

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 97216 / March 29, 2023

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 4394 / March 29, 2023

ADMINISTRATIVE PROCEEDING
File No. 3-21353

In the Matter of

SPICER JEFFRIES LLP and
SEAN P. TAFARO, CPA,

Respondents.

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

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that public administrative proceedings be, and hereby are, instituted against Spicer Jeffries LLP (“Spicer Jeffries”) and Sean P. Tafaro (“Tafaro”) (collectively, “Respondents”) pursuant to Section 4C¹ of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 102(e)(1)(ii) of the Commission’s Rules of Practice.²

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 issued thereunder.

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

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) 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 Proceedings Pursuant to Section 4C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondents’ Offers, the Commission finds³ that:

A. SUMMARY

1. This matter arises out of the audits of two private funds – Fund A and Fund B (“Funds”) – completed in 2019 by audit firm Spicer Jeffries and engagement partner Tafaro. Spicer Jeffries was engaged by an SEC-registered investment adviser (the “Adviser”) to audit the financial statements of the Funds so that the Adviser could comply with Section 206(4) of the Investment Advisers Act of 1940 (“Advisers Act”) and Rule 206(4)-2 thereunder (the “Custody Rule”). Respondents engaged in improper professional conduct under Rule 102(e) during these audits by failing to conduct the audits in accordance with U.S. generally accepted auditing standards (“GAAS”).⁴

2. Specifically, Tafaro, the engagement partner, and Spicer Jeffries did not (i) adequately respond to significant risks identified during the planning stage of the audits, (ii) obtain sufficient appropriate audit evidence to support the audit opinions, (iii) prepare sufficient audit documentation, or (iv) exercise due care and professional skepticism. Tafaro, as the engagement partner, also did not adequately supervise the audit engagement.

3. Spicer Jeffries also did not adhere to American Institute of Certified Public Accountants (“AICPA”) quality control standards.

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.

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

⁴ Citations to GAAS in the Order are to those standards in existence at the time of the conduct.

B. RESPONDENTS

4. Spicer Jeffries LLP is a limited liability partnership and public accounting firm registered with the Public Company Accounting Oversight Board (“PCAOB”). Spicer Jeffries has three offices, including its headquarters in Denver, Colorado and provides accounting, tax, auditing, and consulting services to a variety of clients including investment advisers and funds registered with the Commission.

5. Sean P. Tafaro, CPA, age 46, is a resident of Highlands Ranch, Colorado. He has worked at Spicer Jeffries since 1999 and became an equity partner in 2014. Tafaro was the engagement partner for the audits of the Funds and had final responsibility over the audits. Tafaro has held an active certified public accountant (“CPA”) license in Colorado since 2001 and also holds active CPA licenses in Florida, California, New York, New Jersey, and Massachusetts.

C. OTHER RELEVANT ENTITIES

6. Fund A is a private fund founded as a Delaware limited liability limited partnership in 2015.

7. Fund B is a private fund founded as a Delaware limited liability limited partnership in 2002.

8. Adviser is a Colorado limited liability company that was most recently registered with the Commission as an investment adviser in July 2016. The Adviser provides investment management services to privately offered limited partnerships and corporate investment vehicles. The Adviser is the investment adviser to the Funds.

D. FACTS

Background

9. Between at least January 1, 2018 and December 31, 2018, the Adviser had custody of client funds or securities and, as such, was required to comply with the Custody Rule.

10. Among other things, the Custody Rule requires that advisory client assets be maintained with a qualified custodian, and requires client assets to be verified through an annual surprise examination by an independent public accountant. *See* Advisers Act Rule 206(4)-2(a)(1) and (4). The Adviser sought to use the audit provision of the Custody Rule, which required that the Funds’ financial statements be prepared in accordance with generally accepted accounting principles (“GAAP”) and that they be audited by an independent public accountant that is registered with, and subject to regular inspection by, the PCAOB. *See* Advisers Act Rule 206(4)-2(b)(4).

11. To comply with the audit provision of the Custody Rule, the Adviser engaged Spicer Jeffries to perform annual audits for the Funds’ fiscal years ended December 31, 2018 (the “Audits”) and then distributed audited financial statements to each investor in the Funds. Spicer Jeffries stated that the Audits were performed in accordance with GAAS.

