition, after Respondents became aware that Issuer B included their audit report in its Form 10-K filing with the Commission without permission, Respondents failed to inform Issuer B’s management or the audit committee of its board of directors of the illegal act. In addition, Respondents failed to design procedures as part of their audit to detect illegal acts. Respondents also claimed in each of their audit reports that they complied with PCAOB Standards when they had not.

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The Commission may . . . deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found . . . to have engaged in unethical or improper professional conduct.

<sup>3</sup> The findings herein are made pursuant to Respondents’ Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

## RESPONDENTS

1. **Malcolm L. Pollard (“Pollard”)**, age 72, resides in Erie, Pennsylvania. Pollard has been licensed as a certified public accountant in the Commonwealth of Pennsylvania since 1981.<sup>4</sup> Pollard operates as the sole shareholder and employee of Pollard, Inc., a Pennsylvania corporation he formed in May 1993 and which he registered with the PCAOB in January 2010. Pollard withdrew the firm’s PCAOB registration in November 2011.

2. **Malcolm L. Pollard, Inc. (the “firm” or “Pollard, Inc.”)** is a Pennsylvania corporation with its principal place of business in Erie, Pennsylvania. Pollard, conducted the audits at issue in this matter, through his firm Pollard, Inc. which was registered with the PCAOB in January 2010. The firm withdrew its PCAOB registration in November 2011. Pollard owns and controls Pollard, Inc., and is its sole shareholder and employee.

## RELATED ENTITIES

3. **Issuer A** is a Nevada corporation with its principal place of business in Carson City, Nevada. Issuer A’s common stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act and is traded on the OTC Market. Issuer A files periodic reports, including Forms 10-K and 10-Q, with the Commission pursuant to Section 13(a) of the Exchange Act and related rules thereunder.

4. **Issuer B** is a Wyoming corporation with its principal place of business in Wayne, Pennsylvania. Issuer B’s common stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act and is traded on the OTC Market. Issuer B files periodic reports, including Forms 10-K and 10-Q, with the Commission pursuant to Section 13(a) of the Exchange Act and related rules thereunder.

5. **Issuer C** is a Nevada corporation with its principal place of business in Hollywood, Florida. Issuer C’s common stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act and is traded on the OTC Market. Issuer C files periodic reports, including Forms 10-K and 10-Q, with the Commission pursuant to Section 13(a) of the Exchange Act and related rules thereunder.

## FACTS

### ISSUER A

6. Issuer A’s public filings state that it offers air-combat training, aerial refueling, aircraft maintenance training, disaster relief services, and other aerospace/defense services to the United States and foreign militaries and agencies. Issuer A had no revenues for the fiscal years ended December 31, 2009 and 2010, and sustained net losses of \$1,418,332 for fiscal year 2010. As of December 31, 2010, Issuer A had two full-time employees. Respondents issued an audit

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<sup>4</sup> Pollard is also an attorney and is licensed to practice in Pennsylvania. The conduct at issue in this Order is based on Pollard’s conduct as a CPA and not as an attorney.

report on May 12, 2011 on Issuer A fiscal year 2010 financial statements and claimed to have conducted their audit in accordance with PCAOB Standards. Respondents, however, repeatedly failed to adhere to those standards in the performance of their audit.

### **Failure to Prepare and Retain Adequate Audit Documentation**

7. PCAOB Standards require an auditor to document the procedures performed, evidence obtained, and conclusions reached with respect to relevant financial statement assertions. Audit documentation must clearly demonstrate that the work was in fact performed and must contain sufficient information to enable an experienced auditor, having no previous connection with the engagement: (1) to understand the nature, timing, extent, and results of the procedures performed, evidence obtained, and conclusions reached, and (2) to determine who performed the work and the date such work was completed as well as the person who reviewed the work and the date of such review. AS No. 3, *Audit Documentation*, at .06. In addition, an auditor must identify all significant findings or issues in an engagement completion document. AS No. 3, *Audit Documentation*, at .13.

8. Respondents' audit documentation for the fiscal year 2010 audit of Issuer A was seriously deficient.<sup>5</sup> The work papers did not include audit programs or memoranda describing procedures performed. The work papers did not include any notations or evidence of the procedures performed or conclusions reached based on the work performed. Further, none of the work papers contained evidence indicating who had performed the work and the date such work was completed.

