UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-19767

In the Matter of **PLS, CPA, A PROFESSIONAL CORPORATION, a/k/a PLS CPAs, CHANG G. PARK, CPA, a/k/a CHANGGEUN PARK, JOSEPH YONGYUN LEE, CPA, a/k/a YONG YUN LEE, and JUCHI LEE, CPA, a/k/a JUCHI LEE FERNANDEZ, JU-CHI LEE, JU CHI LEE, SUE LEE,** **Respondents.**	**DECLARATION OF JOHN P. FIEBIG IN SUPPORT OF DIVISION OF ENFORCEMENT'S MOTION FOR SUMMARY DISPOSITION**

DECLARATION OF JOHN P. FIEBIG

I, John Fiebig, hereby declare, pursuant to 28 U.S.C. § 1746, as follows:

1. I am the President and Co-Founder of ADIGEO Consulting, LLC, a Senior Affiliate of the Forensic & Litigation Consulting segment of FTI Consulting, and am based in Southlake, Texas.

2. I was retained by the U.S. Securities and Exchange Commission Division of Enforcement to analyze case materials and opine on whether the following audits conducted, collectively, by PLS, CPA, A Professional Corporation, Chang G. Park, Joseph (Yong Yun) Lee, and Sue (Ju-Chi) Lee, complied with Public Company Accounting Oversight Board Rules and Auditing Standards:

   a. Interactive Multi-Media Auction Corporation for the years ended October 31, 2014 and October 31, 2015;
   b. IMK Group, Inc. for the year ended February 28, 2015;
   c. RadTek, Inc. for the year ended December 31, 2015; and
   d. Therapeutic Solutions International, Inc. for the year ended December 31, 2014.

3. I have personal knowledge of the facts set forth in this Declaration, and, if called and sworn as a witness, could and would competently testify thereto.

4. Attached hereto as **Exhibit 1** is a true and correct copy of the expert report I prepared dated November 10, 2020.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on January 20, 2021 in Southlake, Texas.

John P. Fiebig

In the Matter of PLS, CPA, et al.
Administrative Proceeding File No. 3-19767
SERVICE LIST

Pursuant to Commission Rule of Practice 151 (17 C.F.R. §201.151), I certify that the attached:

DECLARATION OF JOHN FIEBIG IN SUPPORT OF DIVISION OF ENFORCEMENT'S MOTION FOR SUMMARY DISPOSITION

was served on January 26, 2021, upon the following parties as follows:

Vanessa Countryman, Secretary (By electronic mail)
Securities and Exchange Commission
100 F. Street, N.E., Mail Stop 1090
Washington, DC 20549-1090
Email: APFilings@sec.gov

Danny R. McDonald, Esq. (By electronic mail)
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4725 Mercury Street, Suite 210
San Diego, CA 92111
Email: dm@merkerandmcdonald.com
Counsel for Respondents PLS, CPA, Chang G. Park, Joseph Yongyun Lee and Juchi Lee

Dated: January 26, 2021

/s/ Amy Jane Longo
Amy Jane Longo

EXHIBIT 1

EXPERT REPORT OF JOHN P. FIEBIG

IN THE MATTER OF PLS, CPA, A PROFESSIONAL CORPORATION (LA-4927)

TABLE OF CONTENTS

I. ASSIGNMENT

a. I was retained by the U.S. Securities and Exchange Commission ("SEC") Division of Enforcement (the "Division") to analyze case materials and opine on whether the following audits conducted, collectively, by PLS, CPA, A Professional Corporation ("PLS"), Chang G. Park ("Mr. Park"), Joseph (Yong Yun) Lee ("Mr. Lee"), and Sue (Ju-Chi) Lee ("Ms. Lee"; and, together with Mr. Park and Mr. Lee, the "Auditors"), complied with Public Company Accounting Oversight Board ("PCAOB") Rules and Auditing Standards:

   i. Interactive Multi-Media Auction Corporation ("IMMA") for the years ended October 31, 2014 (the "IMMA 2014 Audit") and October 31, 2015 (the "IMMA 2015 Audit");

   ii. IMK Group, Inc. ("IMKG") for the year ended February 28, 2015 (the "IMKG 2015 Audit");

   iii. RadTek, Inc. ("RDTK") for the year ended December 31, 2015 (the "RDTK 2015 Audit"); and

   iv. Therapeutic Solutions International, Inc. ("TSOI") for the year ended December 31, 2014 (the "TSOI 2014 Audit"; the IMMA 2014 Audit, IMMA 2015 Audit, IMKG 2015 Audit, RDTK 2015 Audit, and TSOI 2014 Audit, collectively, the "Audits").

b. My current hourly rate is $710 for all work and testimony in this matter. My compensation is not contingent on the opinions I offer or the outcome of this case.

II. SUMMARY OF QUALIFICATIONS

a. I am the President and Co-Founder of ADIGEO Consulting, LLC,[1] a consulting firm focused on improving audit quality and helping firms respond to allegations by regulators and plaintiffs, and a Senior Affiliate of the Forensic & Litigation Consulting segment of FTI Consulting.[2]

b. I was previously the Senior Deputy Director and program leader for the Global Network Firm Program at the PCAOB. In this role, I was responsible for inspections of registered firms ranging in size, including inspections of Big 4 U.S. firms and non-U.S. registered firms. I have extensive experience in all aspects of PCAOB inspections and audits, including planning and execution of inspections; root cause analysis; assessment of a firm's system of quality control and remediation of deficiencies; and risk assessment and internal control testing in support of an integrated audit. My experience at the PCAOB also includes audit inspections of issuers of all sizes from Fortune 500 to microcap issuers.

c. I was also previously an Audit Partner at Ernst & Young LLP. In this role, I was responsible for all phases of audits for public and private companies ranging from start-ups to large public companies in the oil and gas, telecommunications, aerospace and defense, and service industries.

d. I am a licensed Certified Public Accountant (CPA) in the States of Texas and Oklahoma.

e. A copy of my *curriculum vitae* is attached as **Appendix A**.

[1] https://www.adigeoconsulting.com/.
[2] https://www.fticonsulting.com/. I am a Senior Affiliate of FTI Consulting and render my services to FTI Consulting as a contractor; I am not a full-time employee of FTI Consulting.

III. DOCUMENTS AND OTHER INFORMATION CONSIDERED

a. A list of the documents and other information I have considered is attached as **Appendix B** and includes:

   i. Documents provided by the Division;

   ii. Witness testimony and referenced exhibits;

   iii. Publicly available PCAOB Rules and Auditing Standards, guidance, and interpretations;

   iv. Publicly available annual reports in connection with the Audits; and

   v. Other publicly available information.

b. The opinions I express in this report are based on the information I have reviewed to date. Should additional information come to light that bears on the opinions I express in this report, I reserve the right to amend my opinions.

IV. SUMMARY OF OPINIONS

a. Based on my review of the documents listed in **Appendix B**, and my knowledge, training, and professional experience, I have reached the following opinions with respect to the Audits:

   i. PLS and each of the Auditors improperly added documents to audit work papers after the applicable documentation completion date, and failed to prepare and retain sufficient audit documentation, in violation of PCAOB Auditing Standard No. 3;

   ii. PLS and each of the Auditors failed to obtain and/or perform adequate engagement quality reviews, in violation of PCAOB Auditing Standard No. 7;

iii. PLS and each of the Auditors failed to exercise due professional care, in violation of AU Section 230;

iv. PLS and each of the Auditors failed to comply with ethics standards, in violation of PCAOB Rule 3500T; and

v. PLS and each of the Auditors failed to cooperate with the PCAOB in the performance of its 2016 inspection, in violation of PCAOB Rule 4006.

V. CASE BACKGROUND

a. PLS And The Audits

i. PLS, headquartered in San Diego, CA, is a PCAOB-registered public accounting firm.[3] PLS provided at all relevant times a variety of services including audits, reviews, personal taxation, and tax return services.[4]

ii. PLS was founded in or around 2001 by Mr. Park.[5] During all relevant times, PLS' audit practice included Mr. Park, Mr. Lee, and Ms. Lee, each of whom were Certified Public Accountants.

iii. Between February 12, 2015 and June 15, 2016, PLS issued audit opinions over the following companies' financial statements, each of which were filed with the SEC, and

[3] ID No. 2716. See https://rasr.pcaobus.org/Firms/FirmSummaryPublic.aspx?FirmID=A5B3A38CB3A9B3ED05DEFCB290DB61FE. Last accessed October 20, 2020.
[4] https://web.archive.org/web/20170305212350/http://www.sandiego-cpafirm.com/about-plscpas/. Last accessed October 20, 2020.
[5] PLS was founded by Mr. Park in or around 2001 as Chang G. Park, CPA. Chang G. Park, CPA, changed its name to PLS, CPA, A Professional Corporation in or around 2011. *See* Mr. Park Investigative Testimony on April 11, 2019, page 21, lines 13-20, and page 23, lines 18-20.

over which PLS' audit opinions purported had been conducted in accordance with the standards of the PCAOB:

1. Interactive Multi-Media Auction Corporation (IMMA) for the years ended October 31, 2014 and October 31, 2015. IMMA was as of October 31, 2014 and October 31, 2015 a development stage company that had not commenced the sale of any products or services. IMMA intended to operate as a Hong Kong based internet marketer, auctioneer, dealer and broker of high quality and unique products and services relating to fine art, fashion, design, décor, among others.[6]

2. IMK Group, Inc. (IMKG) for the year ended February 28, 2015. IMKG was as of February 28, 2015 engaged in the business of producing and distributing self-improvement and educational DVD's and workforce training programs. In March of 2015, IMKG announced its intention to change its business to the commercial manufacturing, distribution and marketing of cosmetics products and formed a wholly owned subsidiary, IMK Korea Co. Ltd, under the laws of the Republic of Korea for that purpose. In connection with its change in business direction, IMKG sold its self-improvement, educational and workforce training DVD and programs business on June 22, 2015.[7]

3. RadTek, Inc. (RDTK) for the year ended December 31, 2015. RDTK was as of December 31, 2015 engaged in the business of developing and marketing

[6] IMMA October 31, 2014 Form 10-K and October 31, 2015 Form 10-K at page 2. The IMMA 2014 Audit report was issued February 12, 2015; the audit report date in the IMMA 2014 Form 10-K SEC filing is February 12, 2014, for the October 31, 2014 audit, presumably an error (i.e., date should presumably be February 12, 2015). The IMMA 2015 Audit report was issued February 10, 2016.

[7] *See* IMKG February 28, 2015 Form 10-K at page 3. The IMKG 2015 Audit report was issued July 29, 2015.

radiation-imaging systems and equipment that employed digital radiography technology, whose systems were primarily radiation scanning and related engineering services for users in fields such as biotech, medical, product quality control, and security.[8]

4. Therapeutic Solutions International, Inc. (TSOI) for the year ended December 31, 2014. TSOI until April 28, 2014 sold (directly and through distributors and sublicensees), in non-US countries, plastic intraoral devices known as Anterior Midpoint Stop Appliances ("AMPSA Products") to its customers, dentists and doctors. Following the receipt of a letter on April 28, 2014 notifying TSOI that its license to use the international patents for its AMPSA Products was terminated, TSOI decided to move in a new direction. After April 28, 2014, TSOI focused on immune modulation for the treatment of several specific diseases.[9]

iv. A summary of each respective companies' reported revenues, net income (loss), total assets, and total equity (deficit) as of and for the periods subject to the Audits is attached as **Appendix C**.

b. **Origins Of The PCAOB And Its Mission**

i. In 2002, following the collapses of Enron and WorldCom, and numerous other reporting failures and restatements that preceded them, U.S. Congress passed and the President signed the Sarbanes-Oxley Act of 2002 (the "Act"). The Act established the PCAOB, and charged the PCAOB with "oversee[ing] the audit of public companies that are subject

[8] *See* RDTK December 31, 2015 Form 10-K at page 5. The RDTK 2015 Audit report was issued April 27, 2016.
[9] *See* TSOI December 31, 2014 Form 10-K at page 5. The TSOI 2014 Audit report was issued June 15, 2016.

to the securities laws, and related matters, in order to protect the interests of investors and further the public interest in the preparation of informative, fair and independent audit reports for companies the securities of which are sold to, and held by and for, public investors."[10]

ii. The corporate scandals and audit failures of the early 2000's marked a critically important time for the accounting and auditing profession. These events bred deep cynicism and public anger directed at the accounting and auditing profession, and served as the catalyst for the establishment of an oversight body to protect the interests of public investors, the PCAOB. This time in the accounting and auditing profession's history is explained by Daniel L. Goelzer, PCAOB Board Member, during one of the PCAOB's initial public speeches entitled "Restoring Public Confidence":

> "The corporate collapses, audit failures, and litany of restatements -- and the resulting losses suffered by average investors -- that marked the last several years have bred deep cynicism and public anger. A good share of that anger and cynicism is directed at the accounting profession. In my view, <u>it is critical to the long-term health of our capital markets that that phenomenon be reversed, and that the public once again view auditors as watchdogs of corporate integrity, rather than as lap-dogs of their corporate clients</u>."[11]

iii. In his speech, Mr. Goelzer went on to explain the PCAOB's fundamental mission: to help the profession regain its capacity to furnish the service that most justifies its existence – the ability to instill public confidence in financial reporting.

