UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of Cynthia C. Reinhart, CPA, Respondent	PCAOB File No. 105-2012-003 December 29, 2016	RECEIVED DEC 29 2016 OFFICE OF THE SECRETARY

APPLICATION FOR REVIEW OF PCAOB FINAL DECISION

Pursuant to Section 19(d)(2) of the Securities Exchange Act, 15 U.S.C. § 78s(d)(2), and Rule 440 of the Commission's Rules, 17 C.F.R. § 201.440, Respondent Cynthia C. Reinhart, through her undersigned counsel, hereby applies for Commission review of the Final Decision and Order Imposing Sanctions ("Decision") issued by the Public Company Accounting Oversight Board ("PCAOB" or "Board") on November 18, 2016. The Board notified the Commission of the Decision on November 29, 2016, and this Application is thus timely filed pursuant to 15 U.S.C. § 78s(d)(2). The Board's Decision is based on a number of significant factual and legal errors, as briefly summarized below. Accordingly, the Commission should reverse the Decision, and order the proceedings against Respondent dismissed with prejudice.

STATEMENT OF ALLEGED ERRORS

1. **The Board ignored evidence that Respondent's audit client intentionally withheld and misrepresented information critical to the audit.**

The Board failed to consider that Respondent's audit client (the "Company") knowingly withheld information requested by Respondent and her audit team, and improperly excluded emails demonstrating that fact. Decision at 85-88. After a thorough factual investigation by the Commission Staff of the circumstances surrounding the audit, the Commission has charged the Company's top officers with making materially false or misleading statements to KPMG. *See* SEC v. Goldstone, No. 12-0257 (D.N.M. filed Mar. 3, 2012).

2. **The Board's Decision was improperly based on hindsight, in violation of the Board's policy that it is "not in the business of second-guessing good faith audit judgment."**

3. **The Board's Decision was based on a number of serious factual errors, and unrealistic assumptions about the proper conduct of an audit.**

The Decision is rife with factual errors. For example, the Board relied heavily on the Company's supposed representation to KPMG that a further 2 to 3% decline in the value of the Company's securities was "reasonably possible" (*see, e.g.*, Decision at 62, 67-68, 90, 93), but there is no support in the record for this claim. The Decision also relies on failure by Respondent to review certain "margin call schedules," *see, e.g.*, Decision at 62-63, 67, 70, 75, 86-87, 89, 93, but these schedules were delivered at the last minute to another member of the audit team for a limited purpose, and were not reasonably available to Respondent. The Board's conclusions about these schedules are unsupported by the record.

4. **The auditing standards that Respondent allegedly violated do not provide clear guidance, and Respondent reasonably complied with those standards in good faith.**

The Board improperly sanctioned Respondent for violating AU § 341, AU § 332, and AU § 560 because of her failure to perform audit procedures that are not specified in the standards themselves and were not practical under the circumstances, and improperly disregarded that Respondent exercised her best judgment in good faith to comply with those standards. It is unfair and a violation of due process to sanction Respondent for failing to satisfy ambiguous auditing standards.

5. **There was no lawful basis for sanctions because Respondent's conduct did not constitute "repeated instances of negligent conduct."**

As Board member Jay Hanson correctly found in his dissenting opinion, Decision at 101, Respondent's conduct involved a single set of facts and a single instance of alleged negligence, which does not satisfy the multiple negligent acts requirement for a Board-imposed sanction under Section 105(c)(5)(B) of the Sarbanes-Oxley Act, 15 U.S.C. § 7215(c)(5)(B).

Dated: December 29, 2016

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