9. Respondents also failed to prepare an engagement completion document. The engagement completion document identifies the significant findings or issues of the audit which are substantive matters that are important to understanding the procedures performed, evidence obtained, or conclusions reached during the audit.

### **Failure to Consider Fraud Risks**

10. PCAOB Standards require an auditor to consider fraud in a financial statement audit and document: (1) the procedures performed to obtain information necessary to identify and assess the risks of material misstatement due to fraud; (2) specific risks of material misstatement due to fraud that were identified, and a description of the auditor's response to those risks; and (3) the results of the procedures performed to further address the risk of management override of controls. AU § 316, *Consideration of Fraud in a Financial Statement Audit*, at .83.

11. Respondents' work papers were devoid of any documentation that they considered fraud risks in their fiscal year 2010 financial statement audit of Issuer A. The work papers contained no documentation of the procedures performed to identify and assess fraud risks, the fraud risks identified, or the results of procedures performed to address fraud risks.

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<sup>5</sup> See AS No. 3 at ¶4 for examples of audit documentation.

## **Failure to Perform an Engagement Quality Review**

12. PCAOB Standards require an engagement quality review and concurring approval of issuance for each audit engagement and for each engagement to review interim financial information. The objective of the engagement quality reviewer is to perform an evaluation of the significant judgments made by the engagement team and the related conclusions reached in forming the overall conclusion on the engagement and in preparing the engagement report, to determine whether to provide concurring approval of issuance. The PCAOB Standards provide further that the engagement quality reviewer must be an associated person of a registered public accounting firm and that, to maintain objectivity, the reviewer (and any others who assist) should not make decisions on behalf of the engagement team or assume any of the responsibilities of the engagement team. The engagement partner remains responsible for the engagement and its performance, notwithstanding the involvement of the engagement quality reviewer and others who assist the reviewer. AS No. 7, *Engagement Quality Review*, at .01-.03, .07.

13. As noted above, PCAOB Standards require an engagement quality review and concurring approval of issuance for each audit engagement. AS No. 7, *Engagement Quality Review*, at .01. Respondents failed to obtain an engagement quality review for their audit of Issuer A.

### **ISSUER B**

14. Issuer B's public filings state that it develops and markets a unique line of vitamin-enriched gourmet spices. According to its Form 10-K for fiscal year ended December 31, 2010, Issuer B's initial product line featured ground pepper, cinnamon, granulated garlic and crushed red pepper packaged in plastic screw-top shakers, and its products under development included ketchup, mustard and salad dressing which will include its vitamin-enriched spices. Issuer B had no sales until the first quarter of fiscal year 2010. Its gross revenues for fiscal year 2010 were \$18,901. Its total expenses were \$2,056,059, for a net operating loss of \$2,037,568. As of December 31, 2010, Issuer B had one employee, its President and CEO.

15. Respondents audited Issuer B's fiscal year 2009 and 2010 financial statements. Respondents' audits, however, failed to comply with PCAOB Standards. Respondents also failed to have procedures in place to detect illegal acts and failed to investigate a potential illegal act on the part of Issuer B despite knowledge that an illegal act had occurred.

### **Failure to Prepare and Retain Adequate Audit Documentation**

16. As described above, PCAOB Standards require that audit documentation clearly demonstrate that the work was in fact performed. AS No. 3, *Audit Documentation*, at .06. Because audit documentation is the written record that provides the support for the representations in the auditor's report, it should: (a) demonstrate that the engagement complied with the standards of the PCAOB; (b) support the basis for the auditor's conclusions concerning every relevant financial statement assertion; and (c) demonstrate that the underlying accounting records agreed or reconciled with the financial statements. AS No. 3, *Audit Documentation*, at .05. The PCAOB Standards also provide that the auditor must retain audit documentation for

seven years from the date the auditor grants permission to use the auditor's report in connection with the issuance of the company's financial statements or, if a report is not issued, seven years from the date that fieldwork was substantially complete. AS No. 3, *Audit Documentation*, at .14.