> "I would like to talk with you today about the Board's responsibility to restore confidence in audited financial statements. Fundamentally, the PCAOB's mission

[10] Sarbanes-Oxley Act, Section 101(a).
[11] PCAOB Speeches & Statements, *Restoring Public Confidence*, September 15, 2003, Daniel L. Goelzer, PCAOB Board Member. https://pcaobus.org/News/Speech/Pages/09152003_GoelzerRestoringPublicConfidence.aspx [last accessed October 22, 2020]. Emphasis added.

is not merely to register firms, to conduct inspections, to set standards, or to discipline those who fail to live up to their professional obligations -- although we will certainly be doing all of those things. At the most basic level, our job is to help the profession regain its capacity to furnish the service that most justifies its existence -- the ability to instill public confidence in financial reporting."[12]

iv. To carry out its mission, the Act gave the PCAOB significant powers including, *inter alia*, authority to (1) conduct inspections of registered public accounting firms, and (2) establish or adopt, or both, by rule, auditing, quality control, ethics, independence, and other standards relating to the preparation of audit reports for issuers.[13]

1. Inspections of registered public accounting firms: The purpose of these inspections is to assess the degree of compliance of each registered public accounting firm, and associated persons of that firm, with the Act, the rules of the PCAOB, the rules of the SEC, and professional standards, in connection with its performance of audits, issuance of audit reports, and related matters involving issuers. It is where the PCAOB finds out about the quality of the audits that have been conducted, and it is one of the places where the PCAOB exerts pressure to change auditor behavior, when necessary. It provides the PCAOB with a direct window into the registered firms to see how they are implementing the standards the PCAOB sets, areas where they are doing particularly well, and areas where improvements are needed.[14]

2. Professional Standards: The Act required the PCAOB to adopt professional standards as initial or transitional standards prior to the SEC's April 25, 2003,

[12] *Id.*
[13] Sarbanes-Oxley Act, Section 101(c).
[14] *See* PCAOB Speeches & Statements, Testimony Concerning the PCAOB, September 23, 2003, William J. McDonough, Chairman. https://pcaobus.org/News/Speech/Pages/09232003_McDonoughPCAOBTestimony.aspx [last accessed October 22, 2020].

determination of the PCAOB's capacity to carry out its responsibilities under the Act. Accordingly, at a public meeting on April 16, 2003, the PCAOB announced the adoption of certain interim auditing, attestation, quality control, ethics, and independence standards to be used by registered public accounting firms in the preparation and issuance of audit reports, and the SEC approved those standards as part of its April 25, 2003 determination. The standards adopted on an interim basis included the American Institute of Certified Public Accountants' ("AICPA") generally accepted auditing standards, Statements on Quality Control Standards, and Code of Professional Conduct on integrity and objectivity, as they existed on April 16, 2003.[15] Those interim standards formed the bases of what ultimately became the PCAOB's operative Rules and Auditing Standards.

v. The PCAOB's Rules and Auditing Standards, and its powers to conduct inspections of registered public accounting firms' compliance with the same, serve as pillars on which the public's confidence in public company financial reporting and the integrity of the capital markets rest. Consequently, violations of the PCAOB's Rules and Auditing Standards can have serious consequences which, as history has shown, can impact most notably the investing public.

c. **PLS And Each of the Auditors' Obligations To Comply With PCAOB Auditing Standards**

i. PLS, as a PCAOB-registered public accounting firm, and each of the Auditors, as associated persons with PLS, were *required* to comply with all applicable PCAOB auditing and related professional practice standards. Importantly, this requirement

[15] *Id.*

applies regardless of PLS' size and represented an unconditional responsibility of both PLS and each of the Auditors.

> "A registered public accounting firm and its associated persons shall comply with all applicable auditing and related professional practice standards."[16]
>
> "In connection with the preparation or issuance of any audit report, a registered public accounting firm and its associated persons shall comply with all applicable auditing standards adopted by the Board and approved by the SEC, including, to the extent not superseded or amended by the Board, AICPA Statements on Auditing Standards as in existence on April 16, 2003."[17]

ii. Indeed, PCAOB Rule 3101 makes clear distinctions between the use of certain terms to describe the degree of responsibility that PCAOB AS' impose on auditors, including PLS and each of the Auditors. Specifically, PCAOB Rule 3101 states that:

> "(1) **Unconditional Responsibility**: The words "must," "shall," and "is required" indicate unconditional responsibilities. The auditor must fulfill responsibilities of this type in all cases in which the circumstances exist to which the requirement applies. Failure to discharge an unconditional responsibility is a violation of the relevant standard and Rule 3100.
>
> (2) **Presumptively Mandatory Responsibility**: The word "should" indicates responsibilities that are presumptively mandatory. The auditor must comply with requirements of this type specified in the Board's standards unless the auditor demonstrates that alternative actions he or she followed in the circumstances were sufficient to achieve the objectives of the standard. Failure to discharge a presumptively mandatory responsibility is a violation of the relevant standard and Rule 3100 unless the auditor demonstrates that, in the circumstances, compliance with the specified responsibility was not necessary to achieve the objectives of the standard.
>
> Note: In the rare circumstances in which the auditor believes the objectives of the standard can be met by alternative means, the auditor, as part of documenting the planning and performance of the work, must document the information that demonstrates that the objectives were achieved.

[16] PCAOB Rule 3100. Emphasis added.
[17] PCAOB Rule 3200. Emphasis added.

(3) **Responsibility To Consider**: The words "may," "might," "could," and other terms and phrases describe actions and procedures that auditors have a responsibility to consider. Matters described in this fashion require the auditor's attention and understanding. How and whether the auditor implements these matters in the audit will depend on the exercise of professional judgment in the circumstances consistent with the objectives of the standard.

Note: If a Board standard provides that the auditor "should consider" an action or procedure, consideration of the action or procedure is presumptively mandatory, while the action or procedure is not."[18]

iii. As I will demonstrate in the ensuing sections of my report, PLS and each of the Auditors' violations of PCAOB Rules and Auditing Standards represented violations of "unconditional responsibilities", which unconditional responsibilities applied to PLS and each of the Auditors regardless of PLS' size.

d. **2016 PCAOB Inspection Of PLS**

i. During April 2016, PLS and the Auditors were notified that the PCAOB would be conducting, and did conduct, an inspection of PLS during the week of November 7, 2016 (the "Inspection").[19] In its email notification, the PCAOB required PLS to complete and return an "issuer information form" no later than October 7, 2016. PLS and Mr. Park sent the completed issuer information form back to the PCAOB on October 12, 2016. PLS and Mr. Park subsequently amended the issuer information form to reflect the termination of its auditor relationship with TSOI, sending a final version to the PCAOB on October 31, 2016, which listed, *inter alia*, the following lead partners and Engagement Quality Reviewers ("EQR") involved with the Audits:

[18] PCAOB Rule 3101. Emphasis added.
[19] SEC-PLSCPA-E-0062873.

Issuer Name	Lead Partner	EQR
Interactive Multi-Media Auction Corporation	Ms. Lee	Mr. Park
IMK Group, Inc.	Mr. Park	Ms. Lee
RadTek, Inc.	Mr. Park	Ms. Lee
Therapeutic Solutions International, Inc.	Mr. Lee	Ms. Lee

ii. Each of Mr. Park, Mr. Lee, and Ms. Lee were involved with the preparation of the issuer information form provided to the PCAOB in advance of the Inspection.[20]

iii. The Inspection included review of the following audits conducted, collectively, by PLS and the Auditors:

1. IMK Group, Inc. as of and for the year ended February 28, 2015;

2. RadTek, Inc. as of and for the year ended December 31, 2015; and

3. Therapeutic Solutions International, Inc. as of and for the year ended December 31, 2014.[21]

iv. The Inspection resulted in numerous comments with respect to each of the abovementioned audits conducted, collectively, by PLS and the Auditors. Notably, the PCAOB's inspection comments included that PLS did not have a quality control policy in place to ensure compliance with audit documentation and retention requirements under

[20] See, *e.g.*, Mr. Park Investigative Testimony on April 11, 2019, page 71, lines 14-17, "[Mr. Conte:] Who prepared Exhibit 8 [the issuer information form]?... [Mr. Park:] Sue Lee, Joseph Lee and me."
[21] Representing three of the five engagements comprising the Audits. *See* SEC-EPROD-000016925.

PCAOB Auditing Standard No. 3, *Audit Documentation* ("AS 3"), and that during the Inspection the PCAOB observed several instances where either the firm failed to assemble for retention, within 45 days of the report release date, a complete and final set of audit documentation and/or changes were made to the audit documentation for each of the engagements. Specifically, the PCAOB included in its non-public inspection comment form the following facts, to which Mr. Park as the Managing Partner of PLS agreed:

> "[PLS] represented to the inspection team that it does not have a quality control policy in place to ensure that a complete and final set of audit documentation is assembled within 45 days of an audit report release date.
>
> In addition, the inspection team observed the following instances when changes were made to the audit work papers for each of the above engagements after the 45-day period from the respective report release dates had elapsed:
>
> - IMK Group, Inc. - During inspection fieldwork, the inspection team noted that there were documents related to the private placement offering that were omitted from the final set of audit documentation and were provided to the inspection team during inspection fieldwork.
>
> - RadTek, Inc. - During inspection fieldwork, the inspection team noted that a document related to inventory was printed on October 18, 2016 and included in the work papers.
>
> - Therapeutic Solutions International, Inc. - During inspection fieldwork, the inspection team noted that the audit work paper related to intangible assets was omitted from the final set of audit documentation and was provided to the inspection team during the inspection."[22]

v. Based on the preceding facts, the PCAOB identified the following issue in its inspection comment form:

[22] SEC-EPROD-000016925, at 940-941. Emphasis added. Mr. Park's signature dated November 11, 2016 evidences his agreement with the PCAOB's factual comments.

> "[PLS'] system of quality control appears not to provide sufficient assurance that [PLS] will comply with the audit documentation and retention rules set forth in AS No. 3, Audit Documentation. Specifically, on each of the audits described above, [PLS] failed to assemble for retention, within 45 days of the report release date, a complete and final set of audit documentation. In addition, with respect to RadTek, Inc., [PLS] added documentation to the audit work papers without indicating the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it to the work papers."[23]
>
> In its response to the inspection comment, PLS agreed with the above issue. The response communicating this agreement was signed by Chang Park on November 29, 2016.[24]

vi. Furthermore, the PCAOB's public inspection report issued in connection with its Inspection highlighted that certain identified deficiencies were of such significance that at the time PLS issued its audit reports, PLS had not obtained sufficient appropriate audit evidence to support its audit opinions. The PCAOB also highlighted that the identified deficiencies related to, *inter alia*, PLS' adherence to PCAOB Auditing Standards concerning due professional care,[25] responses to risk assessments,[26] and audit evidence.[27]

> "Certain deficiencies identified were of such significance that it appeared to the inspection team that the Firm, at the time it issued its audit report, had not obtained sufficient appropriate audit evidence to support its opinion that the financial statements were presented fairly, in all material respects, in accordance with the applicable financial reporting framework. In other words, in these audits, the auditor issued an opinion without satisfying its fundamental obligation to obtain reasonable assurance about whether the financial statements were free of material misstatement… Whether or not associated with a disclosed financial reporting misstatement, an auditor's failure to obtain the reasonable assurance that the auditor is required to obtain is a serious matter. It is a failure to accomplish the

[23] SEC-EPROD-000016925, at 941. Emphasis added.
[24] SEC-EPROD-000048263 (QC-05), at 265.
[25] AU Section 230, Due Professional Care in the Performance of Work.
[26] AS No. 13, The Auditor's Responses to the Risks of Material Misstatement.
[27] AS No. 15, Audit Evidence.

essential purpose of the audit, and it means that, based on the audit work performed, the audit opinion should not have been issued."[28]

"Each deficiency described above could relate to several applicable provisions of the standards that govern the conduct of audits. The paragraphs of the standards that are cited for each deficiency are those that most directly relate to the deficiency. The deficiencies also relate, however, to other paragraphs of those standards and to other auditing standards, including those concerning due professional care, responses to risk assessments, and audit evidence."[29]

"In some cases, the conclusion that a firm did not perform a procedure may be based on the absence of documentation and the absence of persuasive other evidence, even if the firm claimed to have performed the procedure. AS [3], Audit Documentation, provides that, in various circumstances including PCAOB inspections, a firm that has not adequately documented that it performed a procedure, obtained evidence, or reached an appropriate conclusion must demonstrate with persuasive other evidence that it did so, and that oral assertions and explanations alone do not constitute persuasive other evidence… In the case of every matter cited in the public portion of a final inspection report, the inspection team has carefully considered any contention by the firm that it did so but just did not document its work, and the inspection team has concluded that the available evidence does not support the contention that the firm sufficiently performed the necessary work."[30]

vii. The Inspection findings only scratch the surface of what were, in my view, egregious failures to comply with PCAOB auditing standards. As I will discuss in the ensuing sections of my report, PLS and each of the Auditors violated not only AS 3, but also failed to obtain and/or perform engagement quality control reviews as required by PCAOB Auditing Standard No. 7 ("AS 7"), failed to exercise due professional care as required by AU Section 230 ("AU 230"), failed to comply with ethics standards as required by PCAOB Rule 3500T ("Rule 3500T"), and knowingly misrepresented

[28] PCAOB Report on 2016 Inspection of PLS CPA A Professional Corporation, October 30, 2017, at 3-4. Emphasis added.
[29] *Id.,* at 5. Emphasis added.
[30] *Id.*, at 8. Emphasis added.

material information to the PCAOB during its Inspection and failed to cooperate with the PCAOB during the Inspection as required by PCAOB Rule 4006 ("Rule 4006").

VI. DETAILED OPINIONS

a. **PLS and each of the Auditors improperly added documents to audit work papers, after the applicable documentation completion date, and failed to prepare and retain sufficient audit documentation, in violation of PCAOB Auditing Standard No. 3.**

i. Introduction to AS 3

1. Auditors are required to document the evidence supporting the conclusions reached in their reports with work product commonly referred to as *audit documentation* or *working papers*.

2. Auditing standards governing audit documentation date back over a half-century with the AICPA's issuance of Statement on Auditing Procedure ("SAP") 39, *Working Papers* ("SAP 39"), in 1967. Subsequent to the issuance of SAP 39, the standards governing auditors' documentation for audits of public companies were greatly improved with the adoption of AS 3, adopted by the PCAOB through the issuance of PCAOB Release No. 2004-006, *Audit Documentation and Amendment To Interim Auditing Standards*, on June 9, 2004 ("Release No. 2004-006").