12. The Audits included audit procedures on certain of the Funds' hard-to-value investment assets for which fair values were not readily-determinable, described herein as "Level 3" investments. Financial Accounting Standards Board ("FASB") Accounting Standards Codification 820, *Fair Value Measurement* ("ASC 820") sets forth three categories of inputs for use in determining an asset's fair value.⁵ Assets valued using Level 3 inputs are often difficult to value because of the unobservable nature of such inputs.

13. ASC 820 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." Under ASC 820-10-35-36, the methods used to measure fair value "shall maximize the use of relevant observable inputs and minimize the use of unobservable inputs."

14. The Audits involved three Level 3 investments in the preferred stock of two portfolio companies that contained preference rights structured to return to the Funds a multiple of the Funds' original investments if there was a qualifying liquidation event (e.g., dissolution, bankruptcy, or reorganization) ("Liquidation Preference Rights"). In such cases, the Funds, through their preferred stock investments, would be first in line to receive back a multiple of their original investments prior to remaining liquidation proceeds being distributed to common shareholders.

15. To determine the value of the three Level 3 investments at issue here, the Adviser calculated fair value based on a "waterfall approach" that attempted to forecast how the undiscounted cash proceeds from a hypothetical sale of the portfolio company would be sequentially distributed to each class of shareholder based on the seniority and Liquidation Preference Rights of each class. The undiscounted cash proceeds allocated to the Funds' three Level 3 investments per the Adviser's waterfall approach were recorded to the Funds' financial statements as the fair value of those investments.

16. Here, the Adviser's waterfall calculations assumed that the Liquidation Preference Rights were triggered despite the fact that no qualifying liquidation event had occurred or was expected to occur in the near future. This valuation assumption led to an instantaneous increase in the recorded value of these Level 3 investments. Thus, almost immediately after the Funds' purchase of these preferred shares (i.e., on the same day or day after), the Adviser recorded fair value based on the price that the Funds had recently paid increased by the Liquidation Preference Rights multiple ranging from 150% to 200%.

17. Spicer Jeffries and Tafari received an email describing this valuation practice prior to the Audits. As discussed below, in a subsequent email in October 2018, Tafari wrote the

⁵ ASC 820 prioritizes inputs used to measure fair value into three levels based on the observability of the inputs. The highest, and generally most reliable, level of inputs – Level 1 – are "quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date." ASC 820-10-35-40. Level 2 inputs are "inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly." ASC 820-10-35-47. Level 3 inputs are "unobservable inputs for the asset or liability." ASC 820-10-35-52. ASC 820-10-35-53 further notes as follows: "Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any market activity for the asset or liability at the measurement date."

Adviser that he “would have no problem signing an audit opinion” supporting the Adviser’s valuation methodology of an immediate mark-up corresponding to Liquidation Preference Rights “with careful documentation” explaining why alternative techniques were considered but not equally weighted. Moreover, in planning the Audits of the Funds, the Spicer Jeffries engagement team, including Tafari, identified valuation of investments as a “Significant/Fraud” risk.

Respondents Did Not Conduct the Audits of the Funds in Accordance with GAAS

18. Despite acknowledging the risk associated with the valuation of investments, the Respondents failed to meet professional standards in a number of respects throughout the Audits. As further detailed below, Spicer Jeffries and Tafari did not (i) adequately respond to significant risks identified during the planning stage of the Audits, (ii) obtain sufficient appropriate audit evidence to support the audit opinions, (iii) prepare sufficient audit documentation, or (iv) exercise due care and professional skepticism. Tafari, as the engagement partner, also did not adequately supervise the audit engagement. Spicer Jeffries also did not adhere to quality control standards.

Spicer Jeffries and Tafari Failed to Adequately Respond to Fraud Risks Identified

19. In the planning stage for each of the Audits, Spicer Jeffries and Tafari assessed the risks of material misstatement and identified that valuation of investments was a “Significant/Fraud” risk. However, Respondents did not implement the planned audit approach to respond to this fraud risk. Beyond recalculating the Adviser’s models for mathematical accuracy and confirming the existence and amount of various quantitative model inputs, such as Liquidation Preference Rights multiples, no other audit procedures were performed to test valuation of these Level 3 investments. While other procedures were planned, such as assessing whether the Adviser’s accounting valuation method was appropriate, developing independent expectations of fair value for corroborative purposes, testing or analyzing assumptions used in the valuation models, and assessing the Adviser’s potential bias in its estimates of fair value, none of these procedures were performed.

