

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 71585 / February 20, 2014

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3537 / February 20, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-15760

In the Matter of

**SAM KAN, CPA, and
SAM KAN & COMPANY,**

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 pursuant to Sections 4C¹ and 21C of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 102(e)(1)(ii)² and (iii)³ of the Commission's Rules of Practice against Sam Kan, CPA ("Kan") and Sam Kan & Co. ("Kan & Co." or the "firm") (collectively "Respondents").

¹ 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."

² Rule 102(e)(1)(ii) provides, in pertinent part, that: "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."

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 Exchange Act 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 that:

A. SUMMARY

1. In connection with audits and quarterly reviews of four microcap issuers, Kan and Kan & Co. failed to comply with auditing standards issued by the Public Company Accounting Oversight Board ("PCAOB"). Respondents repeatedly engaged in unreasonable conduct that resulted in violations of applicable professional standards and demonstrated a lack of competence to practice before the Commission. Respondents' improper professional conduct extended over an 18-month period (November 2010 to May 2012) and was inconsistent with seven PCAOB standards. Respondents failed to: (1) comply with requirements for engagement quality reviews; (2) perform appropriate procedures to ascertain the occurrence of subsequent events; (3) properly document procedures relating to the evaluation of the adequacy of disclosure in the financial statements; (4) prepare engagement completion documents; (5) obtain sufficient evidence to support the firm's audit opinion; (6) properly supervise audits; and (7) obtain written representations from management.

2. Additionally, Respondents willfully violated Rule 2-02(b)(1) of Regulation S-X because each audit report at issue falsely claimed that the audit had been conducted in compliance with PCAOB standards.

³ Rule 102(e)(1)(iii) provides, in pertinent part, that: "The Commission may . . . deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found . . . to have willfully violated, or willfully aided and abetted the violation of any provision of the Federal securities laws or the rules and regulations thereunder."

B. RESPONDENTS

1. **Sam Kan**, age 35, resides in Alameda, California. Kan has been licensed as a certified public accountant in the State of California since 2003. Kan is the founder and sole owner of Kan & Co.

2. **Sam Kan & Company**, is an auditing and accounting firm with its principal place of business in Alameda, California. Kan & Co. was registered with the PCAOB on July 14, 2008.

C. RELEVANT ENTITIES

1. **Issuer A** is a Nevada corporation. 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's public filings state that it sells computer monitoring software. In fiscal year 2010 the company reported no revenues. In fiscal year 2011 it reported gross revenues of approximately \$6,000 and operating expenses of over \$1.6 million. As of December 2011 the company had an accumulated deficit of over \$2.5 million. Kan & Co. issued five audit reports regarding Issuer A, relating to financial statements and restatements for fiscal years 2009, 2010, and 2011. These reports were dated November 19, 2010; March 17, 2011; April 25, 2011; March 30, 2012; and May 18, 2012.

2. **Issuer B** is a Nevada corporation. Issuer B voluntarily files periodic reports with the Commission. Its stock is traded on the OTC Market. Issuer B's public filings state that it pursues oil and gas exploration activities. From its inception in 2006 until August 2012, it had no revenues. Kan & Co. issued an audit report dated December 29, 2011, on Issuer B's fiscal year 2010 and 2011 financial statements.

3. **Issuer C** is a Nevada corporation. Issuer C files periodic reports and is believed to be a voluntary filer. The shares of Issuer C are traded on the OTC Market. Issuer C's public filings state that it is a development stage mineral exploration and carbon development company. From its inception in 2007 through December 2011, the company had no revenues. Kan & Co. issued audit reports dated April 14, 2011 and April 16, 2012, on Issuer C's financial statements for fiscal years 2009, 2010, and 2011. Respondents also conducted quarterly reviews for the quarters ended March 31, 2011, June 30, 2011, and September 30, 2011.

4. **Issuer D** is a Delaware corporation. Issuer D'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 D's public filings state that it is engaged in the development and commercialization of iodine-based agents and antimicrobials. In fiscal year 2010 it had revenue of approximately \$23,000 and at year end had an accumulated deficit of over \$22.5 million. Kan & Co. issued an audit report dated April 15, 2011 on Issuer D's fiscal year 2009 and 2010 financial statements. Respondents also conducted a quarterly review for the quarter ended March 31, 2011.