17. The audit documentation for Respondents' fiscal year 2009 and 2010 Issuer B audits was grossly inadequate. Respondents' work papers consisted only of a Management Representation letter signed by the CEO of Issuer B stating that the letter was provided to Respondents in connection with their audits for the years ended December 31, 2010 and 2009, and a draft of Issuer B's Form 10-Q for the period ended September 30, 2010. These documents failed to demonstrate that Respondents' engagement complied with PCAOB Standards, failed to support the basis for Respondents' conclusions concerning relevant financial statement assertions, and failed to demonstrate that the underlying accounting records agreed or reconciled with the financial statements. Indeed, the dearth of documents suggests that no audit work was in fact performed by Respondents.

### **Failure to Perform an Engagement Quality Review**

18. As noted above, PCAOB Standards require an engagement quality review and concurring approval of issuance for each audit engagement and for each engagement to review interim financial information. AS No. 7, *Engagement Quality Review*, at .01. Respondents failed to obtain an engagement quality review for their audit of Issuer B for the year ended December 31, 2010.

### **Failure to Have Procedures to Detect Illegal Acts and to Investigate a Potential Illegal Act**

19. Section 10A(a)(1) provides that each audit by a registered public accounting firm shall include . . . procedures designed to provide reasonable assurance of detecting illegal acts that would have a direct and material effect on the determination of financial statement amounts. In addition, Section 10A(b)(1) provides that if, in the course of conducting an audit . . . the registered public accounting firm detects or otherwise becomes aware of information indicating that an illegal act (whether or not perceived to have a material effect on the financial statements of the issuer) has or may have occurred, the firm shall . . . determine whether it is likely that an illegal act has occurred, and, if so, determine and consider the possible effect of the illegal act on the financial statements of the issuer . . . and as soon as practicable, inform the appropriate level of the management of the issuer and assure that the audit committee of the issuer, or the board of directors of the issuer in the absence of such a committee, is adequately informed with respect to illegal acts that have been detected or have otherwise come to the attention of such firm in the course of the audit, unless the illegal act is clearly inconsequential.

20. Respondents gave a draft audit report to Issuer B but did not give the Company permission to include their report in the Company's Form 10-K filing, which Issuer B filed with the Commission on April 15, 2011. The report that was in the 10-K filing was not the draft that Respondents provided the Company. Respondents did not do any evaluation to ascertain whether an illegal act actually occurred and did not evaluate the possible effect of the act on the financial statements. Respondents were aware that an audit report bearing the firm's name had been included in the Form 10-K filed with the Commission. Despite this knowledge,

Respondents did not inform Issuer B's management that the Company had included their audit report without permission and did not assure that the audit committee (or the board of directors) was adequately informed of that fact. In addition, Respondents audit had no procedures in place to detect illegal acts.

### **ISSUER C**

21. Issuer C currently operates an e-commerce website that enables businesses to establish an on-line retail presence. Issuer C had \$28,351 in gross revenues for fiscal year 2010 and an accumulated deficit of approximately \$9 million as of December 31, 2010.

22. Respondents issued an audit report on March 18, 2011 on Issuer C's fiscal year 2008 and 2009 financial statements,<sup>6</sup> and an audit report on April 12, 2011 on Issuer C's fiscal year 2009 and 2010 financial statements. For each, Respondents claimed to have conducted the audit in accordance with PCAOB Standards. Respondents also conducted quarterly reviews for June 30, 2010, September 30, 2010, March 31, 2011, and June 30, 2011 for Issuer C. Respondents failed repeatedly to adhere to PCAOB Standards in the performance of their Issuer C audits and reviews.

#### **Failure to Prepare and Retain Adequate Audit Documentation**

23. As noted above, PCAOB Standards include requirements for documentation the auditor should prepare and retain. AS No. 3, *Audit Documentation*, at .01. Respondents' audit documentation for the audits for the fiscal years ended December 31, 2008, 2009 and 2010 of Issuer C was woefully inadequate. The audits failed to include evidence of the procedures performed, evidence obtained, and conclusions reached with respect to relevant financial statement assertions. For example, the work papers did not include audit programs or memoranda describing procedures performed. The work papers did not include any notations or evidence of the procedures performed or conclusions reached based on the work performed. Further, none of the work papers contained evidence indicating who had performed the work and the date such work was completed.