3. The objectives of AS 3 are to improve audit quality and to enhance public confidence in the quality of audit engagements. Indeed, in its adopting release, the PCAOB stated that:

> "First and foremost, the objectives of this audit documentation standard are to improve audit quality and to enhance public confidence in the quality of auditing and other engagements. Complete and thorough audit documentation improves the quality of the work performed in many ways. One important example is that quality audit documentation is a record of the actual work performed, which provides assurance that the auditor accomplished the planned objectives. Further, the need to document the procedures performed, the evidence obtained, and the conclusions reached demands a disciplined approach to planning and performing the engagement. Also, audit documentation facilitates the reviews performed by supervisors, managers, partners, and PCAOB inspectors.
>
> Inadequate audit documentation diminishes audit quality on many levels. First, if audit documentation does not exist for a particular procedure or conclusion related to a significant matter, its absence casts doubt as to whether the necessary work was done. If the work was not documented, then it becomes difficult for members of the engagement team, and others, to know what was done, what conclusions were reached, and how those conclusions were reached."[31]

4. The requirements underlying AS 3 are the fundamental building blocks on which audit quality and integrity rest, and critically important to facilitate the PCAOB's oversight responsibilities, perhaps no better explained by the PCAOB than through Release No. 2004-006 which states, in part, that:

> "The [PCAOB's] standard on audit documentation will be one of the fundamental building blocks on which both the integrity of audits and the [PCAOB's] oversight will rest. The integrity of an audit depends, in large part, on the existence of a complete and understandable record of the work that the auditor performed, the evidence gathered, and the conclusions reached. Meaningful review by managers and partners, or by the [PCAOB] in the context of its inspections, would be difficult, if not impossible, without adequate documentation. Clear and comprehensive audit documentation is essential for auditors to enhance the quality of the audit and for the [PCAOB] to fulfill its mandate to inspect registered

[31] Release No. 2004-006, pages 3-4.

public accounting firms 'to assess the degree of compliance' of those firms with applicable standards and laws."[32]

"Sufficient audit documentation is an integral part of a quality audit… In addition to providing the basis for the conclusions in the auditor's report, audit documentation facilitates the planning, performance, and supervision of the engagement and provides the basis for the review of the quality of the work by providing the reviewer with written documentation of the evidence supporting the auditor's significant conclusions."[33]

5. In its adopting release, the PCAOB makes clear that "[t]he failure to prepare adequate audit documentation is serious"[34] and that inadequate audit documentation "casts doubt as to whether the necessary work was done."[35]

ii. <u>The requirements of AS 3</u>

1. AS 3 establishes general requirements for documentation the auditor should prepare and retain in connection with engagements conducted pursuant to the standards of the PCAOB.[36] AS 3 defines audit documentation as "… the written record of the basis for the auditor's conclusions that provides the support for the auditor's representations…" and explains that audit documentation also facilitates the planning, performance, and supervision of the engagement, and is the basis for the review of the quality of the work because it provides the reviewer with written documentation of the evidence supporting the auditor's significant conclusions.[37]

2. AS 3 requires that:

[32] Release No. 2004-006, pages 2-3.
[33] Release No. 2004-006, pages 3.
[34] Release No. 2004-006, page 4
[35] Release No. 2004-006, page 3.
[36] AS 3, paragraph 1.
[37] AS 3, paragraph 2.

a. The auditor must prepare audit documentation in connection with each engagement conducted pursuant to the standards of the PCAOB[38] and that such documentation should demonstrate that the engagement complied with the standards of the PCAOB;[39]

b. The auditor must 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. Audit documentation must contain sufficient information to enable an experienced auditor, having no previous connection with the engagement, to, *inter alia*, 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;[40]

c. If, after the documentation completion date,[41] the auditor becomes aware, as a result of a lack of documentation or otherwise, that audit procedures may not have been performed, evidence may not have been obtained, or appropriate conclusions may not have been reached, the auditor must determine, and if so demonstrate, that sufficient procedures were performed, sufficient evidence was obtained, and appropriate conclusions were reached with respect to the relevant financial statement assertions. To accomplish this, the auditor must have persuasive other evidence. Oral

[38] AS 3, paragraph 4.
[39] AS 3, paragraph 5.
[40] AS 3, paragraph 6.
[41] Defined as a date not more than 45 days after the audit report release date; AS 3, paragraph 15.

explanation alone does not constitute persuasive other evidence, but it may be used to clarify other written evidence; [42]

d. Documentation of risk assessment procedures and responses to risks of misstatement should include a summary of the identified risks of misstatement and the auditor's assessment of risks of material misstatement at the financial statement and assertion levels and the auditor's responses to the risks of material misstatement, including linkage of the responses to those risks;[43]

e. The auditor must document significant findings or issues, actions taken to address them (including additional evidence obtained), and the basis for the conclusions reached in connection with each engagement. Significant findings or issues are substantive matters that are important to the procedures performed, evidence obtained, or conclusions reached, and include, but are not limited to, risks of material misstatement that are determined to be significant risks and the results of the auditing procedures performed in response to those risks;[44]

f. The auditor must identify all significant findings or issues in an *engagement completion document* . This document may include either all information necessary to understand the significant findings, issues or

[42] AS 3, paragraph 9.
[43] AS 3, paragraph 9.A
[44] AS 3, Paragraph 12

cross-references, as appropriate, to other available supporting audit documentation;[45] and

g. Prior to the report release date, the auditor must have completed all necessary auditing procedures and obtained sufficient evidence to support the representations in the auditor's report. A complete and final set of audit documentation should be assembled for retention as of a date not more than 45 days after the report release date (the "Documentation Completion Date").[46] AS 3 recognizes that circumstances may require additions to audit documentation after the report release date and affords auditors the ability to add information after the Documentation Completion Date. In this regard, AS 3 requires that any documentation added must indicate the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it.[47]

3. In the PCAOB's adopting release on the adoption of AS 3, the Board emphasized that, in the event of a deficiency in documentation, the auditor must be prepared to present persuasive other evidence that the procedures were performed, evidence was obtained, and appropriate conclusions were reached. If it is questionable whether audit procedures were performed or evidence was obtained, the auditor must determine, and if so demonstrate, that the necessary procedures were performed, sufficient evidence was obtained, and appropriate conclusions were reached with respect to the relevant financial statement assertions. There

[45] AS 3, paragraph 13.
[46] AS 3, paragraph 15.
[47] AS 3, paragraph 16.

may be circumstances in which the auditor may be required to demonstrate with persuasive other evidence that the procedures were actually performed, the evidence was actually obtained, and appropriate conclusions were actually reached. In this and similar contexts, oral explanation alone does not constitute persuasive other evidence. However, oral evidence may be used to clarify other written evidence.[48]

iii. PLS and each of the Auditors Improperly Added Documents To Audit Work Papers, After The Applicable Documentation Completion Date, In Violation Of AS 3.

1. Consistent with the PCAOB's Inspection findings, I have observed substantial evidence indicating that PLS and each of the Auditors improperly added documents to audit work papers, after the applicable documentation completion date, in violation of AS 3. Indeed, the Auditors testified and admitted in their May 15, 2020 respondent answers (the "Respondent Answers") to the SEC's April 24, 2020 Corrected Order Instituting Public Administrative and Cease-And-Desist Proceedings (the "OIP") that documents with respect to the Audits were created well after the audit report issuance date to supplement the audit work papers in anticipation of the Inspection or, as it relates to the IMMA 2014 Audit, and IMMA 2015 Audit, the July 2016 Commission Subpoena. For example:

    a. With respect to the IMMA 2014 Audit, Ms. Lee testified that the Engagement Acceptance and Continuance Form was backdated to

[48] PCAOB Release No. 2004-006 dated June 9, 2004, at 4.

supplement the audit work papers in anticipation of the July 2016 Commission Subpoena or the Inspection.

Ms. Lee Investigative Testimony, April 8, 2019:

"[Q:] … [The IMMA 2014 Audit Engagement Acceptance and Continuance Form[49]] appears to be created on July 21, 2016. And then if we go to the first page or, I guess, the second page of Exhibit 11,[50] it lists it has -- in the top portion the date is 12/1/2014.

[A:] Yes. Like I say before, so, I mean, I didn't do to check, make sure all the documents is be be [sic] finish and the other case be closed and prepares completely before -- I mean after the -- the audit report days in the certain days. So I guess these -- after that when we organize or go through it, I made it after."[51]

b. With respect to the IMMA 2015 Audit, Mr. Park testified that the engagement completion document was backdated to supplement the audit work papers in anticipation of the July 2016 Commission Subpoena or the Inspection.

Mr. Park Investigative Testimony, April 11, 2019:

"[Q:] So then would that mean that the date on Exhibit 37[52] is backdated?...

[A:] … Backdated? Yes.

[Q:] And why did you backdate?

[A:] This is -- we are not I believe it was missing. So Sue produced this later…

[Q:] But you dated it as if it was done by February 10, 2016?

[49] SEC-PLSCPA-E-0119821.
[50] *Id.*
[51] Ms. Lee Investigative Testimony on April 8, 2019, page 142, lines 3-12. Emphasis added. The Auditors also admitted through their Respondent Answers to the OIP that, on or around July 21, 2016, Ms. Lee prepared the "Engagement Acceptance and Continuance" form for the IMMA 2014 audit and backdated this document to December 1, 2014, approximately two months before the date of the corresponding PLS audit report, which was February 12, 2015. See Respondent Answers, ¶ 46.
[52] IMMA 2015 Audit Engagement Completion Document; *see* PLSCPA00939 and SEC-PLSCPA-E-00820688.

[A:] Yeah.

[Q:] And why did you do that?

[A:] I don't remember, but probably Sue came back to me with this. She said she missed this, so I agreed to backdate sign it.

[Q:] Did you think that was right?

[A:] No, it was not right…

[Q:] … And why would this document be created in July of 2016?

[A:] I don't know, but I believe that since I asked Joseph and Sue to go over all their binders and prepare for the PCAOB inspection. I don't remember correctly exactly, but I probably should slip this in…

[Q:] … So you believe that Sue Lee asked you to backdate it? Is that what you're saying?... Is your testimony that Sue Lee asked you to backdate your signature?

[A:] I asked them to complete the binders, and I think she came -- I don't remember. I think I just signed this.

[Q:] Are there other times that you backdated signatures on an audit work paper?

[A:] Yeah, a couple of times…

[Q:] … you definitely remember doing it more than once?

[A:] Yes."[53]

c. With respect to the IMKG 2015 Audit, Ms. Lee testified that, while she was listed as EQR in the issuer information form provided by PLS and the Auditors to the PCAOB, she did not perform any EQR responsibilities for the IMKG 2015 Audit and that the engagement completion document was backdated to list her as EQR and to supplement the audit work papers in

[53] Mr. Park Investigative Testimony on April 11, 2019, page 123, lines 8-25, page 124, lines 1-25, page 125, lines 1-13. Emphasis added. The Auditors also admitted through their Respondent Answers to the OIP that, on or around July 27, 2016, Ms. Lee prepared the "Engagement Completion Document" for the IMMA 2015 audit and backdated this document to February 10, 2016, the date of the corresponding PLS audit report. See Respondent Answers, ¶ 47.

anticipation of the Inspection. Mr. Park and Mr. Lee also testified that the engagement completion document was backdated to list her as EQR and supplement the audit work papers in anticipation of the Inspection.

Ms. Lee Investigative Testimony, April 8, 2019:

"[Q:] … If we turn to Page 3 of Exhibit 21[54] and toward the bottom it lists engagement manager Yong Yun Lee and then engagement partner Chang Park, and then concurring partner/engagement quality reviewer Ju-Chi Lee. And next to each three names there's a date of July 29, 2015. Is that correct?

[A:] Yes.

[Q:] Were you the EQR for this audit?

[A:] Yes… I was being assigned because we only have three partners -- I mean, three person doing the audit. So I was assigned by the EQRs when we provide the form, Exhibit B [*i.e.*, the issuer information form]…

[Q:] So you were added as an EQR after the fact, not at the time of the audit?

[A:] Yes.

[Q:] So is the date July 29, 2015, next to your name, is that --

[A:] It's backdate."[55]

Mr. Park Investigative Testimony, April 11, 2019:

"[Q:] So if we go back to page 3 [of Exhibit 21[56]] with the date next to your name of July 29, 2015, and then we look at the creation date of this document -- and it's on the last page of this document, the metadata page - of October 12, 2016… is the date on page 3 accurate?

[54] IMKG 2015 Audit Engagement Completion Document; SEC-PLSCPA-E-0013555.
[55] Ms. Lee Investigative Testimony on April 8, 2019, page 190, lines 18-25, page 191, lines 1-11. Emphasis added. The Auditors also admitted through their Respondent Answers to the OIP that, on or around October 12 or 13, 2016, Joseph Lee also prepared the "Engagement Completion Document" for the IMKG 2015 audit, and backdated it to July 29, 2015, the date of the corresponding PLS audit report. See Respondent Answers, ¶ 56.
[56] IMKG 2015 Audit Engagement Completion Document; SEC-PLSCPA-E-0013555.

[A:] I don't think so.

[Q:] Why do you say that?

[A:] Well, I think, you know, Joseph if the company is selected for PCAOB inspection, he and I go over it, and sometimes he supplements, you know, some missing documents. A lot of the time he works but he forgets to print out, and that's what he -- you know, that's what happened…

[Q:] … So as the engagement partner for this engagement, you approved the 10-K being filed without the documentation being complete; is it fair to say that?

[A:] Yes.

[Q:] And why did you do that?

[A:] I just -- sometimes I just peruse the binder, and sometimes I miss the work papers.

[Q:] When you say you just [peruse] the binder, what do you mean by that?