Spicer Jeffries and Tafari Failed to Obtain Sufficient Appropriate Audit Evidence

20. In each of the Audits, Spicer Jeffries and Tafari did not obtain sufficient appropriate audit evidence regarding the valuation of the three Level 3 investments discussed herein as of fiscal year-end. Respondents did not critically analyze whether the Adviser’s valuation models and assumptions for these Level 3 investments were in conformity with generally accepted accounting principles (“GAAP”), specifically, fair value measurement under ASC 820.

21. Spicer Jeffries and Tafari failed to evaluate or obtain sufficient appropriate audit evidence about whether the Adviser’s method of measuring fair value was in conformity with ASC 820, such as, among other aspects, whether the method maximized the use of relevant observable inputs such as the actual known recent purchase price.

22. Spicer Jeffries and Tafari also failed to obtain sufficient appropriate audit evidence about whether the Adviser considered alternative valuation assumptions and why it rejected them. For example, Tafari received an email from the Adviser in October 2018 that specifically asked

whether Spicer Jeffries would “sign off on” a valuation methodology “where we take a Day 1 mark-up of security [greater than] Transaction Price.” Tafari replied that he “would have no problem signing an audit opinion” supporting such an approach, but that Spicer Jeffries “would definitely require a write-up . . . about factors why the recent transaction price is considered but not equally weighted” in arriving at the valuation. Respondents never obtained the required “write-up”.

23. Moreover, Spicer Jeffries and Tafari failed to obtain sufficient appropriate audit evidence about significant valuation assumptions imbedded in the Adviser’s valuation models, such as whether the Funds had the right to require liquidation of the portfolio companies underlying the Level 3 investments, or whether a liquidating event had actually been triggered, despite these assumptions being key to the models’ assumption that full undiscounted liquidation cash proceeds could be immediately received.

24. Spicer Jeffries and Tafari failed to evaluate or obtain sufficient appropriate audit evidence about the Adviser’s valuation judgments and decisions to determine whether indicators of possible management bias existed.

Spicer Jeffries and Tafari Failed to Prepare Sufficient Audit Documentation

25. In each of the Audits, Spicer Jeffries and Tafari failed to prepare audit documentation sufficient to enable an experienced auditor to understand the nature, timing, and extent of the procedures performed; results of those procedures and the evidence obtained; and conclusions reached.

26. For example, despite documenting in the risk assessment work papers that Spicer Jeffries had reviewed significant accounting estimates for evidence of management bias, there was no indication elsewhere in the work papers that the engagement team had actually undertaken such an analysis, what specific evidence had been analyzed, or what the results of any such analysis may have been.

27. As another example, despite documenting via sign-offs in the audit program that procedures had been performed to determine the appropriateness of the accounting valuation method used, to test or analyze assumptions used in the valuation models, and to develop independent estimates of fair value for corroborative purposes, there was no indication in the work papers that the engagement team had actually performed any of these procedures, what specific evidence had been analyzed, or what the results of any such analysis may have been.

28. In addition, Spicer Jeffries and Tafari failed to prepare sufficient documentation regarding procedures performed to analyze whether these Level 3 investments were properly presented in the notes to the financial statements. By way of example, Tafari failed to analyze whether engagement staff documented which specific Fund holdings corresponded to which valuation techniques disclosed in the notes and also failed to document his basis for concluding that

it was reasonable to categorize the Level 3 investments at issue here in the valuation technique grouping labeled as “Recent Transaction Price” in the notes to the financial statements.

Spicer Jeffries and Tafaro Failed to Exercise Due Care, Including Professional Skepticism

29. In each of the Audits, Spicer Jeffries and Tafaro did not exercise due care, including professional skepticism, because they did not conduct the Audits in accordance with GAAS, as evidenced by the failures noted above to adequately respond to significant risks identified, to obtain sufficient appropriate audit evidence, and to prepare sufficient audit documentation.

30. In failing to critically analyze whether the Adviser’s valuation models and imbedded assumptions for these Level 3 investments were in conformity with GAAP, Spicer Jeffries and Tafaro failed to exercise due care and professional skepticism.

31. As a result of Tafaro’s deficient and improper professional conduct, Spicer Jeffries issued unqualified audit reports for the Funds’ fiscal years ended December 31, 2018 which stated that the Audits had been conducted in accordance with GAAS, when in fact, the Audits were not performed in accordance with GAAS.