D. THE CONDUCT AT ISSUE

Failure to Comply with the Requirements for Engagement Quality Reviews (AS No. 7)

1. PCAOB standards require an engagement quality review and concurring approval of issuance for each audit engagement.⁴ 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, in order to determine whether to provide concurring approval of issuance. PCAOB standards require that the engagement quality reviewer be independent of the company, perform the engagement quality review with integrity, and maintain objectivity in performing the review. In order to ensure the necessary level of objectivity, the person who served as the engagement partner during either of the two audits preceding the audit subject to the engagement quality review may not be the engagement quality reviewer. AS No. 7, *Engagement Quality Review*, at .01-.02, .06, and .08.

2. The engagement quality review must be sufficiently documented and include information that identifies: (1) the engagement quality reviewer; (2) the documents reviewed by the engagement quality reviewer; and (3) the date the engagement quality reviewer provided concurring approval of issuance. In addition, PCAOB standards provide that the firm may grant permission to the client to use the engagement report in an audit only after the engagement quality reviewer has performed the review and provides concurring approval of issuance. AS No. 7, *Engagement Quality Review*, at .12-.13, and .19.

3. Issuer A: Respondents failed to comply with the engagement quality review requirements in connection with three audits of Issuer A. First, Respondents failed to obtain an engagement quality review in connection with the audit of Issuer A's restated financial statements for 2010. After Issuer A informed Kan that there was a material accounting error in its 2010 financial statements, Respondents audited the restated financial statements and issued an audit report dated April 25, 2011. They failed to obtain an engagement quality review of their audit of the restated financial statements.

4. Second, the engagement quality review for the audit of Issuer A for fiscal year 2011 was performed by Kan himself even though he had acted as engagement partner for the audits of Issuer A for fiscal 2010 and 2009. Because Kan served as engagement partner for the preceding audit, he was prohibited from performing the engagement quality review for the fiscal 2011 audit.

5. Third, when Issuer A was required to restate its financial statements for fiscal year 2011, Kan & Co. audited the restated financial statements and issued an audit

⁴ PCAOB standard AS No. 7, *Engagement Quality Review*, was effective for engagement quality reviews of audits and interim reviews for fiscal years beginning on or after December 15, 2009.

report dated May 18, 2012. Here too, Kan & Co. failed to obtain an engagement quality review of its audit.

6. Issuer C: For fiscal year 2011, Respondents failed to obtain the engagement quality review before completing their audit and granting Issuer C permission to use their audit report. The audit report was dated April 16, 2012. Issuer C filed its 2011 Form 10-K, with the Kan & Co. report, on April 17, 2012. But Kan's engagement quality reviewer did not complete the review until April 18, 2012, after the report was filed with the Commission.

7. Issuer D: The engagement quality review was completed after Kan & Co.'s audit report for Issuer D's fiscal year 2010 was filed with the Commission. Kan's audit report was dated April 15, 2011. That same day Issuer D filed its 2010 Form 10-K, including the audit report. But the engagement quality reviewer did not perform the review until May 16, 2011, a month after the report was filed with the Commission.

Failure to Perform Appropriate Procedures to Ascertain the Occurrence of Subsequent Events (AU § 560)

8. An independent auditor's report ordinarily is issued in connection with historical financial statements that purport to present the issuer's financial position at a stated date and results of operations and cash flows for a period ended on that date. However, events or transactions sometimes occur subsequent to the balance-sheet date, but prior to the issuance of the financial statements, that have a material effect on the financial statements and therefore require adjustment or disclosure in the statements. Failure to ascertain whether a material subsequent event has occurred requiring adjustments to or disclosure in the financial statements may result in the misstatement of the financial statements or misleading disclosure. PCAOB standards require the independent auditor to perform procedures, at or near the date of the auditor's report, to evaluate these "subsequent events." These procedures generally include:

- Read the latest available interim financial statements; compare them with the financial statements being reported upon; and make any other comparisons considered appropriate in the circumstances.
- Inquire of and discuss with officers and other executives having responsibility for financial and accounting matters as to whether any substantial contingent liabilities or commitments existed at the date of the balance sheet being reported on or at the date of inquiry; whether there was any significant change in the capital stock, long-term debt, or working capital to the date of inquiry; the current status of items, in the financial statements being reported on, that were accounted for on the basis of tentative, preliminary, or inconclusive data; and whether any unusual adjustments had been made during the period from the balance-sheet date to the date of inquiry.