#### **Failure to Consider Fraud Risks**

24. PCAOB Standards require an auditor to consider fraud in a financial statement audit and document: (1) the procedures performed to obtain information necessary to identify and assess the risks of material misstatement due to fraud; (2) specific risks of material misstatement due to fraud that were identified, and a description of the auditor's response to those risks; and (3) the results of the procedures performed to further address the risk of management override of controls. AU § 316, *Consideration of Fraud in a Financial Statement Audit*, at .83.

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<sup>6</sup> The fiscal years ended December 31, 2009 and 2008 were audited by a predecessor firm and included in Issuer C's Form 10-K filed with the Commission on April 15, 2010. On October 19, 2010, the PCAOB permanently revoked the registration of the predecessor firm. Respondents' March 18, 2011 opinion and audit report for fiscal years 2009 and 2008 were included in Issuer C's amended Form 10-K filed with the Commission on April 7, 2011.

25. Respondents' work papers contained no documentation showing that they considered fraud in connection with the audits of Issuer C for fiscal years 2008, 2009 and 2010. The work papers contained no documentation of the procedures performed to identify and assess fraud risks, the fraud risks identified, or the results of procedures performed to address fraud risks.

### **Failure to Perform an Engagement Quality Review**

26. As discussed above, PCAOB Standards require an engagement quality review and concurring approval of issuance for each audit engagement and for each engagement to review interim financial information. AS No. 7, *Engagement Quality Review*, at .01. Respondents failed to obtain engagement quality reviews for their audit of Issuer C for the fiscal year ended December 31, 2010 and for the four quarterly reviews performed for the quarters ended June 30, 2010, September 30, 2010, March 31, 2011 and June 30, 2011.

### **Failure to Obtain Written Management Representations**

27. PCAOB Standards require an independent auditor to obtain written representations from management as a part of an audit of financial statements and they should be obtained for all financial statements and periods covered by the auditor's report. The written representations ordinarily confirm representations explicitly or implicitly given to the auditor, indicate and document the continuing appropriateness of such representations, and reduce the possibility of misunderstanding concerning the matters that are the subject of the representations. AU § 333, *Management Representations*, at .01-.02, .05.

28. Respondents failed to obtain written representations from Issuer C's management as part of their audits for fiscal years ended December 31, 2008 and 2009.

## **VIOLATIONS**

### **Improper Professional Conduct**

29. Rule 102(e)(1)(ii) of the Commission's Rules of Practice provides, in part, that the Commission may censure or deny, temporarily or permanently, the privilege of appearing or practicing before the Commission to any person who is found by the Commission to have engaged in improper professional conduct. Rule 102(e)(1)(iv) defines improper professional conduct with respect to persons licensed to practice as accountants. As applicable here, improper professional conduct means a violation of applicable professional standards that resulted from "repeated instances of unreasonable conduct . . . that indicate a lack of competence to practice before the Commission." "Unreasonable conduct," as used in this provision, means ordinary negligence. *See In the Matter of Dohan & Co. CPA*, Release No. 420 (June 27, 2011).

30. Respondents engaged in repeated instances of unreasonable conduct that indicate a lack of competence to practice before the Commission. Due to their number and seriousness, any one of Respondents' auditing failures described above amount to negligent misconduct. Respondents conducted the audits in question in a manner in which no other reasonable auditor



would act. Specifically, Respondents failed: (i) to obtain written management representations in their fiscal year 2008 and 2009 audits of Issuer C. (AU § 333) (ii) to prepare and maintain adequate audit work papers for their fiscal year 2010 audit of Issuer A, fiscal year 2009 and 2010 audits of Issuer B, and fiscal year 2008, 2009 and 2010 audits of Issuer C, and to include an engagement completion document in their fiscal year 2010 audit of Issuer A (AS No. 3); (iii) to consider and document fraud in their fiscal year 2010 audit of Issuer A and their fiscal year 2008, 2009 and 2010 audits of Issuer C (AU § 316. 83); and (iv) to obtain engagement quality reviews in their fiscal year 2010 audit of Issuer A, fiscal year 2010 audit of Issuer B, fiscal year 2010 audit of Issuer C, and for the quarterly reviews for quarters ended June 30, 2010, September 30, 2010, March 31, 2011 and June 30, 2011 of Issuer C (AS No. 7).