Tafaro Failed to Adequately Supervise the Audits

32. Tafaro, as the engagement partner, did not adequately supervise the audit engagements to ensure compliance with GAAS standards. As evidenced by the failures noted above, Tafaro’s supervision and review were inadequate to ensure that sufficient appropriate audit evidence was obtained to support the conclusions reached and for the audit reports to be issued; to ensure that significant risks identified, including fraud risks, were adequately responded to; and to ensure that the nature and extent of the procedures performed, the evidence obtained, and the conclusions reached were sufficiently documented.

Spicer Jeffries Failed to Adhere to Quality Control Standards

33. Spicer Jeffries established a documented system of quality control policies and procedures, which was intended to provide it with assurance that engagements were performed in accordance with professional standards and regulatory requirements.

34. However, Spicer Jeffries did not provide adequate guidance or specificity within its quality control policies and procedures with respect to engagement performance and documentation or regarding how the engagement partner should perform supervision and audit review responsibilities to ensure that audit engagements were properly performed.

Violations

35. As a result of the conduct described above, Respondents engaged in improper professional conduct within the meaning of Section 4C of the Exchange Act and Rule 102(e)(1)(ii) of the Commission’s Rules of Practice. Section 4C(a)(2) of the Exchange Act and Rule 102(e)(1)(ii) of the Commission’s Rules of Practice provide, in pertinent 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. Section 4C(b) of the Exchange Act and Rule 102(e)(1)(iv) of the Commission's Rules of Practice define improper professional conduct with respect to persons licensed to practice as accountants.

36. Under Section 4C(b) of the Exchange Act and Rule 102(e)(1)(iv)(B) of the Commission's Rules of Practice, the term "improper professional conduct" means one of two types of negligent conduct: (1) a single instance of highly unreasonable conduct in circumstances for which heightened scrutiny is warranted; or (2) 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.

37. As set forth in more detail below, Respondents engaged in repeated violations of GAAS professional standards including in areas that, for reasons stated in paragraphs 18–34 above, indicate a lack of competence to practice before the Commission.

Failure to Adequately Respond to Fraud Risks Identified (AU-C 240)⁶

38. AU-C Section 240, *Consideration of Fraud in a Financial Statement Audit* ("AU-C 240") provides that the objectives of the auditor include "sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses." AU-C 240.10b. It further provides that in response to the assessed risks of material misstatement, audit documentation should include "(a.) The overall responses to the assessed risks of material misstatement due to fraud at the financial statement level and the nature, timing, and extent of audit procedures, and the linkage of those procedures with the assessed risks of material misstatement due to fraud at the assertion level," and "(b.) The results of the audit procedures, including those designed to address the risk of management override of controls." AU-C 240.44.

39. As a result of Respondents' conduct described above, each failed to adequately respond to identified fraud risks associated with the valuation of investments in the Audits.

Failure to Obtain Sufficient Appropriate Audit Evidence (AU-C 500A, AU-C 200, AU-C 540A, and AU-C 501A)

40. AU-C Section 500A, *Audit Evidence* ("AU-C 500A") requires an auditor to "design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence." AU-C 500A.06.

41. Additionally, AU-C Section 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Generally Accepted Auditing Standards* ("AU-C 200") further requires an auditor to "obtain sufficient appropriate audit evidence to reduce audit risk to an

⁶ AICPA professional auditing standards use the nomenclature "AU-C" (AICPA Auditing Standard Codification).

acceptably low level and thereby enable the auditor to draw reasonable conclusions on which to base the auditor's opinion." AU-C 200.19.

42. Separately, AU-C Section 540A, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures* ("AU-C 540A") details that "[f]or accounting estimates that give rise to significant risks . . . , the auditor should evaluate the following: (a) How management has considered alternative assumptions or outcomes and why it has rejected them or how management has otherwise addressed estimation uncertainty in making the accounting estimate[.] . . . (b) Whether the significant assumptions used by management are reasonable[.] . . . (c) When relevant to the reasonableness of the significant assumptions used by management or the appropriate application of the financial reporting framework, management's intent to carry out specific courses of action and its ability to do so[.]" AU-C 540A.15a-c. Furthermore, for accounting estimates that give rise to significant risks, "[t]he auditor should obtain sufficient appropriate audit evidence about whether . . . (b) the selected measurement basis for the accounting estimates . . . are in accordance with the requirements of the applicable financial reporting framework." AU-C 540A.17b. And additionally, "[t]he auditor should review the judgments and decisions made by management in the making of accounting estimates to identify whether indicators of possible management bias exist . . ." AU-C 540A.21.