[A:] … I just didn't go through -- and I don't see any -- this particular importance of this, you know. I think -- yeah, I dropped the ball…"[57]

Mr. Lee Investigative Testimony, April 9, 2019:

"[Q:] What is Exhibit 21[58]?

[A:] Engagement Conflict [sic] Document.

[Q:] And when is this document completed?

[A:] July 29th, 2015, but after it's dated, I – I think I put that.

[Q:] The actual date is not July 29th, 2015?

[A:] No. I think that is the audit reporting date or the year reporting date.

[57] Mr. Park Investigative Testimony on April 11, 2019, page 78, lines 18-25, page 79, lines 1-25, 80, lines 1-9. Emphasis added. The Auditors also admitted through their Respondent Answers to the OIP that, on or around October 12 or 13, 2016, Joseph Lee also prepared the "Engagement Completion Document" for the IMKG 2015 audit, and backdated it to July 29, 2015, the date of the corresponding PLS audit report. See Respondent Answers, ¶ 56.

[58] IMKG 2015 Audit Engagement Completion Document; SEC-PLSCPA-E-0013555.

[Q:] So you backdated this document, --

[A:] Yes…

[Q:] … so this document should be completed and signed off prior to the audit report being issued, is that correct?

[A:] Yes.

[Q:] And for this specific engagement for IMK, Inc., audit for the balance sheet date February 28th, 2015, it wasn't completed before?

[A:] Yes.

[Q:] Why were you completing this document for the IMK Group audit… for the [balance sheet] date February 28th, 2015?

[A:] We decided the minimum documents for audits, so we to decided to prepare year-end company documents in audit binder.

[Q:] So you were trying to complete the documents in the audit binder?

[A:] Yeah, yeah."[59]

d. With respect to the RDTK 2015 Audit, Ms. Lee testified that, while she was listed as EQR in the issuer information form provided by PLS and the Auditors to the PCAOB, she did not perform any EQR responsibilities for the RDTK 2015 Audit and that the engagement completion document was backdated to list her as EQR and to supplement the audit work papers in anticipation of the Inspection. Mr. Park also testified that the engagement completion document was backdated to list her as EQR and to supplement the audit work papers in anticipation of the Inspection.

Ms. Lee Investigative Testimony, April 8, 2019:

[59] Mr. Lee Investigative Testimony on April 9, 2019, page 74, lines 7-25, page 75, lines 1-13. Emphasis added. The Auditors also admitted through their Respondent Answers to the OIP that, on or around October 12 or 13, 2016, Joseph Lee also prepared the "Engagement Completion Document" for the IMKG 2015 audit, and backdated it to July 29, 2015, the date of the corresponding PLS audit report. See Respondent Answers, ¶ 56.

"[Q:] Engagement partner is Chang Park. And concurring partner, engagement quality reviewer is you. Is that correct?

[A:] Yes.

[Q:] And you had testified earlier that you didn't perform any EQR responsibilities on the RadTek audit. Is that correct?

[A:] Yeah. Until we do the summaries of the PCAOB in 2016, yeah.

[Q:] So do you believe listing you on this on Exhibit 18[60] as an EQR is accurate?

[A:] That the date is the backdate.

[Q:] The date -- and you're talking about the date is 4/27/2016.

[A:] Yes.

[Q:] That date is backdated?

[A:] I believe so.

[Q:] And what do you base that belief on?

[A:] Like I say, it's I be appoint as a quality review -- a concurring partner engagement quality reviews until October 2016."[61]

Mr. Park Investigative Testimony, April 11, 2019:

"[Q:] … is the date April 27, 2016 next to your name, does that represent when you believe you completed this?

[A:] No."[62]

e. With respect to the TSOI 2014 Audit, Ms. Lee testified that, while she was listed as EQR in the issuer information form provided by PLS and the Auditors to the PCAOB, she did not perform any EQR responsibilities for the TSOI 2014 Audit and that documentation in connection with the

[60] RDTK 2015 Audit Engagement Completion Document; SEC-PLSCPA-E-0050121.
[61] Ms. Lee Investigative Testimony on April 8, 2019, page 180, lines 12-25, page 181, lines 1-10. Emphasis added. The Auditors also admitted through their Respondent Answers to the OIP that, on or around October 19, 2016, Joseph Lee prepared the "Engagement Completion Document" for the RDTK 2015 audit, and backdated it to April 27, 2016, the original report release date. See Respondent Answers, ¶ 67.
[62] Mr. Park Investigative Testimony on April 11, 2019, page 135, line 25, page 136, lines 1-3. Emphasis added.

supervision, review, and approval of the engagement was backdated to list her as EQR and to supplement the audit work papers in anticipation of the Inspection. Mr. Lee also testified that the Risk Assessment documentation was also backdated to supplement the audit work papers in anticipation of the Inspection.

> **Ms. Lee Investigative Testimony, April 8, 2019:**
>
> "[Q:] Do you recognize Exhibit 20[63]?
>
> [A:] Yes. It's supervision review and approve forms for TSI. Balance sheet date is December 31, 2014.
>
> [Q:] And for the record, TSI is Therapeutic Solutions International, Inc… toward the bottom of the page, it says, 'Engagement Quality Reviewer signature.' It says, 'Ju-Chi Lee.' And to the right of that, it says, 'June 15, 2016.'
>
> [A:] Yes.
>
> [Q:] Did you perform the engagement quality review of this engagement for the balance sheet date 12/31/2016 [sic]?
>
> [A:] I didn't perform the review quality review of the June 15, 2016. It's -- like I say, it's until Exhibit 8, which is –
>
> [Q:] The Exhibit B?
>
> [A:] Yeah. Exhibit B[64] is October 2016. Then I was assigned by -- I know I'm assigning by this qualified review partner.
>
> [Q:] So… is the date --
>
> [A:] It's backdate.
>
> [Q:] Backdated?
>
> [A:] Uh-huh."[65]

[63] TSOI 2014 Audit Supervision, Review, and Approval document; SEC-PLSCPA-E-0053725.
[64] Issuer information form; SEC-PLSCPA-E-0125250, at 257-258.
[65] Ms. Lee Investigative Testimony on April 8, 2019, page 188, lines 7-25, page 189, lines 1-13. Emphasis added. The Auditors also admitted through their Respondent Answers to the OIP that, on or around October 31 or November 1, 2016, approximately four months after the audit report date, Joseph Lee prepared the "Supervision, Review and Approval Form" for the TSOI 2014 audit. This

Mr. Lee Investigative Testimony, April 9, 2019:

"[Q:] Mr. Lee, I'm now going to provide you with what's been previously marked as Government Exhibit 19.[66] Mr. Lee, do you recognize Exhibit 19?[67]

[A:] Yes.

[Q:] And what is it?

[A:] Risk Assessment Summary Form for Therapeutic Solutions International year-ended December 31st, 2014.

[Q:] You completed this document?

[A:] Yes.

[Q:] And did you complete the document on January 7th, 2016?

[A:] No…

[Q:] … Now for the balance sheet date audit of 12/31/2014, the 10-K was filed on June 16th, 2016, and this document was created in November 24th, 2016. Why was it created so much later than the audit date?

[A:] Same reason as other documents.

[Q:] … what is that reason?

[A:] The prepared [sic] the PCAOB inspection. This case, I doing audit 2017, '14, and '15 same time, so I finalized in 2015 audit at that time.

[Q:] … was a risk assessment completed for the 2014 audit before the 10-K was filed?

[A:] After.

[Q:] After?

[A:] Yeah."[68]

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document, which was filled out electronically prior to printing, included the names of Joseph Lee (as "Engagement Partner") and Juchi Lee (as "Engagement Quality Reviewer") next to the date June 15, 2016, the date of the corresponding PLS audit report. See Respondent Answers, ¶ 77.

[66] TSOI 2014 Risk Assessment Summary Form; SEC-PLSCPA-E-0037375.

[67] *Id.*

[68] Mr. Lee Investigative Testimony on April 9, 2019, page 96, lines 14-25, page 97, lines 1-25, page 98, lines 1-9. Emphasis added.

2. These are but a few examples of each of the Auditors' admission to backdating documents to supplement their audit work papers in anticipation of the Inspection or the July 2016 Commission Subpoena. The backdated documents included documentation required to be prepared and retained prior to the issuance of the Audit reports or the respective Documentation Completion Dates.[69] In summary, PLS and each of the Auditors improperly created and/or altered critical documentation associated with the Audits in connection with:

    a. *Planning Procedures* – which are intended to establish the overall audit strategy for the engagements and development of audit plans, which includes, in particular, planned risk assessment procedures and planned responses to identified risks of material misstatement. This audit documentation is required to be prepared and retained pursuant to PCAOB Auditing Standard No. 9, *Audit Planning* ("AS 9"),[70] and required to be reviewed by the EQR prior to the issuance of an audit report pursuant to AS 7.[71]

[69] For documentation to be added after the Documentation Completion Date, PCAOB AS 3 requires the following be documents: (1) the date the information was added, (2) the name of the person who prepared the additional documentation, and (3) the reason for adding it.

[70] Specifically, AS 9 ¶ 10 states that "The auditor should develop and document an audit plan that includes a description of: [a.] The planned nature, timing, and extent of the risk assessment procedures; [b.] The planned nature, timing, and extent of tests of controls and substantive procedures; and [c.] Other planned audit procedures required to be performed so that the engagement complies with PCAOB standards." Emphasis added.

[71] Specifically, AS 7 ¶ 9-10 states that "In an audit engagement, the engagement quality reviewer should evaluate 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… Evaluate the significant judgments that relate to engagement planning… [and] [e]valuate the engagement team's assessment of, and audit responses to… Significant risks identified by the engagement team, including fraud risks, and… Other significant risks identified by the engagement quality reviewer through performance of the procedures required by this standard." Emphasis added.

b. *Identifying and Assessing Risks of Material Misstatement* – which provides that the auditor should identify and assess the risks of material misstatement at the financial statement and assertion level and determine whether any of the identified and assessed risks of material misstatement are significant risks.[72] The auditor's assessment of, and audit responses to, significant risks identified by the engagement team, including fraud risks, is required to be reviewed by the EQR prior to the issuance of an audit report pursuant to AS 7.[73]

c. *Supervision and Review* – which provides that the audit documentation should be reviewed and approved by the engagement partner and, as applicable, other engagement team members performing supervisory activities including the EQR, prior to the audit report issuance date. Such review should include, but is not limited to, a review of 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.[74] Audit

[72] Specifically, AS 12 ¶ 59 states that "The auditor should identify and assess the risks of material misstatement at the financial statement level and the assertion level" and "Determine whether any of the identified and assessed risks of material misstatement are significant risks." Emphasis added. AS 3 ¶ 5 states that "Because audit documentation is the written record that provides the support for the representations in the auditor's report, it should: Demonstrate that the engagement complied with the standards of the PCAOB, Support the basis for the auditor's conclusions concerning every relevant financial statement assertion". Emphasis added. AS 3¶ 7 states that "In determining the nature and extent of the documentation for a financial statement assertion, the auditor should consider the following factors: Nature of the auditing procedure; Risk of material misstatement associated with the assertion." Emphasis added.
[73] Specifically, AS 7 ¶ 10 states that "In an audit, the engagement quality reviewer should … Evaluate the engagement team's assessment of, and audit responses to - Significant risks identified by the engagement team, including fraud risks." Emphasis added.
[74] Specifically, AS 10 ¶ 5 states that "The engagement partner and, as applicable, other engagement team members performing supervisory activities, should… Review the work of engagement team members to evaluate whether: (1) The work was performed and documented; (2) The objectives of the procedures were achieved; and (3) The results of the work support the conclusions reached." Emphasis added.

documentation demonstrating who reviewed the work and the date of such review is required to be prepared and retained pursuant to AS 3.[75]

d. *Engagement Completion Document* – which is intended to describe all significant findings or issues with respect to the Audits. This audit documentation is required to be prepared and retained pursuant to AS 3,[76] and required to be reviewed by the EQR prior to the issuance of an audit report pursuant to AS 7.[77]

3. I have attached a listing of identified documentation that the Auditors have testified, admitted through their Respondent Answers to the OIP, or otherwise appears to have been improperly created and/or altered after the Audit report issuance dates at **Appendix D**. PLS' and each of the Auditors' addition of documentation well after the Audit report issuance date and the 45-day Documentation Completion Date, without indicating the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it, was in direct violation of the requirements of AS 3.

iv. PLS and each of the Auditors Failed To Prepare And Retain Required Audit Documentation, Including Engagement Completion Documents, In Violation Of AS 3.

[75] Specifically, AS 3 ¶ 6 states that "… Audit documentation must contain sufficient information to enable an experienced auditor, having no previous connection with the engagement… 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." Emphasis added.
[76] Specifically, AS 3 ¶ 13 states that "The auditor must identify all significant findings or issues in an *engagement completion document*. This document may include either all information necessary to understand the significant findings, issues or cross-references, as appropriate, to other available supporting audit documentation. This document, along with any documents cross-referenced, should collectively be as specific as necessary in the circumstances for a reviewer to gain a thorough understanding of the significant findings or issues..." Emphasis added.
[77] Specifically, AS 7 ¶ 10 states that "In an audit engagement, the engagement quality reviewer should… Review the engagement completion document and confirm with the engagement partner that there are no significant unresolved matters" Emphasis added.

1. As I discuss above, the Auditors testified to backdating documentation in anticipation of the Inspection or the July 2016 Commission Subpoena, which documentation included evidence of the purported audit work performed, by whom it was performed, by whom it was reviewed and the date of such review. PLS' and the Auditors' failure to document the procedures performed, evidence obtained, and conclusions reached with respect to relevant financial statement assertions, including the failure to prepare audit documentation containing sufficient information to enable an experienced auditor 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, is a direct violation of AS 3. Furthermore, and as I will discuss further in the ensuing sections of my report, the audit documentation backdated by PLS and each of the Auditors documented reviews that never actually occurred. In addition, if one were to construe the Auditors' testimony to be representations that they had, at the time of the Audits, performed the procedures described in the improperly created and/or altered documentation, but just did not document them, because of the lack of audit documentation, their oral representations do not represent persuasive other evidence that critical audit procedures, including planning, risk assessment, and supervision and review procedures, among other things, were actually performed at the time of the audit.