- Read the available minutes of meetings of stockholders, directors, and appropriate committees.
- Inquire of client's legal counsel concerning litigation, claims, and assessments.
- Obtain a letter of representations, dated as of the date of the auditor's report, from appropriate officials as to whether any events occurred subsequent to the date of the financial statements being reported on that in the officials' opinion would require adjustment or disclosure in these statements.

AU § 560, *Subsequent Events*, at .01, .02 and .12.

9. Issuer A was required to reissue its financial statements for 2010 and 2011. For each reissuance, Respondents merely reviewed Issuer A's Form 8-Ks and asked management whether there were any subsequent events. They failed to: (1) make inquiries of appropriate personnel as to the existence of contingent liabilities, changes in equity, debt or working capital, and whether any unusual adjustments had been made since the date of the auditor's previous review; (2) request from management and read any minutes of stockholders' or directors' meetings that were held since the date of the auditor's previous review; and (3) obtain a letter of representations, dated as of the date of the auditor's report, as to whether any events occurred that in the opinion of management would require adjustment or disclosure in the financial statements.

Failure to Properly Document Procedures Relating to the Evaluation of the Adequacy of Disclosure in Financial Statements (AS No. 3)

10. AS No. 3 requires that an auditor prepare and retain documentation providing a written record of the basis for the auditor's conclusions. This includes documentation of the procedures performed, evidence obtained, and conclusions reached with regard to the relevant financial statement assertions. AS No. 3, *Audit Documentation*, at .01 and .06.

11. Kan & Co. repeatedly failed to document the work performed with regard to the notes to the financial statements. Kan's work papers for the following five engagements do not adequately document such work: (i) Issuer A -- audit report dated 11/19/10 covering fiscal year 2009; (ii) Issuer A -- audit report dated 3/17/11 covering fiscal year 2010; (iii) Issuer C -- audit report dated 4/14/11 covering fiscal years 2009 and 2010; (iv) Issuer C -- audit report dated 4/16/12 covering fiscal year 2011; and (v) Issuer D -- audit report dated 4/15/11 covering fiscal years 2009 and 2010. These work papers provide no evidence that the dollar amounts in the notes were agreed to the books and records of the company or other supporting documents as required by AU § 326.^{5 6}

⁵ PCAOB standards require that the auditor's substantive procedures must include reconciling the financial statements to the accounting records. See AU § 326 *Evidential Matter* at .19. In addition, the auditor considers the adequacy of disclosure in the financial statements, including the notes to the financial

Failure to Prepare an Engagement Completion Document (AS No. 3)

12. PCAOB standards require an auditor to prepare, for each engagement, an engagement completion document which identifies all significant findings or issues. AS No. 3, *Audit Documentation*, at .13. An engagement completion document discusses the significant findings or issues which are substantive matters important to understanding the procedures performed, evidence obtained, or conclusions reached during the audit. See AS No. 3, *Audit Documentation*, at .12.

13. Issuer B: No engagement completion document was prepared in connection with the audit of Issuer B's fiscal year 2010 and 2011 financial statements for which the audit report was dated 12/29/11.

14. Issuer C: No engagement completion document was prepared for the audit of Issuer C's fiscal year 2011 financial statements.

15. Issuer D: Respondents also failed to prepare an engagement completion document in connection with the audit of Issuer D's fiscal year 2009 and 2010 financial statements for which the audit report was dated 4/15/2011. Although the work papers included a checklist noting the need for an engagement completion document, there was no engagement completion document in the work papers.