43. In addition, AU-C Section 501A, *Audit Evidence – Specific Considerations for Selected Items* ("AU-C 501A") sets forth parameters for "investments in derivative instruments and securities measured or disclosed at fair value" noting that if securities are "valued by the entity using a valuation model, the auditor should obtain sufficient appropriate audit evidence supporting management's assertions about fair value determined using the model." AU-C 501A.09

44. As a result of Respondents' conduct described above, each failed to obtain sufficient appropriate audit evidence to support Spicer Jeffries' audit opinions for the Audits.

Failure to Prepare Sufficient Audit Documentation (AU-C 230, AU-C 330, and AU-C 540A)

45. AU-C Section 230, *Audit Documentation* ("AU-C 230") provides that the "auditor should prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand. . . (a) the nature, timing, and extent of the audit procedures performed to comply with GAAS and applicable legal and regulatory requirements; (b) the results of the audit procedures performed, and the audit evidence obtained; and (c) significant findings or issues arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions." AU-C 230.08. It further provides that "[i]n documenting the nature, timing, and extent of audit procedures performed, the auditor should record (a) the identifying characteristics of the specific items or matters tested . . ." AU-C 230.09a.

46. AU-C Section 330, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained* ("AU-C 330") provides that "The auditor should perform audit procedures to evaluate whether the overall presentation of the financial statements, including the related disclosures, is in accordance with the applicable financial reporting framework." AU-C 330.26.

47. AU-C 540A further notes that the “auditor should include in the audit documentation (a) for those accounting estimates that give rise to significant risks, the basis for the auditor’s conclusions about the reasonableness of accounting estimates and their disclosure and (b) indicators of possible management bias, if any.” AU-C 540A.22.

48. As a result of Respondents’ conduct described above, each failed to prepare sufficient audit documentation during the Audits.

Failure to Exercise Due Care, Including Professional Skepticism (AU-C 200)

49. AU-C 200 requires that “[t]he auditor should plan and perform an audit with professional skepticism, recognizing that circumstances may exist that cause the financial statements to be materially misstated.” AU-C 200.17. Professional skepticism includes “being alert to,” for example “[a]udit evidence that contradicts other audit evidence obtained; Information that brings into question the reliability of documents and responses to inquiries to be used as audit evidence; Conditions that may indicate possible fraud; [and] Circumstances that suggest the need for audit procedures in addition to those required by GAAS.” AU-C 200.A22.

50. AU-C 200 further requires that “[d]ue care requires the auditor to discharge professional responsibilities with competence and to have the appropriate capabilities to perform the audit and enable an appropriate auditor’s report to be issued.” AU-C 200.A19.

51. Furthermore, AU-C 200 states that “[t]he auditor should not represent compliance with GAAS in the auditor’s report unless the auditor has complied with the requirements of this section and all other AU-C sections relevant to the audit.” AU-C 200.22.

52. As a result of Respondents’ conduct described above, each failed to exercise due care, including professional skepticism, in the Audits.

Tafaro’s Failure to Adequately Supervise the Audit Engagement (AU-C 220)

53. Under AU-C Section 220, *Quality Control for an Engagement Conducted in Accordance with Generally Accepted Auditing Standards* (“AU-C 220”), it is the responsibility of the engagement partner to ensure proper “direction, supervision, and performance of the audit engagement in compliance with professional standards, applicable legal and regulatory requirements, and the firm’s policies and procedures.” AU-C 220.17a. Additionally, “[t]he engagement partner should take responsibility for reviews being performed in accordance with the firm’s review policies and procedures.” AU-C 220.18. Further, before the audit report is issued, “the engagement partner should, through a review of the audit documentation and discussion with the engagement team, be satisfied that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor’s report to be issued.” AU-C 220.19.

54. As a result of Tafaro’s conduct described above, he failed to adequately supervise the work of the audit engagement for the Audits.

Failure to Adhere to Quality Control Standards (AU-C 220 and QC 10)

55. AU-C 220 states that “[t]he objective of the auditor is to implement quality control procedures at the engagement level that provide the auditor with reasonable assurance that (a) the audit complies with professional standards and applicable legal and regulatory requirements and (b) the auditor’s report issued is appropriate in the circumstances.” AU-C 220.08.