2. Among the audit documentation backdated by PLS and each of the Auditors were Engagement Completion Documents, which are intended to describe all significant findings or issues with respect to an audit engagement. This audit

documentation is required to be prepared and retained pursuant to AS 3,[78] and required to be reviewed by the EQR prior to the issuance of an audit report pursuant to AS 7.[79]

3. With respect to the Audits, Engagement Completion Documents for the IMMA 2015 Audit, IMKG 2015 Audit, TSOI 2014 Audit, and RDTK 2015 Audit were backdated and added to the audit documentation in connection with those audits, in direct violation of AS 3.[80]

4. Indeed, each of the Auditors admitted through their Respondent Answers to the OIP that they failed to prepare and retain required audit documentation for the Audits, as required by AS 3.[81]

v. Requests By PLS and Mr. Lee For Support From The Audit Client Well After The Audit Report Dates, And Substantive Peer Review Comments Identified Well After The Audit Completion Date, Indicate A Lack Of Sufficient Audit Documentation, That Audit Procedures May Not Have Been Performed, Evidence May Not Have Been Obtained, And/Or Appropriate Conclusions May Not Have Been Reached, In Violation Of AS 3.

1. During October 2016, one month prior to the Inspection and over a year after the IMKG 2015 Audit report issuance date, Mr. Lee requested from IMKG

[78] Specifically, AS 3 ¶ 13 states that "The auditor must identify all significant findings or issues in an *engagement completion document*. This document may include either all information necessary to understand the significant findings, issues or cross-references, as appropriate, to other available supporting audit documentation. This document, along with any documents cross-referenced, should collectively be as specific as necessary in the circumstances for a reviewer to gain a thorough understanding of the significant findings or issues..." Emphasis added.
[79] Specifically, AS 7 ¶ 10 states that "In an audit engagement, the engagement quality reviewer should… Review the engagement completion document and confirm with the engagement partner that there are no significant unresolved matters" Emphasis added.
[80] *See* **Appendix D** for a listing of identified backdated documents, which includes Engagement Completion Documents with respect to four of the five audits. Furthermore, with respect to the IMMA 2014 Audit, I did not observe in PLS' audit documentation any Engagement Completion Document required to be prepared and retained in accordance with AS 3.
[81] *See* Respondent Answers, ¶ 93.

documentation including Board of Directors minutes/resolutions, bank statements and reconciliations, legal invoices, and consulting agreements.

> "… I am reviewing all binders for PCAOB inspection next month… I found that we have not copy [sic] of resolution of BOD/Shareholders in fiscal year ended 2/28/2015… Would you send copy of resolution of BOD/shareholders?"[82]
>
> "… Would you send the following?
>
> 1. Minutes of BOD/Shareholders in fiscal year 2015 and 2016 (Parent company)
>
> 2. Bank statement and bank rec. (May, Aug, Nov. 2015)
>
> 3. Legal invoices from 'O'Neill Law Corporation and your firm in fiscal year 2016.
>
> 4. Consulting agreement with Mr. Min…"[83]

2. Consistent with Mr. Lee's request for documents well after the IMKG 2015 Audit report issuance date, the PCAOB's Inspection comments also included that there were documents related to IMKG's 2015 private placement offering, which was identified by PLS, Mr. Park, and Mr. Lee as a significant fraud risk,[84] that were omitted from the final set of audit documentation and were provided to the Inspection team during inspection fieldwork. Indeed, the PCAOB also noted PLS' representation during the Inspection (which was reaffirmed by Mr. Park's agreement with the PCAOB's inspection comments) that it does not have a

[82] SEC-PLSCPA-E-0018057. The Auditors also admitted through their Respondent Answers to the OIP that Joseph Lee emailed IMKG's former owner and outside consultants to request board minutes, bank reconciliations, and other documents. See Respondent Answers, ¶ 53.
[83] SEC-PLSCPA-E-0018046, at 047. The Auditors also admitted through their Respondent Answers to the OIP that Joseph Lee emailed IMKG's former owner and outside consultants to request board minutes, bank reconciliations, and other documents. See Respondent Answers, ¶ 53.
[84] *See* SEC-PLSCPA-E-0044841, at 847-849. PLS, Mr. Park and Ms. Lee identified the private placement offering's (*i.e.*, "New Investment") impact to equity as a significant risk and fraud risk (at 849), and impact to cash as a significant risk (at 847).

quality control policy in place to ensure that a complete and final set of audit documentation is assembled within 45 days of an audit report release date.

> "IMK Group, Inc. - During inspection fieldwork, the inspection team noted that there were documents related to the private placement offering that were omitted from the final set of audit documentation and were provided to the inspection team during inspection fieldwork."
>
> "The Firm represented to the inspection team that it does not have a quality control policy in place to ensure that a complete and final set of audit documentation is assembled within 45 days of an audit report release date."[85]

3. Taking together PLS' and Mr. Lee's document requests just prior to the Inspection and the PCAOB's Inspection comments, there is substantial doubt that PLS and each of the Auditors conducted their audits in accordance with PCAOB Auditing Standards, including AS 3. For example, IMKG reported cash of $884,643 as of February 28, 2015, representing 99% of IMKG's total assets, and an increase of $877,788 from cash reported as of February 28, 2014. The increase in cash was due primarily to a private placement offering on February 27, 2015, through which IMKG issued 29,115,670 common shares for total gross proceeds of $823,099.

> "On February 27, 2015, the Company issued 29,115,670 shares of the Company's common stock at a price of $0.02827 per share for total gross proceeds of $823,099 pursuant to a private placement offering (the "Offering") approved by the Company's Board of Directors. Legal fees of $18,340 and finders' fees of $37,000 were incurred in connection with the Offering."[86]

[85] SEC-EPROD-000016925, at 940. Emphasis added. *See* also Mr. Park's agreement with the PCAOB's comment at SEC-EPROD-000048263.
[86] IMKG 2015 Form 10-K, at page 26.

4. IMKG's 2015 private placement offering, equity, and cash were all identified as significant risks by PLS, Mr. Park, and Mr. Lee in connection with the IMKG 2015 Audit.[87] PLS' and Mr. Lee's request for, *inter alia*, Board of Directors' resolutions and minutes and the PCAOB's findings, which were agreed to by Mr. Chang, indicate a lack of sufficient audit documentation, that audit procedures may not have been performed, evidence may not have been obtained, and/or appropriate conclusions may not have been reached with respect to the IMKG 2015 Audit prior to the audit report issuance date.

5. Further demonstrating a lack of sufficient audit procedures and/or audit documentation with respect to the Audits, a peer review by Mr. Lee conducted in or around August 2016 of the IMMA 2015 Audit identified several substantive review comments with respect to the IMMA 2015 Audit report. Specifically, six months after the IMMA 2015 Audit report issuance date, Mr. Lee's peer review comments included that:

> "1. Not signed by concurring partner on Al.1 Supervision, Review and Approval Form
>
> 2. Statement of Shareholders' Equity: Included from Inception (7/13/2012) to 10/31/2015.
>
> But current GAAP required only 2 years.
>
> 3. Note 2. Loan payable:
>
> The loan payable of $27,500, payable to a shareholder of the company, is unsecured, noninterest bearing and due on or before October 31, 2017.

[87] SEC-PLSCPA-E-0044841, at 847-849. PLS, Mr. Park and Ms. Lee identified the private placement offering's (*i.e.*, "New Investment") impact to equity as a significant risk and fraud risk (at 849), and impact to cash as a significant risk (at 847). Note, however, that Auditor testimony evidences that this document was created well after the audit report issuance date in anticipation of the Inspection, and backdated, which I will discuss in the ensuing sections of my report.

Note is long-term. There is no interest rate. Company may need to calculate imputed interest because long-term loan from related party.

4. A2.1 Analysis

   2. Accounts payable decrease $9568. During this year, the company increase Accounts payable $33,038 due to accrued attorney fee, CPA fee, EDGAR fee, SEC filing fee, and the Company increased the loan from related parties $50,912 to pay these fees.

   Meaning is not clear.

5. A7.1 Rep letter

   Rep letter included only one year (10/31/2015).

   I think we need rep letter of two years (1/31/2015 and 2014)

   (According to AU 333, Management Representations (link), representation letters should include all periods covered by the auditor's report)

6. A7.6 Communication with Audit Committee

   There should be two communication letters, one is about planning and the other is near the conclusion.

   There is no communication letter about planning. (PCA-CL 5.2)

7. No Risk assessment summary form

8. C cash:

   No conclusion.

   No subsequent payment test."[88]

6. Indeed, the Auditors admitted through their Respondent Answers to the OIP that

   Mr. Lee contacted IMKG and RDTK after the respective audit report issuance

[88] SEC-PLSCPA-E-0063808.

dates to request supporting documentation that was missing from the audit binders.[89]

7. The preceding evidence indicates strongly that PLS and each of the Auditors failed to conduct the Audits in accordance with AS 3. For example, Mr. Lee's peer review comments indicate:

    a. Insufficient audit documentation demonstrating supervision and review;

    b. Potential accounting errors, including those associated with the classification of debt and interest accruals;

    c. Insufficient audit documentation demonstrating the performance of risk assessment procedures; and

    d. Insufficient audit documentation and/or procedures associated with cash balances, which balances represented 100% of IMMA's total assets as of October 31, 2015.

vi. Audit documentation is the written record of the basis for the auditor's conclusions that provides the support for the auditor's representations, including those contained in the auditor's report. Audit documentation must clearly demonstrate that the work was in fact performed. Audit documentation is also the basis for the review of the quality of the work because it provides the reviewer with written documentation of the evidence supporting the auditor's significant conclusions. PLS' and the Auditors' issuance of audit reports associated with the Audits without having completed all necessary auditing procedures

[89] *See* Respondent Answers, ¶ 53 and ¶ 63, respectively.

and obtaining sufficient evidence to support the representations in the auditor's report, including evidence that critical audit procedures had been performed at the time of the Audits and evidence of supervision and proper reviews; the failure to assemble a complete and final set of audit documentation for retention as of a date not more than 45 days after the report release date; and the addition of audit documentation well after the Documentation Completion Dates all represent, among other things, a significant failure to comply with AS 3. Such violations undermine the fundamental building blocks on which audit quality and integrity rest, severely impede the PCAOB from carrying out its oversight responsibilities, and can have far reaching consequences including the deterioration of investor confidence in the assurances fundamental to our capital markets as a whole.

b. **PLS and each of the Auditors failed to obtain and/or perform adequate engagement quality reviews, in violation of AS 7.**

i. Introduction to AS 7

1. As part of the Act, Congress expressly directed the PCAOB to include in its standards a requirement for a qualified person to perform a concurring or second partner review of every audit report to be filed with the SEC. Until February 2008, the PCAOB was relying on concurring partner requirements that were developed during the era of self-regulation, before the PCAOB's creation.[90]

[90] *See* PCAOB Speeches & Statements, Statement on Consideration of Proposing an Auditing Standard on Engagement Quality Review, February 26, 2008, Daniel L. Goelzer, PCAOB Board Member. https://pcaobus.org/News/Speech/Pages/02262008_GoelzerStatement.aspx [last accessed on October 24, 2020].

2. In February 2008, the PCAOB proposed to replace its interim requirement with a new EQR standard in response to feedback that the then operative interim requirements did not provide a sufficiently thorough review to give investors assurance on the quality of audit engagements. The proposal, which eventually evolved into AS 7, was intended to enhance the quality of the EQR by strengthening the existing requirements and included, *inter alia*, the following key changes:

    a. First, the proposal called more explicitly than the interim standard for a risk-based approach. The reviewer is required to assess whether there are engagement areas that pose higher risks, and to evaluate whether the engagement team performed procedures responsive to those risks.

    b. Second, consistent with Congress' direction, the proposed standard required the reviewer to approve the issuance of the audit report. The interim standard merely required completion of a review, not explicit reviewer approval.

    c. Third, under the proposal, the reviewer could not approve issuance of the audit report if he or she "knows, or should know" that the report is inappropriate. Beforehand, the reviewer only determined that "nothing has come to his or her attention" suggesting that the audit was performed improperly.

    d. Fourth, the documentation requirements applicable to the concurring review became more detailed. Beforehand, the work papers needed only to

"contain evidence that the firm's policies and procedures with respect to the concurring partner review requirements were complied with."[91]

3. To improve audit quality, auditors are required under AS 7 to involve an EQR to ensure a review of audit documentation within judgmental areas that support the audit opinion. The EQR plays an important role in fulfilling the PCAOB's mandate to further the public interest in the preparation of informative, accurate, and independent audit reports. A second review and approval by a qualified reviewer helps ensure the adequacy of audit conclusions over key areas and the conclusions reached underlying audit reports, on which the investing public may rely. Indeed, the PCAOB has emphasized the importance and benefits of EQRs within an audit engagement:

> "A well-performed engagement quality review ("EQR") can serve as an important safeguard against erroneous or insufficiently supported audit opinions and, accordingly, can contribute to audit quality."[92]
>
> "… it is clear that engagement quality reviews have the potential to improve auditing and promote confidence in audited financial statements."[93]

ii. The Requirements Of AS 7

1. AS 7 requires that an audit engagement conducted pursuant to the standards of the PCAOB include a quality review and concurring approval of issuance.[94]

[91] *Id.*
[92] PCAOB Release 2009-004 dated July 28, 2009, at 1. Emphasis added.
[93] *See* PCAOB Speeches & Statements, Statement on Auditing Standard No. 7: Engagement Quality Review, July 28, 2009, Daniel L. Goelzer, PCAOB Board Member. https://pcaobus.org/News/Speech/Pages/07282009_StatementGoelzer.aspx [last accessed on October 22, 2020].
[94] AS 7, paragraph 1.