Failure to Obtain Sufficient Evidence to Support the Audit Opinion and Adequately Document the Procedures Performed (AU § 326 and AS No. 3)

16. AU § 326 requires an auditor to obtain sufficient competent evidential matter to support the opinion expressed in the auditor's report, including evidential matter with respect to management's assertions of completeness, presentation, and disclosure elements of the financial statements. AU § 326, *Evidential Matter*, at .01-.03.

17. Respondents failed to obtain sufficient evidence to support the firm's audit of Issuer B's fiscal year 2010 and 2011 financial statements for which the audit report was dated 12/29/2011. Issuer B was a development stage company that had no recorded revenues since its inception in September 2006, but for fiscal years 2010 and 2011 recorded significant operating expenses. The work papers lacked sufficient evidence to show that expenses for professional fees, travel and promotions, and general and

statements. See AU § 431 *Adequacy of Disclosure in Financial Statements*. AU § 431 states: "The presentation of financial statements in conformity with generally accepted accounting principles includes adequate disclosure of material matters. These matters relate to the form, arrangement, and content of the financial statements and their appended notes, including for example, the terminology used, the amount of detail given, the classification of items in the statements, and the bases of the amounts set forth. An independent auditor considers whether a particular matter should be disclosed in light of the circumstances and facts of which he is aware at the time." AU § 431 at .02.

⁶ AU § 326 was superseded by AS No. 15, *Audit Evidence*, effective for fiscal years beginning on or after December 15, 2010. AU § 431 was superseded by AS No. 14, *Evaluating Audit Results*, effective for fiscal years beginning on or after December 15, 2010.

administrative fees were adequately tested. These expenses comprised 34% and 31%, respectively, of total operating expenses.

18. Additionally, for the audit of Issuer B's fiscal year 2010 financial statements, Kan & Co. failed to prepare adequate work papers. The work papers did not include documentation of the procedures performed or the conclusions reached, as required by AS No. 3 at .06.

Failure to Properly Plan and Supervise the Audit (AU § 311 and AS No. 10)

19. AU § 311 requires that the work be adequately planned and that assistants, if any, be properly supervised. AU § 311, *Planning and Supervision*, at .01.⁷ The extent of supervision appropriate in a given instance depends on many factors, including the complexity of the subject matter and the qualifications of persons performing the work. The work performed by each assistant should be reviewed to determine whether it was adequately performed and to evaluate whether the results are consistent with the conclusions to be presented in the auditor's report. AU § 311 at .11 and .13.

20. The vast majority of Kan & Co.'s relevant audit work was performed by a staff member who had no auditing experience at the time he started his employment with Kan in June of 2009. This staff member reported directly to Kan, who was responsible for the supervision and review of the work. Kan was required to consider the staff member's lack of auditing experience and correspondingly increase his supervision and review.

21. Kan failed to properly supervise and review the work performed by his staff. This failure is evidenced by his not having detected that the audit documentation did not comply with PCAOB standards and that required procedures had not been performed. In multiple audit engagements Kan's staff member, and not Kan himself, signed off as having performed the procedures in the checklist relating to determining that the work papers contained adequate documentation and that all required checklists and audit programs had been completed.

22. Issuer A: Kan failed to properly supervise his staff's work relating to whether the work performed for the audits of Issuer A for fiscal years 2009 and 2010 was properly documented, and for Issuer A's amended financial statements for fiscal year 2010 Kan failed to properly plan the restatement audit to ensure an engagement quality review was performed.

23. Issuer B: Kan failed to properly supervise his staff to determine whether an engagement completion document was included for the fiscal year 2010 and 2011

⁷ AU § 311 was superseded by AS No. 10, *Supervision of the Audit Engagement*, which applies to audits of fiscal years beginning on or after December 15, 2010. AS No. 10 requires the engagement partner (or other engagement team members performing supervisory activities) to review the work of engagement team members to evaluate whether the work was performed and documented; the objectives of the procedures were achieved; and the results of the work support the conclusions reached. AS No. 10, *Supervision of the Audit Engagement*, at .03 and .05.