56. AICPA Quality Control Standards Section 10, *A Firm’s System of Quality Control* (“QC 10”), states, “[t]he firm should establish policies and procedures designed to promote an internal culture based on the recognition that quality is essential in performing engagements” and that “[s]uch policies and procedures should require the firm’s leadership (managing partner or board of managing partners, CEO, or equivalent) to assume ultimate responsibility for the firm’s system of quality control.” QC 10.19. It further states that “[t]he firm should establish policies and procedures designed to provide it with reasonable assurance that engagements are performed in accordance with professional standards and applicable legal and regulatory requirements and that the firm issues reports that are appropriate in the circumstances.” It further states that “[s]uch policies and procedures should include the following: (a) Matters relevant to promoting consistency in the quality of engagement performance, (b) Supervision responsibilities, and (c) Review responsibilities.” QC 10.35.

57. As a result of Spicer Jeffries’ conduct described above, Spicer Jeffries’ policies and procedures with respect to engagement performance, including (i) responding to significant risks identified in the audit, (ii) obtaining sufficient appropriate audit evidence, (iii) preparing sufficient audit documentation, (iv) exercising due care and professional skepticism, and (v) engagement partner supervision and review responsibilities, failed to comply with quality control standards.

Findings

58. Based on the foregoing, the Commission finds that Spicer Jeffries and Tafari 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.

Undertakings

Spicer Jeffries has undertaken to complete the following actions:

59. Within ten (10) business days after the entry of this Order, Spicer Jeffries shall issue a firm-wide announcement, not unacceptable to the staff of the Commission, describing this case and providing a copy of this Order to all audit partners and professional staff.

60. Retain, within sixty (60) days after the entry of this Order, at its own expense, an independent consultant (“Independent Consultant”) not unacceptable to the staff of the Commission, to review and evaluate Spicer Jeffries’ audit, review, and quality control policies and procedures (“Spicer Jeffries’ Policies”) as to, among other aspects, their sufficiency, adequacy, design, implementation, and effectiveness for all audits regarding the following:

- a. exercising due care and professional skepticism in the performance of the audit;
- b. performing audit procedures on accounting estimates, including fair value accounting estimates;
- c. obtaining sufficient appropriate audit evidence;
- d. preparing sufficient audit documentation;
- e. supervising engagement personnel; and
- f. reviewing audit documentation.

61. The Independent Consultant shall assess the foregoing areas to determine whether Spicer Jeffries’ Policies are adequate and sufficient to provide reasonable assurance of compliance with all relevant Commission regulations and relevant audit standards and rules.

62. Spicer Jeffries shall cooperate fully with the Independent Consultant and shall provide the Independent Consultant with full access to its own files, books, records, and personnel as reasonably requested for the review.

63. Require that the Independent Consultant issue a report, within ninety (90) days of being retained, summarizing the review and recommending changes to Spicer Jeffries’ Policies, if any, to provide reasonable assurance of compliance with all relevant Commission regulations and relevant audit standards and rules.

64. Adopt all recommendations in the report of the Independent Consultant; provided, however, that within thirty (30) days after the Independent Consultant serves that report, Spicer Jeffries shall, in writing, advise the Independent Consultant and the Commission staff of any recommendations that it considers to be unnecessary, unduly burdensome, impractical, or costly. With respect to any recommendation that Spicer Jeffries considers unnecessary, unduly

burdensome, impractical or costly, Spicer Jeffries need not adopt that recommendation at that time but shall propose in writing an alternative policy, procedure, or system designed to achieve the same objective or purpose. As to any recommendation on which Spicer Jeffries and the Independent Consultant do not agree, such parties shall attempt in good faith to reach an agreement within thirty (30) days after Spicer Jeffries serves the written advice. In the event Spicer Jeffries and the Independent Consultant are unable to agree on an alternative proposal, Spicer Jeffries will abide by the determinations of the Independent Consultant.

65. Require the Independent Consultant to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Independent Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Spicer Jeffries, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Independent 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 Independent Consultant in performance of his/her duties under this Order shall not, without prior written consent of the Commission staff, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Spicer Jeffries, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

66. For the period of engagement and for a period of two years from completion of the engagement, Spicer Jeffries shall not (i) retain the Independent Consultant for any other professional services outside of the services described in this Order; (ii) enter into any other professional relationship with the Independent Consultant, including any employment, consultant, attorney-client, auditing or other professional relationship; or (iii) enter, without prior written consent of the Commission staff, into any such professional relationship with any of the Independent Consultant's present or former affiliates, directors, officers, employees, or agents acting in their capacity as such.