2. AS 7 states that the objective of the EQR 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.[95]

3. In an audit engagement, AS 7 requires, *inter alia*, the EQR to evaluate whether the engagement documentation that he or she reviewed when performing the procedures required by AS 7 paragraph 10 (a) indicates that the engagement team responded appropriately to significant risks, and (b) supports the conclusions reached by the engagement team with respect to the matters reviewed.[96]

4. AS 7 makes clear that in an audit engagement, the audit firm may grant permission to the client to use the engagement report *only after* the engagement quality reviewer provides concurring approval of issuance.[97]

iii. <u>The Audit Reports With Respect To The Audits Were Issued Without An Engagement Quality Review And Concurring Approval Of Issuance In Violation Of AS 7.</u>

1. As I discuss above, during April 2016 the PCAOB e-mailed PLS notifying PLS of the Inspection and required PLS to complete and return the "issuer information form", to which PLS and Mr. Park responded with a completed issuer

[95] AS 7, paragraph 2.
[96] AS 7, paragraph 11.
[97] AS 7, paragraph 13.

information form listing, *inter alia*, the lead partner and EQR involved with the Audits as follows:[98]

Issuer Name	Lead Partner	EQR
Interactive Multi-Media Auction Corporation	Ms. Lee	Mr. Park
IMK Group, Inc.	Mr. Park	Ms. Lee
RadTek, Inc.	Mr. Park	Ms. Lee
Therapeutic Solutions International, Inc.	Mr. Lee	Ms. Lee

2. PLS and each of the Auditors admitted through their Respondent Answers to the OIP that PLS was not actually staffing its audits in this manner.[99]

3. Each of the Auditors also testified during Investigative Testimony and admitted through their Respondent Answers to the OIP that EQR reviews *never actually occurred* and that the listed EQR in the issuer information form, Ms. Lee, was *entirely unaware* that she even was the EQR with respect to certain of the Audits until preparing for the Inspection. For example:

    a. PLS and each of the Auditors admitted through their Respondent Answers to the OIP that Ms. Lee had not performed engagement quality reviews for IMKG, RDTK, or TSOI. PLS and each of the Auditors also admitted that Ms. Lee had not even known that she was supposed to be EQR for these issuers until October 2016, when Mr. Park tasked her and Mr. Lee with the

[98] See SEC-PLSCPA-E-0125250, at 255.

[99] *See* Respondent Answers, ¶ 83. While the Respondent Answers to ¶ 83 states that the "Respondent admits the allegations in Paragraph 84", this is presumed to be a clerical error. Notwithstanding this presumption, the Respondent Answers ¶ 85 admits that Ms. Lee had not performed engagement quality reviews for IMKG, RDTK, or TSOI and that she had not even known that she was supposed to be EQR for these issuers until October 2016, when Park tasked her and Joseph Lee with the job of completing the issuer information form for the PCAOB in connection with the November 2016 PCAOB inspection, which obviates that PLS was not actually staffing its audits in this manner.

job of completing the issuer information form for the PCAOB in connection with the November 2016 PCAOB inspection.[100]

b. Ms. Lee testified that she did not actually perform EQR duties on the engagements listed in the issuer information form and that she was added as the EQR for the purpose of preparing for the Inspection.

"[Q:] On the engagements where you're listed in Exhibit B or Exhibit 9 [i.e., the issuer information form]… Did you actually perform EQR duties on those engagements?

[A:] No.

[Q:] So you were added as the EQR for the purposes of preparing for the PCAOB inspection. Is that correct?

[A:] Yes."[101]

c. Mr. Lee testified that for *at least* ten to twenty percent of his audits the EQR could not have been performed prior to the audit report issuance date because the audit work papers were not completed.

"[Q:] The company IMK issued their 10-K and the audit work papers were not complete by that date. How many similar times have you signed off on audits where the work papers were not complete at the time the 10-K was filed?

[A:] I'm not sure, but 10 to 20 percent.

[Q:] 10 to 20 percent of your audit clients?

[A:] Yes.

[100] *See* Respondent Answers, ¶ 85.
[101] Ms. Lee Investigative Testimony, April 8, 2019, page 117, lines 13-23.

[Q:] So for those 10 to 20 percent audit clients, the EQR could not have performed their job in a timely fashion because the work papers were not completed?

[A:] Yeah…

[Q:] … So… all the way from the beginning of PLS until sometime in 2019… it's the way you described it a few moments ago where in 10 to 20 percent of the audits, the work papers hadn't been completed and the EQR therefore couldn't perform their role,

[A:] Yes.

[Q:] -- is that correct?

[A:] Yes...

[Q:] … And you… just testified that you think this happened on 10 to 20 percent of your audit clients. How do you come up with that percentage? What's the basis for the 10 to 20 percent?

[A:] Just a guess.

[Q:] Do you think it could be more?

[A:] Yeah. Possibly, yeah, at that time, 2016-15, yeah."[102]

4. Indeed, an engagement quality review and concurring approval of issuance by an EQR as required by AS 7 could not have been performed because the audit documentation that would have been subject to EQR review *did not exist* when the Audit reports were issued. As demonstrated above, audit documentation including those that were required to be reviewed by an EQR with respect to the Audits were created well after the audit report issuance date in anticipation of the Inspection or the July 2016 Commission Subpoena. This audit documentation was provided to the PCAOB during the Inspection and included audit

[102] Mr. Lee Investigative Testimony, April 9, 2019, page 58, lines 24-25, page 59, lines 1-25, page 60, lines 1-13.

documentation in connection with planning procedures, risk assessments, supervision, review, and approvals, and engagement completion documents.

iv. AS 7 requires that an audit engagement conducted pursuant to the standards of the PCAOB include an engagement quality review and concurring approval of issuance. PLS and each of the Auditors failed to obtain and/or perform an engagement quality review prior to the issuance of the audit reports for the Audits in violation of AS 7, bypassing an important safeguard against erroneous or insufficiently supported audit opinions. Importantly, PLS' and each of the Auditors' failure to comply with AS 7 undermined an Auditing Standard expressly directed by Congress to deter a deterioration of investor confidence in public company financial reporting.

c. **PLS and each of the Auditors failed to exercise due professional care, in violation of AU Section 230.**

i. Introduction to AU 230

1. In April 2003, the PCAOB adopted preexisting AICPA standards as its interim standards for public company audits. These standards consisted of generally accepted auditing standards, as described in the AICPA's Auditing Standards Board's Statement of Auditing Standards.[103] Among these adopted standards, was AU 230 - *Due Professional Care in the Performance of Work*, which, subject to certain amendments, continues to be the operative auditing standard governing the requirements of an auditor to plan and perform their work with due professional care.

[103] https://pcaobus.org/Standards/Archived/PreReorgStandards.

2. Fundamentally, an auditor's objective is to obtain sufficient competent evidential matter to provide him or her with a reasonable basis for forming an opinion, using his or her knowledge, skill, and ability to perform, in good faith and with integrity, the gathering and objective evaluation of such evidence. Due professional care lies at the center of this objective, is to be exercised throughout all phases of the auditor's work, and imposes a responsibility upon each audit professional within an independent auditor's organization to observe the auditing standards of field work and reporting.

ii. The Requirements of AU 230

1. AU 230 requires that independent auditors plan and perform their work with due professional care. Due professional care imposes a responsibility upon each professional within an independent auditor's organization to observe the standards of field work and reporting. Also, AU 230 requires that an auditor should possess "the degree of skill commonly possessed" by other auditors and should exercise it with "reasonable care and diligence" (that is, with due professional care).[104] AU 230 expands on due professional care in the context of an audit, requiring that the engagement partner know, at a minimum, the relevant professional accounting and auditing standards and states that the engagement partner is responsible for the assignment of tasks to, *and supervision of*, the members of the engagement team.[105]

[104] *See* AU 230 ¶ 2 and ¶ 5.
[105] Specifically, AU 230 ¶ 6 states that "The engagement partner should know, at a minimum, the relevant professional accounting and auditing standards and should be knowledgeable about the client. The engagement partner is responsible for the assignment of tasks to, and supervision of, the members of the engagement team." Emphasis added.

iii. The Engagement Partners Over The Audits Did Not Know Or Failed To Apply The Relevant Professional Auditing Standards And Thus Failed To Exercise Due Professional Care As Required By AU 230.

1. Mr. Park, Mr. Lee, and Ms. Lee were each designated as the engagement partner over one or more of the Audits, and each testified and admitted through their Respondent Answers to the OIP[106] that they did not know and/or failed to comply with AS 3. Specifically, AS 3's requirement that (i) prior to the report release date, the auditor must have completed all necessary auditing procedures and obtain sufficient evidence to support the representations in the auditor's report and (ii) a complete and final set of audit documentation should be assembled for retention as of a date not more than 45 days after the report release date.[107] For example:

    a. Mr. Park testified that prior to the Inspection neither he nor PLS complied with AS 3.

    "[A:]… we try to follow it. Right now we do. But back then, we didn't. We were kind of sloppy…"[108]

    b. Mr. Lee testified that prior to the Inspection he either did not know and/or did not comply with AS 3.

    "[Q:] And when did you -- when -- when did you become familiar -- when did you become familiar with this portion of AS1215?

    [A:] After inspection 2015.

    [Q:] Prior to the PCAOB inspection, were you aware of [AS 3]?

[106] *See* Respondent Answers, ¶ 93.
[107] AS 3, paragraph 15.
[108] Mr. Park Investigative Testimony, April 11, 2019, page 152, lines 9-11.

[A:] I do not use it, no. I don't -- I do not know. I didn't know the exact date at the time."[109]

"[Q:] And do you feel that you've complied with this standard in your audits at PLS? Do you feel like you've complied with this standard at your audits at PLS?

[A:] No, no, in 2016."[110]

"[Q:] So is it fair to say for you, prior – any audits that you were the engagement partner on prior to the PCAOB inspection in 2016, you did not comp1y with this standard?

[A:] Not all of them but some of them, we changed the documents to backdate to comply."[111]

c. Ms. Lee testified that prior to the Inspection she, nor PLS, were "really serious" about compliance with AS 3.

"[A:]… Honestly, before, maybe, like, five or six years ago, we are not really serious about the cutoff the working paper have to prepare -- I mean, to finish prepares in certain date, like 45 days after the audit filing…"[112]

iv. <u>Evidence Indicates That The Engagement Partners Over Certain Of The Audits Failed To Appropriately Supervise Members Of The Engagement Team And Thus Failed To Exercise Due Professional Care As Required By AU 230.</u>

1. As I discuss above, AU 230 states that the engagement partner is responsible for, *inter alia*, supervision of the members of the engagement team. Mr. Park was listed in the issuer information form as the engagement partner over two of the five engagements comprising the Audits, including the IMKG 2015 Audit and RDTK 2015 Audit. Case materials indicate a lack of supervision over the

[109] Mr. Lee Investigative Testimony, April 9, 2019, page 133, lines 18-25.
[110] Mr. Lee Investigative Testimony, April 9, 2019, page 134, lines 3-6.
[111] Mr. Lee Investigative Testimony, April 9, 2019, page 134, lines 10-15.
[112] Ms. Lee Investigative Testimony, April 8, 2019, page 102, lines 8-12.

members of his engagement teams and a lack of appropriate review of audit documentation which, in my view, represents a significant failure to exercise due professional care as required by AU 230. For example:

a. Mr. Park testified that his review involved "just leaf[ing] through the binders" and that he was "kind of sloppy in going through all of the checklists."

> "[Q:] Do you think the audit report shouldn't be signed off by the audit partner until all work papers are complete?
>
> [A:] That's correct.
>
> [Q:] So then why did you sign off on [the RDTK 2015 Audit]?
>
> [A:] I didn't know that these were missing.
>
> [Q:] Did you not find out in your review?
>
> [A:] No, I didn't.
>
> [Q:] Why not?
>
> [A:] Again, as I said, I just leafed through the binders, and I just don't pay detailed attention to each and every -- most of the issues that we discuss the middle of the audits are done. The ones with substantive issues are done. You know, these binders are -- I was kind of sloppy in going through all the checklist."[113]

2. PLS' and each of the Auditors' creation and/or alteration of audit documentation to supplement the audit work papers in anticipation of the Inspection or the July 2016 Commission Subpoena comports with Mr. Park's testimony. As I discuss above, the audit documentation that Mr. Park was "kind of sloppy in going through" were not only required to be completed and reviewed prior to the issuance of the audit reports under PCAOB auditing standards, but also critical to

[113] Mr. Park Investigative Testimony, April 11, 2019, page 140, lines 14-25, page 141, lines 1-7.

evidencing that the audits over which Mr. Park supervised were properly planned and performed with due professional care.

v. PLS And The Auditors' Failure To Exercise Due Professional Care As Required By AU 230 Had Real Consequences To The Investing Public.

1. Failing to comply with due professional care standards can have significant consequences, perhaps most importantly are those consequences that impact the investing public. Notably, the SEC filed an injunctive action against IMMA,[114] and, on November 19, 2018, obtained a default judgment enjoining IMMA from violations of the antifraud provisions of the Securities Act and the Exchange Act.[115] In short, IMMA was later found to be a "pump-and-dump" scheme designed by IMMA's founders to profit by several millions of dollars off of false and misleading statements to the investing public within, among other SEC filings, its Form 10-K for the year ended October 31, 2014, which included its October 31,2014 financial statements, over which PLS issued an audit report.