Issuer B audits. For these audits Kan also failed to detect that there was insufficient evidential matter to support the audit with regard to Issuer B's operating expenses, and to confirm that his firm completed substantive testing of those expenses.

24. Issuer C: Kan failed to properly supervise the audits of Issuer C for fiscal years 2009 and 2010 as required by AU § 311, and 2011 as required by AS No. 10 relating to whether his staff's work was properly documented. Kan also failed to determine whether an engagement completion document was prepared for the fiscal year 2011 audit. When he completed the "Supervision and Review" checklist for that audit, Kan represented that he reviewed the engagement completion document -- but in fact no engagement completion document was prepared.

25. Issuer D: Kan failed to properly supervise his staff's work relating to whether the work performed for Issuer D's fiscal year 2009 and 2010 audits was properly documented and failed to determine whether his staff prepared an appropriate engagement completion document.

Failure to Obtain Written Management Representations for Reviews of Interim Financial Information (AU § 722)

26. AU § 722 provides that written representations from management should be obtained for all interim financial information presented and for all periods covered by the auditor's review. The representations should address, *inter alia*, financial statements, internal controls, completeness of information, procedures for recognition, measurement and disclosure, and subsequent events. AU § 722, *Interim Financial Information*, at .24.

27. Respondents failed to obtain written representations from management in connection with three quarterly reviews: the reviews of Issuer C's interim financial statements for the quarters ended March 31 and June 30, 2011 and the review of Issuer D's interim financial statements for the quarter ended March 31, 2011.

Misrepresentations Regarding Compliance with PCAOB Standards

28. Rule 2-02(b)(1) of Regulation S-X requires that an accountant's audit report "state whether the audit was made in accordance with generally accepted auditing standards . . ." 17 C.F.R. 210.2-02(b)(1). As used in Commission regulations, the phrase "generally accepted auditing standards" includes the standards issued by PCAOB.

29. In each of the audit reports at issue, Kan & Co. stated that it had conducted its audits in accordance with PCAOB standards. Those representations were false.

30. Kan was the sole proprietor of Kan & Co. Kan approved the signing of the firm's name to the audit reports and their issuance for inclusion in the filings with the Commission as the engagement partner for all but one of the audits at issue. As a result, Kan too falsely stated that the audits were conducted in accordance with PCAOB standards.

E. VIOLATIONS

1. **Rule 2-02(b)(1) -- Misrepresentations Regarding Compliance:** An auditor violates Rule 2-02(b)(1) of Regulation S-X by issuing a report falsely stating that an audit was conducted in accordance with PCAOB standards. As a result of the conduct described above, Respondents willfully violated Rule 2-02(b)(1).

2. **Rule 102(e)(1)(ii) -- Improper Professional Conduct:** Rule 102(e)(1)(ii) of the Commission's Rules of Practice provides that the Commission may deny the privilege of appearing or practicing before the Commission to any person who is found to have engaged in improper professional conduct. As a result of the conduct described above, Respondents engaged in improper professional conduct as defined in Rule 102(e)(1)(iv)(B)(2), *i.e.*, negligent conduct consisting of repeated instances of unreasonable conduct, each resulting in a violation of applicable professional standards, that indicate a lack of competence to practice before the Commission.

3. **Rule 102(e)(1)(iii) -- Violations of Federal Securities Laws:** Rule 102(e)(1)(iii) of the Commission's Rules of Practice provides that the Commission may deny the privilege of appearing or practicing before the Commission to any person found "[t]o have willfully violated, or willfully aided and abetted the violation of, any provision of the Federal securities laws or the rules and regulations thereunder." As a result of the conduct described above, Respondents willfully violated certain provisions of the federal securities laws or rules and regulations thereunder pursuant to Rule 102(e)(1)(iii) of the Commission's Rules of Practice.

F. FINDINGS

1. Based on the foregoing, the Commission finds that Respondents willfully violated Rule 2-02(b)(1) of Regulation S-X.

2. Based on the foregoing, the Commission finds that Respondents engaged in improper professional conduct pursuant to Section 4C(a)(2) of the Exchange Act and Rule 102(e)(1)(ii) of the Commission's Rules of Practice.