67. The report by the Independent Consultant will likely include confidential financial, proprietary, competitive business or commercial information. Public disclosure of the report could discourage cooperation, impede pending or potential government investigations or undermine the objectives of the reporting requirement. For these reasons, among others, the report and the contents thereof are intended to remain and shall remain non-public, except (i) pursuant to court order, (ii) as agreed to by the parties in writing, (iii) to the extent that the Commission determines in its sole discretion that disclosure would be in furtherance of the Commission's discharge of its duties and responsibilities, or (iv) is otherwise required by law.

68. Within two years of entry of this Order, Spicer Jeffries shall ensure that each audit professional who performs audits, and has been employed by Spicer Jeffries for at least one year, has completed a minimum of 24 hours of audit-related training. The audit-related training shall cover the topics specified above in paragraph 60 with at least 4 hours covering the topic of performing audit procedures on accounting estimates, including fair value accounting estimates. The audit-related training requirement may be fulfilled by completing courses conducted in accordance with the applicable state boards of accountancy.

69. Spicer Jeffries' managing partner shall certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting material shall be submitted to Kimberly Frederick, Assistant Regional Director, Division of Enforcement, U.S. Securities and Exchange Commission, 1961 Stout Street, Suite 1700, Denver, Colorado, 80294, with a copy to the Office of Chief Counsel of the Enforcement Division, U.S. Securities and Exchange Commission, 100 F Street NE, Washington DC, 20549, no later than sixty (60) days from the date of the completion of the undertakings.

70. Spicer Jefferies will provide Commission staff with a copy of the Independent Consultant's engagement letter and will provide staff with the Independent Consultant's work plan including staffing and qualifications of the personnel assigned to the engagement by the Independent Consultant. If requested by Commission staff, Spicer Jefferies will make the Independent Consultant available to make presentations, give updates, and explain its work, progress, and conclusions.

71. For good cause shown, the Commission staff may extend any of the procedural dates relating to the undertakings. Deadlines for procedural dates shall be counted in calendar days, unless otherwise specified. If the last calendar day falls on a weekend or a federal holiday, the next business day shall be considered to be the last day.

72. In determining whether to accept the Offer, the Commission has considered these undertakings.

IV.

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

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

- A. Respondent Spicer Jeffries is hereby censured.
- B. Sean P. Tafaro is denied the privilege of appearing or practicing before the Commission as an accountant.
- C. After one year from the date of the Order, Tafaro may request that the Commission consider his reinstatement by submitting an application to the attention of the Office of the Chief Accountant.
- D. In support of any application for reinstatement to appear and practice before the Commission as a preparer or reviewer, or a person responsible for the preparation or review, of financial statements of a public company to be filed with the Commission, other than as a member

of an audit committee, as that term is defined in Section 3(a)(58) of the Exchange Act, Tafari shall submit a written statement attesting to an undertaking to have work by Tafari reviewed by the independent audit committee of any public company for which Tafari works or in some other manner acceptable to the Commission, as long as Tafari practices before the Commission in this capacity and will comply with any Commission or other requirements related to the appearance and practice before the Commission as an accountant.

E. In support of any application for reinstatement to appear and practice before the Commission as a member of an audit committee, as that term is defined in Section 3(a)(58) of the Exchange Act, as a preparer or reviewer, or as a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission, Tafari shall submit a statement prepared by the audit committee(s) with which Tafari will be associated, including the following information:

1. A summary of the responsibilities and duties of the specific audit committee(s) with which Tafari will be associated;
2. A description of Tafari's role on the specific audit committee(s) with which Tafari will be associated;
3. A description of any policies, procedures, or controls designed to mitigate any potential risk to the Commission by such service;
4. A description relating to the necessity of Tafari's service on the specific audit committee; and
5. A statement noting whether Tafari will be able to act unilaterally on behalf of the Audit Committee as a whole.

F. In support of any application for reinstatement to appear and practice before the Commission as an independent accountant (auditor) before the Commission, Tafari must be associated with a public accounting firm registered with the PCAOB, and Tafari shall submit the following additional information:

1. A statement from the public accounting firm (the "Firm") with which Tafari is associated, stating that the Firm is registered with the PCAOB in accordance with the Sarbanes-Oxley Act of 2002;
2. A statement from the Firm with which Tafari is associated that the Firm has been inspected by the PCAOB and that the PCAOB did not identify any criticisms of or potential defects in the Firm's quality control system that would indicate that Tafari will not receive appropriate supervision; and

3. A statement from Tafaro indicating that the PCAOB has taken no disciplinary actions against Tafaro since seven (7) years prior to the date of the Order other than for the conduct that was the basis for the Order.