2. Notably, among the documents PLS and each of the Auditors admitted through their Respondent Answers to the OIP to have been backdated by Ms. Lee after receiving the July 2016 Commission Subpoena was the Inquires of Management/Directors about the Risks of Fraud document for the 2014 IMMA Audit, which included the following inquiries designed to identify, *inter alia*, the

[114] *SEC v. McDiarmid et al.*, Case 2:17-cv-07201 (C.D. Cal.)
[115] *SEC v. McDiarmid et al.*, 2018 WL 6062313 (C.D. Cal. Nov. 19, 2018).

types of fraud schemes such as that which was employed by IMMA's founders to defraud the investing public:[116]

> "Are you aware of any actual fraud or suspicions of fraud affecting the company?
>
> Are you aware of any allegations of fraud or suspected fraud affecting the company?"[117]

3. Interestingly, the backdated Inquires of Management/Directors about the Risks of Fraud document purportedly solicited input solely from Kenneth Telford, a named defendant in the SEC injunctive action related to the IMMA "pump-and-dump" scheme, even though he was not a named officer or director of the company. [118] In fact, there were two named officers and directors of the company,[119] and PLS and Ms. Lee did not document any inquiries of these individuals, a deficiency which was also not identified by the listed EQR in the issuer information form, Mr. Park. PLS' and Ms. Lee's failure to complete this document and perform these procedures not only represents a failure to exercise due professional care as required by AU 230, it also undermined the integrity of the audit opinion on which IMMA's investors could rely.

[116] *See* Respondent Answers, ¶ 45, in which PLS and the Auditors admit that "… after PLS received the July 2016 Commission Subpoena on or around July 5, 2016, Juchi Lee prepared an audit form entitled "Inquiries of Management/Directors about the Risks of Fraud" for the IMMA 2014 audit. Juchi Lee admitted that she had searched the IMMA 2015 audit work papers for that audit's version of the same form; hand copied the responses from that version onto a blank form, which she then signed and backdated to make it look like it had been prepared in 2015; and produced the backdated form to the Commission along with the IMMA 2014 audit work papers."

[117] SEC-PLSCPA-P-0000370.

[118] *SEC v. McDiarmid et al.*, Case 2:17-cv-07201 (C.D. Cal.), Complaint filed September 29, 2017, at ¶ 2 and ¶ 41.

[119] Amber McCandless was appointed president, chief executive officer, chief financial officer, treasurer and director on July 13, 2012 and resigned as president, chief executive officer, chief financial officer and treasurer on October 28, 2014. Ms. McCandless resigned as a director on December 19, 2014. Julius De Vera was appointed president, chief executive officer, chief financial officer, treasurer and director on October 28, 2014. Interactive Multimedia Corporation Form 10-K for the period ended October 31, 2014, filed February 12, 2015, at 31.

4. And this is not PLS' nor the Auditors' only act, or lack thereof, that undermined the integrity of the audit opinion on which IMMA's investors could rely. Also among the documents PLS and each of the Auditors testified and admitted through their Respondent Answers to the OIP to have been backdated by Ms. Lee in anticipation of the July 2016 Commission Subpoena or the Inspection was the Engagement Acceptance and Continuance Form for the 2014 IMMA Audit,[120] which document set forth PLS' and Ms. Lee's procedures to comply with PCAOB Quality Control Standard Section 20, which states, in part:

> "Policies and procedures should be established for deciding whether to accept or continue a client relationship and whether to perform a specific engagement for that client. Such policies and procedures should provide the firm with reasonable assurance that the likelihood of association with a client whose management lacks integrity is minimized."[121]

5. The Engagement Acceptance and Continuance Form required the auditor to answer the following question:

> "Are there concerns about management's integrity, including the identity and business reputation of key management, related parties, the board of directors and the audit committee, or the risks associated with providing professional services?" [122]

PLS and Ms. Lee failed to complete this document, including answering this question , a deficiency which was also not identified by the listed EQR in the issuer information form, Mr. Park, until *over a year* after it issued its audit report over the financial statements included in the Form 10-K for the year ended October 31, 2014, which was later found to contain false and misleading

[120] *See* Ms. Lee Investigative Testimony, April 8, 2019, page 142, lines 3-12; *see also* the Respondent Answers, ¶ 46.
[121] PCAOB Quality Control Standard Section 20, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*, ¶ 14.
[122] SEC-PLSCPA-E-0119821, at 824.

statements to the investing public that contributed to IMMA's founders' scheme to profit by several millions of dollars off of its "pump-and-dump" scheme.[123] Indeed, PLS', Ms. Lee's and Mr. Park's failure to comply with PCAOB Rules and Auditing Standards had real consequences to the investing public.

6. Furthermore, Mr. Park testified that he suspected most of his clients, which presumably included IMMA for which Mr. Park was the EQR, were "blank check" companies, yet proceeded to sign off on audit reports because he has "got to make a living". Indeed, the SEC has publicly expressed that some blank check companies are attractive targets for unscrupulous individuals seeking reverse mergers with clean shells ripe for pump-and-dump schemes, and accordingly the federal securities laws impose various requirements on blank check companies to prevent such illicit use.[124]

> "[Q:] Do you know if any of your clients describe themselves as so-called blank check companies that just exist for the purpose of being acquired?
>
> [A:] That's my suspicion, yeah.
>
> [Q:] Oh. So do you ask questions from your clients to get at whether they might actually be blank check companies?
>
> [A:] I do.
>
> [Q:] And do you have any clients where they actually admitted they were a blank check company?
>
> [A:] No.
>
> [Q:] But you suspect most of them are?

[123] IMMA 2014 Engagement Acceptance and Continuance Form; SEC-PLSCPA-E-0119821 last modified July 21, 2016, which is almost 16 months after the 45-day deadline to complete audit documentation on March 29, 2015.

[124] "Blank check companies generally have no operations and no value other than their status as a registered entity, which makes them attractive targets for unscrupulous individuals seeking reverse mergers with clean shells ripe for pump-and-dump schemes. The federal securities laws impose various requirements on blank check companies to prevent such illicit use." SEC 2015-69 Press release, April 16, 2015.

[A:] Yeah.

[Q:] And you signed off on the audits anyway?

[A:] Well, you know -- that's a good question.

[Q:] Right. What's the answer?

[A:] Well, we ask for the -- you know, in the case of oil and gas, we ask for the lease paper, and they provide the lease. But deep down there, I suspect something. But they provide all the documents. What can I say? I got to make a living too."[125]

vi. In summary, due professional care in the context of an audit requires that the engagement partner know, at a minimum, the relevant professional auditing standards and states that the engagement partner is responsible for supervision of the members of the engagement team. By their own testimony, each of the Auditors either did not know and/or failed to apply the relevant professional auditing standards in connection with the Audits including at a minimum AS 3 and AS 7, and the evidence strongly indicates a lack of supervision over the audits conducted by PLS and each of the Auditors. Consequently, PLS and each of the Auditors did not exercise due professional care in connection with the Audits, as required by AU 230.

d. **PLS and each of the Auditors failed to comply with ethics standards, in violation of Rule 3500T.**

i. Introduction to Rule 3500T

1. In April 2003, the PCAOB adopted preexisting AICPA standards as its interim standards for public company audits. These standards included the AICPA's Code of Professional Conduct Rule 102 and interpretations and rulings thereunder, as in

[125] Mr. Park Investigative Testimony, April 11, 2019, page 177, lines 12-25, page 178, lines 1-8.

existence on April 16, 2003 (ET §§ 102 and 191), which was adopted as PCAOB Rule 3500T(a).[126]

2. Germane to the ethical standards underlying Rule 3500T are auditors' responsibilities to the public, to clients, and to colleagues, concepts also addressed in the AICPA Code of Professional Conduct. More specifically, the AICPA Code of Professional Conduct includes the following principles of professional conduct:

> Responsibilities. *"In carrying out their responsibilities as professionals, members should exercise sensitive professional and moral judgments in all their activities…* As professionals, certified public accountants perform an essential role in society. Consistent with that role, members of the American Institute of Certified Public Accountants have responsibilities to all those who use their professional services. Members also have a continuing responsibility to cooperate with each other to improve the art of accounting, maintain the public's confidence, and carry out the profession's special responsibilities for self-governance. The collective efforts of all members are required to maintain and enhance the traditions of the profession.[127]
>
> The Public Interest. *"Members should accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate commitment to professionalism.* A distinguishing mark of a profession is acceptance of its responsibility to the public. The accounting

[126] https://pcaobus.org/Standards/EI/Pages/default.aspx.
[127] AICPA Code of Professional Conduct, ET §§ 52

profession's public consists of clients, credit grantors, governments, employers, investors, the business and financial community, and others who rely on the objectivity and integrity of certified public accountants to maintain the orderly functioning of commerce. This reliance imposes a public interest responsibility on certified public accountants. The public interest is defined as the collective well-being of the community of people and institutions the profession serves…"[128]

Integrity. *To maintain and broaden public confidence, members should perform all professional responsibilities with the highest sense of integrity*. Integrity is an element of character fundamental to professional recognition. It is the quality from which the public trust derives and the benchmark against which a member must ultimately test all decisions. Integrity requires a member to be, among other things, honest and candid within the constraints of client confidentiality. Service and the public trust should not be subordinated to personal gain and advantage. Integrity can accommodate the inadvertent error and the honest difference of opinion; it cannot accommodate deceit or subordination of principle. Integrity is measured in terms of what is right and just. In the absence of specific rules, standards, or guidance, or in the face of conflicting opinions, a member should test decisions and deeds by asking: 'Am I doing what a person of integrity would do? Have I retained my integrity?' Integrity requires a member to observe both the form and the spirit of technical and

[128] AICPA Code of Professional Conduct, ET §§ 53.

ethical standards; circumvention of those standards constitutes subordination of judgment. Integrity also requires a member to observe the principles of objectivity and independence and of due care.[129]

3. As expressly provided under the AICPA's Code of Professional Conduct, auditors' professional responsibilities include cooperating with each other to improve the art of accounting, maintaining the public's confidence, and carrying out the profession's special responsibilities for self-governance. To be sure, deceit by an auditor that impedes the improvement of accountancy, the profession's responsibilities for self-governance, or otherwise diminishes the public's confidence would directly contradict the principles of professional conduct to which auditors are held accountable.

ii. The Requirements of Rule 3500T

1. Rule 3500T requires that, in connection with the preparation or issuance of any audit report, a registered public accounting firm, and its associated persons, shall comply with certain ethics standards.[130]

2. Among other things, compliance with these ethics standards requires that independent auditors should maintain integrity and should not knowingly misrepresent facts.[131] An auditor is considered to have knowingly misrepresented facts in violation of ethics standards when he or she signs, or permits or directs

[129] AICPA Code of Professional Conduct, ET §§ 54.
[130] Rule 3500T, where "ethics standards" are those described in the AICPA's Code of Professional Conduct Rule 102, and interpretations and rulings thereunder, as in existence on April 16, 2003 (AICPA Professional Standards, ET §§ 102 and 191 (AICPA 2002)), to the extent not superseded or amended by the Board.
[131] PCAOB ET Section 102 Integrity and Objectivity, ET 102.01.

another to sign, a document containing materially false and misleading information.[132]

iii. Each Of The Auditors Knowingly Misrepresented Facts During The Inspection In Violation Of The Ethics Standards Under Rule 3500T

1. Each of the Auditors testified that improperly created and/or altered audit documentation with respect to the Audits was created and/or altered well after the audit report issuance date to supplement the audit work papers in anticipation of the Inspection or the July 2016 Commission Subpoena. This audit documentation was provided to the PCAOB during the Inspection. By creating and/or altering audit documentation to supplement the audit work papers in anticipation of the Inspection or the July 2016 Commission Subpoena, PLS and each of the Auditors misrepresented the work actually performed and/or reviewed supporting the audit reports issued in connection with the Audits.

2. Furthermore, and as I discuss above, during April 2016 the PCAOB emailed PLS notifying PLS of the Inspection and required PLS to complete and return an "issuer information form", to which PLS and Mr. Park responded with a completed issuer information form listing, *inter alia*, the lead partner and EQR involved with the Audits.[133] Each of the Auditors testified that the issuer information form misrepresented EQR reviews that, in actuality, *never occurred* and that in certain instances the listed EQR in the issuer information form was

[132] PCAOB ET Section 102 Integrity and Objectivity, ET 102.02.
[133] See SEC-PLSCPA-E-0125250, at 255.

entirely unaware that she was the EQR with respect to certain of the Audits until preparing for the Inspection.

3. PLS and each of the Auditors misrepresented to the PCAOB what comprised the audit documentation supporting PLS' Audit reports and that EQR reviews occurred, when in fact they did not, in direct violation of Rule 3500T.

iv. In summary, PLS' and each of the Auditors' misrepresentations during the Inspection represent a significant failure to comply with ethics standards under Rule 3500T. Compliance with ethics standards is an integral obligation bestowed upon all those providing public audits and is fundamental to maintaining the public's trust in the provision of audit services, and the accounting profession as a whole, with which PLS and each of the Auditors failed to comply.

e. **PLS and each of the Auditors failed to cooperate with the PCAOB in the performance of its 2016 inspection, in violation of Rule 4006.**

i. Introduction To Rule 4006

1. On October 15, 2003, the PCAOB filed with the SEC proposed rules pursuant to Section 107 of the Act and Section 19(b) of the Securities Exchange Act of 1934, relating to inspections of registered public accounting firms. Notice of the proposed rules was published in the Federal Register on April 23, 2004.[134] Among these rules was Rule 4006.

[134] SEC Release No. 34-49787, File No. PCAOB-2003-08 (June 1, 2004).