3. Based on the foregoing, the Commission finds that Respondents willfully violated certain provisions of the federal securities laws or the rules and regulations thereunder pursuant to Section 4C(a)(3) of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice.

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:

1. Respondents shall cease and desist from committing or causing any violations and any future violations of Rule 2-02(b)(1) of Regulation S-X.
2. Respondents are denied the privilege of appearing or practicing before the Commission as an accountant.
3. After three years from the date of this order, Kan & Co. may request that the Commission consider its reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as an independent accountant. Such an application must satisfy the Commission that:
 - a. Kan & Co. is registered with the PCAOB in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective. However if registration with the PCAOB is dependent upon reinstatement by the Commission, the Commission will consider the application on its other merits;
 - b. Kan & Co. has hired an independent CPA consultant ("consultant"), who is not unacceptable to the staff of the Commission and is affiliated with a public accounting firm registered with the PCAOB, that has conducted a review of Kan & Co.'s quality control system and submitted to the staff of the Commission a report that describes the review conducted and procedures performed, and represents that the review did not identify any criticisms of or potential defects in the firm's quality control system that would indicate that any of Kan & Co.'s employees will not receive appropriate supervision. Kan & Co. agrees to require the consultant, if and when retained, to enter into an agreement that provides that for the period of review and for a period of two years from completion of the review, the consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Kan & Co., or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the consultant in performance of his/her duties under this Offer shall not, without prior written consent of the staff, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Kan & Co., or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the review and for a period of two years after the review.
 - c. Kan & Co. has resolved all disciplinary issues with the PCAOB,

and has complied with all terms and conditions of any sanctions imposed by the PCAOB (other than reinstatement by the Commission); and

d. Kan & Co. acknowledges its responsibility, as long as it appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the PCAOB, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

4. Kan & Co. shall pay disgorgement of \$40,000 and prejudgment interest of \$1,155.26 and a civil money penalty in the amount of \$40,000 to the United States Treasury. Kan & Co. shall also pay post-judgment interest in the amount of \$264.10. Payment shall be made in the installments noted below. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of disgorgement, prejudgment interest, and civil penalties, plus any additional interest accrued pursuant to SEC Rule of Practice 600 or pursuant to 31 U.S.C. 3717, shall be due and payable immediately, without further application. Payment must be made in one of the following ways:

- a. Kan & Co. may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- b. Kan & Co. may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Kan & Co. as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Antonia Chion, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549.

5. Accordingly, Kan & Co. shall make payments in accordance with the following schedule:

- (1) March 1, 2014: \$20,315.19
- (2) May 1, 2014: \$20,341.60
- (3) August 1, 2014: \$20,368.04
- (4) November 1, 2014: \$20,394.53

6. After three years from the date of this order, Kan may request that the Commission consider his reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

a. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission. Such an application must satisfy the Commission that Kan's work in his practice before the Commission will be reviewed either by the independent audit committee of the public company for which he works or in some other acceptable manner, as long as he practices before the Commission in this capacity; and/or

b. an independent accountant. Such an application must satisfy the Commission that:

(1) Kan, or the public accounting firm with which he is associated, is registered with the PCAOB in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;

(2) Kan, or the registered public accounting firm with which he is associated, has been inspected by the PCAOB and that inspection did not identify any criticisms of or potential defects in Kan's or the firm's quality control system that would indicate that Kan will not receive appropriate supervision;

(3) Kan has resolved all disciplinary issues with the PCAOB, and has complied with all terms and conditions of any sanctions imposed by the PCAOB (other than reinstatement by the Commission); and

(4) Kan acknowledges his responsibility, as long as Kan appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the PCAOB, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

7. The Commission will consider an application by Kan to resume appearing or practicing before the Commission provided that his state CPA license is current and he has resolved all other disciplinary issues with the applicable state boards of accountancy. However, if state licensure is dependent on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission's review may include consideration of, in addition to the matters referenced above, any other matters relating to Kan's character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

By the Commission.

Elizabeth M. Murphy
Secretary