G. In support of any application for reinstatement, Tafaro shall provide documentation showing that Tafaro is currently licensed as a CPA and that he has resolved all other disciplinary issues with any applicable state boards of accountancy. If Tafaro is not currently licensed as a CPA, he shall provide documentation showing that his licensure is dependent upon reinstatement by the Commission.

H. In support of any application for reinstatement, Tafaro shall also submit a signed affidavit truthfully stating, under penalty of perjury:

1. That Tafaro has complied with the Commission suspension Order, and with any related orders and undertakings, or any related Commission proceedings, including any orders requiring payment of disgorgement or penalties;
2. That Tafaro undertakes to notify the Commission immediately in writing if any information submitted in support of the application for reinstatement becomes materially false or misleading or otherwise changes in any material way while the application is pending;
3. That Tafaro, since the entry of the Order, has not been convicted of a felony or a misdemeanor involving moral turpitude that would constitute a basis for a forthwith suspension from appearing or practicing before the Commission pursuant to Rule 102(e)(2);
4. That Tafaro, since the entry of the Order:
 - (a) has not been charged with a felony or a misdemeanor involving moral turpitude as set forth in Rule 102(e)(2) of the Commission's Rules of Practice, except for any charge concerning the conduct that was the basis for the Order;
 - (b) has not been found by the Commission or a court of the United States to have committed a violation of the federal securities laws, and have not been enjoined from violating the federal securities laws, except for any finding or injunction concerning the conduct that was the basis for the Order;
 - (c) has not been charged by the Commission or the United States with a violation of the federal securities laws, except for any charge concerning the conduct that was the basis for the Order;

(d) has not been found by a court of the United States (or any agency of the United States) or any state, territory, district, commonwealth, or possession, or any bar thereof to have committed an offense (civil or criminal) involving moral turpitude, except for any finding concerning the conduct that was the basis for the Order; and

(e) has not been charged by the United States (or any agency of the United States) or any state, territory, district, commonwealth, or possession, civilly or criminally, with having committed an act of moral turpitude, except for any charge concerning the conduct that was the basis for the Order.

5. That Tafari's conduct is not at issue in any pending investigation of the Commission's Division of Enforcement, the PCAOB's Division of Enforcement and Investigations, any criminal law enforcement investigation, or any pending proceeding of a State Board of Accountancy, except to the extent that such conduct concerns that which was the basis for the Order.

6. That Tafari has complied with any and all orders, undertakings, or other remedial, disciplinary, or punitive sanctions resulting from any action taken by any State Board of Accountancy, or other regulatory body.

I. Tafari shall also provide a detailed description of:

1. Tafari's professional history since the imposition of the Order, including

(a) all job titles, responsibilities and role at any employer;

(b) the identification and description of any work performed for entities regulated by the Commission, and the persons to whom Tafari reported for such work; and

2. Tafari's plans for any future appearance or practice before the Commission.

J. The Commission may conduct its own investigation to determine if the foregoing attestations are accurate.

K. If Tafari provides the documentation and attestations required in this Order and the Commission (1) discovers no contrary information therein, and (2) determines that Tafari truthfully and accurately attested to each of the items required in Tafari's affidavit, and the Commission discovers no information, including under Paragraph J, indicating that Tafari has violated a federal securities law, rule or regulation or rule of professional conduct applicable to Tafari since entry of the Order (other than by conduct underlying Tafari's original Rule 102(e) suspension), then, unless

the Commission determines that reinstatement would not be in the public interest, the Commission shall reinstate the respondent for cause shown.

L. If Tafaro is not able to provide the documentation and truthful and accurate attestations required in this Order or if the Commission has discovered contrary information, including under Paragraph J, the burden shall be on Tafaro to provide an explanation as to the facts and circumstances pertaining to the matter setting forth why Tafaro believes cause for reinstatement nonetheless exists and reinstatement would not be contrary to the public interest. The Commission may then, in its discretion, reinstate Tafaro for cause shown.

M. If the Commission declines to reinstate Tafaro pursuant to Paragraphs K and L, it may, at Tafaro's request, hold a hearing to determine whether cause has been shown to permit Tafaro to resume appearing and practicing before the Commission as an accountant.

By the Commission.

Vanessa A. Countryman
Secretary