### **Violations of Sections 10A(a)(1) and (b)(1) of the Exchange Act**

31. Section 10A(a)(1) of the Exchange Act provides that “[e]ach audit...by a registered public accounting firm *shall* include” procedures designed to detect illegal acts that would have a material effect on the determination of the financial statement amounts.

32. Section 10A(b)(1) of the Exchange Act provides that if “the registered public accounting firm detects or otherwise becomes aware of information indicating that an illegal act (whether or not perceived to have a material effect on the financial statements of the issuer) has or may have occurred, the firm shall . . . determine whether it is likely that an illegal act has occurred; and . . . if so, determine and consider the possible effect of the illegal act on the financial statements of the issuer . . . .” Section 10A(b)(1) further requires the public accounting firm to “inform the appropriate level of the management of the issuer and assure that the audit committee of the issuer, or the board of directors of the issuer in the absence of such a committee, is adequately informed with respect to illegal acts that have been detected or have otherwise come to the attention of such firm in the course of the audit, unless the illegal act is clearly inconsequential.”

33. Respondents gave Issuer B a draft audit report but did not give the Company permission to include their report in the Company’s Form 10-K filing which Issuer B filed with the Commission on April 15, 2011. Respondents did not do any evaluation to ascertain whether an illegal act actually occurred and did not evaluate the possible effect of the act on the financial statements. Respondents knew that Issuer B filed an audit report bearing the firm’s name. Despite knowing that this illegal act had occurred, Respondents did not inform Issuer B’s management that the Company had included Respondents’ audit report without Respondents’ permission and did not assure that the audit committee (or the board of directors) was adequately informed of that fact. Moreover, Respondents had no procedures in place during the audit to detect illegal acts. Accordingly, Respondents willfully violated Sections 10A(a)(1) and (b)(1) of the Exchange Act.

### **Violation of Exchange Act Rule 2-02 of Regulation S-X**

34. Rule 2-02(b)(1) of Regulation S-X mandates that an accountant’s report “state whether the audit was made in accordance with generally accepted auditing standards . . . .” “[R]eferences in Commission rules and staff guidance and in the federal securities laws to GAAS

or to specific standards under GAAS, as they relate to issuers, should be understood to mean the standards of the PCAOB plus any applicable rules of the Commission.” *See In the Matter of KMJ Corbin & Co.*, Release No. 3185 (Sept. 13, 2010). Thus, an auditor violates Regulation S-X 2-02(b)(1) if it issues a report stating that it had conducted its audit in accordance with PCAOB Standards when it had not. *See In the Matter of Andrew Sims, CPA*, Release No. 2950 (March 17, 2009).

35. Each of Respondents’ audit reports stated that they had conducted their audits in accordance with PCAOB Standards. Respondents, however, did not conduct their audits in accordance with PCAOB Standards. As described above, Respondents committed repeated audit failures in violation of those standards. Respondents failed to: (1) obtain written management representations; (2) prepare and maintain adequate audit documentation; (3) consider and document fraud; and (4) obtain engagement quality reviews. Accordingly, Respondents willfully violated Rule 2-02(b)(1).

### **FINDINGS**

36. Based on the foregoing, the Commission finds that Respondents engaged in improper professional conduct pursuant to Rule 102(e)(1)(ii) of the Commission’s Rules of Practice.

37. Based on the foregoing, the Commission finds that Respondents willfully violated Exchange Act Sections 10A(a)(1) and (b)(1).

38. Based on the foregoing, the Commission finds that Respondents willfully violated Exchange Act Rule 2-02 of Regulation S-X.

### **IV.**

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents’ Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

A. Respondents shall cease and desist from committing or causing any violations and any future violations of Exchange Act Sections 10A(a)(1) and (b)(1).

B. Respondents shall cease and desist from committing or causing any violations and any future violations of Exchange Act Rule 2-02 of Regulation S-X.

C. Respondents are denied the privilege of appearing or practicing before the Commission as an accountant.

By the Commission.

Elizabeth M. Murphy  
Secretary