2. Section 4 of the adopted rule, which includes Rule 4006, requires every registered public accounting firm to be subject to regular and special inspections as the PCAOB may from time-to-time conduct in order to assess the degree of compliance of each registered public accounting firm and associated persons of that firm with the Act, the PCAOB's Board's rules, the rules of the SEC, and professional standards, in connection with its performance of audits, issuance of audit reports, and related matters involving issuers.[135]

3. Oversight and enforcement of rules are important to any regulatory body, including the PCAOB. An inspection is designed to assess a firm's compliance with PCAOB standards and rules, and other applicable regulatory and professional requirements in the firm's system of quality control and in the portions of audits selected for inspection.[136]

4. To be sure, the PCAOB inspection process is one that is necessary not only for the PCAOB to carry out its fundamental mission to instill public confidence in public company financial reporting, but also a significant contributor to the improvement of the art of accountancy. It logically follows that the PCAOB would require cooperation with its inspections through Rule 4006.

ii. <u>The Requirements Of Rule 4006</u>

1. Rule 4006 requires that every registered public accounting firm, and every associated person of a registered public accounting firm, shall cooperate with the Board in the performance of any Board inspection. Cooperation includes

[135] PCAOB Rule 4000 General, ¶ (a).
[136] https://pcaobus.org/Inspections/Documents/2018-Inspections-Procedures.pdf. Last accessed on October 24, 2020.

complying with any request to provide information by oral interviews, written responses, or otherwise.[137]

iii. The PCAOB Emphasized Through The Issuance of Staff Audit Practice Alert No. 14 ("SAPA 14") During April 2016 That Improperly Altering Audit Documentation In Connection With A PCAOB Inspection Violates Rule 4006

1. SAPA 14 reinforced that the duty of a registered public accounting firm, and every associated person of a registered public accounting firm, to cooperate with inspectors pursuant to Rule 4006 includes an obligation *not* to provide improperly altered documents or misleading information in connection with the Board's inspection processes.[138]

2. Months prior to the Inspection of PLS, the PCAOB, through issuance of SAPA 14, highlighted that the Board had:

    a. Sanctioned firms and individuals for violating both their obligation to cooperate with Board inspections and AS 1215 (formerly AS 3), as a result of those firms and individuals improperly deleting, adding, or altering documentation in connection with an inspection.[139]

    b. Uncovered evidence of additional instances of similar misconduct, including evidence that registered firms and associated persons have

[137] PCAOB Rule 4006 states that "Every registered public accounting firm, and every associated person of a registered public accounting firm, shall cooperate with the Board in the performance of any Board inspection. Cooperation shall include, but is not limited to, cooperating and complying with any request, made in furtherance of the Board's authority and responsibilities under the Act, to - (a) provide access to, and the ability to copy, any record in the possession, custody, or control of such firm or person, and (b) provide information by oral interviews, written responses, or otherwise."
[138] SAPA 14, *Improper Alteration as a Violation of the Duty to Cooperate*, page 3.
[139] *Id.*, pages 3-4.

improperly deleted, added to, or altered audit documentation in connection with Board inspections, and then presented the altered documents to PCAOB inspectors without informing the inspectors of the alterations. In certain instances, evidence indicates that documents were created shortly in advance of, or during, an inspection, backdated, and then made available to PCAOB inspectors without any disclosure of when they were actually created.[140]

3. Indeed, SAPA 14 emphasized that improper alteration of audit documentation in connection with an inspection undermines the integrity of the Board's inspection processes and, as a result, impedes the Board's efforts to improve audit quality and fulfill its mission to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports.

4. SAPA 14 also set forth guidelines for auditors to reduce the risk of improper alteration of audit documentation in connection with a PCAOB inspection, which include that:

    a. Work papers are properly archived;

    b. Work papers, once archived, are not improperly altered; and

    c. The documentation provided to PCAOB inspectors for an audit is the originally-archived documentation for that audit (supplemented, as appropriate, in accordance with AS 1215).[141]

[140] *Id.*, page 4.
[141] *Id.*, page 4.

iv. PLS And Each Of The Auditors Provided Improperly Altered Documents And Misleading Information In Connection With The Inspection

1. As I discuss above, evidence demonstrates and each of the Auditors testified that audit documentation with respect to the Audits were created and/or altered in anticipation of the Inspection or the July 2016 Commission Subpoena. This audit documentation was provided to the PCAOB and included audit documentation of critical audit procedures that PLS and each of the Auditors represented they had performed, as well as the results of these procedures, to support the audit reports issued in connection with the Audits, without which the Audits could not have been conducted in accordance with PCAOB auditing standards as purported by PLS in its publicly issued audit opinions. Furthermore, PLS' and each of the Auditors' representations to the PCAOB of EQR reviews that *never actually occurred* and, in certain instances, that listed in the issuer information form an EQR that was *entirely unaware* that she even was the EQR is in my view a clear failure to cooperate with the PCAOB in the performance of its inspection.

v. It is my view that the misrepresentations, creation and backdating of audit documentation by PLS and each of the Auditors shortly in advance of the PCAOB's 2016 inspection, and the provision of such audit documentation to the PCAOB prior to or during its inspection, represents an egregious violation of Rule 4006. Indeed, months prior to committing these violations, PLS, each of the Auditors, and the accounting profession were put on notice through the PCAOB's release of SAPA 14 that:

"**Improper alteration of audit documentation** in connection with an inspection **undermines the integrity of the Board's inspection processes** and, as a result, **impedes the Board's efforts to improve audit quality and fulfill its mission to protect investors and further the public interest** in the preparation of informative, accurate, and independent audit reports."[142]

VII. OVERALL CONCLUSION

a. PLS and each of the Auditors created and/or altered audit documentation in anticipation of the Inspection or the July 2016 Commission Subpoena, failed to prepare or retain critical audit documentation required under PCAOB auditing standards, backdated audit documentation and provided that documentation to the PCAOB, misrepresented what comprised the audit documentation supporting PLS' Audit reports, and misrepresented EQR reviews that never actually occurred. In my view, PLS' and each of the Auditors' failures to comply with PCAOB auditing standards with respect to the Audits, and their actions to "cover up" those failures, represent egregious failures to comply with PCAOB rules and auditing standards including AS 3, AS 7, AU 230, Rule 3500T, and Rule 4006.

John P. Fiebig

November 10, 2020

[142] SAPA 14, *Improper Alteration as a Violation of the Duty to Cooperate*, page 4.

APPENDIX A

CURRICULUM VITAE OF JOHN P. FIEBIG

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John Fiebig, CPA

[redacted]., Southlake, TX [redacted] Phone: [redacted]
e-mail: [redacted] www.linkedin.com/in/johnfiebig

Experience

ADIGEO Consulting, LLC — 2019 – Present

President/Co-Founder

Responsible for overseeing all aspects of client service along all service lines, including PCAOB Inspection Support, Audit Quality Assessments, Evaluation and Remediation of a Firm's System of Quality Control, Training Development and Delivery, and Expert Consulting and Witness Services. Providing thoughtful and insightful solutions to regulatory and operating challenges, while drawing on over 30 years of experience in the public accounting industry, including as a senior leader in the PCAOB and as a Big 4 signing audit partner.

Professional Expert Experience

- Engaged by a regional accounting firm as an Independent Consultant approved by the PCAOB Division of Enforcement as part of a settled disciplinary order issued by the Board.
- Retained by counsel for a regional accounting firm to evaluate the firm's system of quality control and compliance with PCAOB standards.
- Retained by counsel for a regional accounting firm to provide consultation in connection with a PCAOB enforcement proceeding.
- Retained by counsel for a regional accounting firm to review audit work, interview personnel, and assist with the development of a presentation for the Division of Enforcement at the PCAOB on a matter related to the appropriate application of PCAOB auditing standards.
- Retained by counsel for a regional accounting firm to investigate audit work performed, assist in witness preparation and develop an expert report in a matter before the Division of Enforcement at the PCAOB.
- Retained by a national accounting firm to evaluate its remedial actions taken in response to system of quality control deficiencies included in the PCAOB's inspection report.
- Retained by a non-U.S. accounting firm to assist in the development of responses to PCAOB inspection comments and to provide consultation related to SEC and PCAOB independence matters.
- Retained by numerous regional accounting firms to assess compliance with PCAOB standards.
- Retained by a numerous accounting firms to support their preparation for a PCAOB inspection and the development of responses to PCAOB inspection comments and inspection report findings.
- Developed and delivered numerous training courses to PCAOB registered accounting firms regarding the application of PCAOB standards and independence rules.

Public Company Accounting Oversight Board — 2004 – 2018

Senior Deputy Director, Division of Registration and Inspections ("DRI")

- **2016 – 2018 – Program Leader of the Global Network Firm Program ("GNF")** responsible for overseeing all aspects of the inspections of the six largest domestic registered accounting firms and their non-U.S. affiliates, including planning, issuer inspections, report writing, root cause analysis,

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and remediation. Led a total of approximately 300 inspectors, including information systems inspectors. Key liaison with PCAOB Board Members and their staff and the leaders and staff of all other offices and divisions within the PCAOB. In 2017, the GNF program inspected over 400 audits performed by 54 GNF firms, including the six largest U.S firms and 48 non-U.S. firms.

- **2014 to 2016 – Leader of People Matters Group** responsible for overseeing all recruiting, training, performance management, compensation, and other human resources topics for the Inspections division, which consisted of approximately 500 inspectors.
- **2014 to 2016 – GNF National Office Consultations Leader** responsible for all accounting and auditing consultations for the GNF program. Primary liaison with the SEC Office of Chief Accountant for accounting related consultations and with the PCAOB Office of the Chief Auditor for consultations related to auditing. Attended the FASB/IASB Revenue Recognition Transition Resource Group meetings in order to lead the inspections approach to the implementation of ASC 606.
- **2013 to 2017** – Presented to up to 500 participants at numerous accounting conferences and university events as a PCAOB DRI representative, including conferences sponsored by the AICPA and the American Accounting Association.
- **2011 to 2013 and 2017 to 2018 - Global Team Leader** responsible for all aspects of the inspections of a U.S. global network firm and its non-U.S. affiliates. Key driver in the creation and implementation of the Global Network Firm Program.
- **2007 to 2011 - U.S. Team Leader** responsible for all aspects of the inspection of a U.S. global network firm. Active in the creation and implementation of numerous initiatives, including Flexible Inspection Teams and the Firm Management and Monitoring process, which is the GNF's approach to inspecting a firm's system of quality control.
- **2007 to 2016 – Regional Leader for the Southwest Region of the PCAOB**. Led the Dallas office for the entire period. Opened the Houston office in 2009. Served as the interim regional leader for the Denver office in 2015. Responsible for recruiting, performance management, HR matters, and compensation for all employees in the region. Directly supervised 50-90 employees as a regional leader.
- **2004 to 2007 - Associate Director** – Led inspections of audits performed by global network firms (both domestic and non-U.S.)

Ernst & Young LLP; Arthur Andersen LLP — 2002 – 2004; 1987 – 2002

Audit Partner; Senior Audit Manager

- Coordinating Partner responsible for all phases of audits for public and private companies ranging from start-ups to large public companies in the oil and gas, telecommunications, aerospace and defense, and service industries
- Significant SEC compliance and reporting experience. Led teams working on initial public offerings of both debt and equity. Supervised multiple private placements under rule 144a, including the subsequent SEC registrations.
- Performed interoffice practice reviews in Warsaw, Poland and Bangkok, Thailand. Assisted European U.S. GAAP and SEC Professional Standards Group on numerous SEC offering transactions for foreign SEC registrants.

John Fiebig, CPA

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- Contributed to the development of a computer-based technical research tool for the U.S. Professional Standards Group. Led numerous courses related to audits of internal control over financial reporting, addressing fraud risk, and advanced risk-based audit techniques to a wide range of professionals including partners through senior level staff.
- Coordinated office recruiting efforts at Oklahoma State University, resulting in a 75% acceptance rate of the offers extended during a five-year period.

Education

Oklahoma State University

Bachelor of Science - Accounting

Awards

2016 - Inducted into the Oklahoma State University School of Accounting Wilton T. Anderson Hall of Fame

APPENDIX B

DOCUMENTS AND OTHER INFORMATION CONSIDERED

I. Documents Provided By Counsel

1. Corrected 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 And Notice Of Hearing, filed April 24, 2020.

2. Respondent Answers to SEC Order, filed May 15, 2020.

3. Letters Dated December 6, 2019 Re: In the Matter of PLS, CPA, A Professional Corporation (LA-4927) to Each PLS, Mr. Park, Mr. Lee, and Ms. Lee.

4. PCAOB Inspection Comment Forms and PLS' responses to the Issues Sections of the PCAOB Comment Forms Dated November 11, 2016. *See* below.

	Description	Bates Beginning	Bates Ending
a.	PCAOB Inspection Comment Forms	SEC-EPROD-000016925	SEC-EPROD-000016955
b.	PLS' responses to PCAOB Comment Forms (IMK-01)	SEC-EPROD-000048173	SEC-EPROD-000048177
c.	PLS' responses to PCAOB Comment Forms (IMK-02)	SEC-EPROD-000048253	SEC-EPROD-000048256
d.	PLS' responses to PCAOB Comment Forms (QC-01)	SEC-EPROD-000048257	SEC-EPROD-000048259
e.	PLS' responses to PCAOB Comment Forms (QC-03)	SEC-EPROD-000048249	SEC-EPROD-000048250
f.	PLS' responses to PCAOB Comment Forms (QC-04)	SEC-EPROD-000048246	SEC-EPROD-000048248
g.	PLS' responses to PCAOB Comment Forms (QC-05)	SEC-EPROD-000048263	SEC-EPROD-000048265
h.	PLS' responses to PCAOB Comment Forms (RTI-01)	SEC-EPROD-000048237	SEC-EPROD-000048240
i.	PLS' responses to PCAOB Comment Forms (RTI-02)	SEC-EPROD-000048269	SEC-EPROD-000048271
j.	PLS' responses to PCAOB Comment Forms (TSI-01)	SEC-EPROD-000048213	SEC-EPROD-000048214
k.	PLS' responses to PCAOB Comment Forms (TSI-02)	SEC-EPROD-000048210	SEC-EPROD-000048212

	Description	Bates Beginning	Bates Ending
l.	PLS' responses to PCAOB Comment Forms (TSI-03)	SEC-EPROD-000048215	SEC-EPROD-000048217

5. Audit documentation. *See* below.

	Description	Bates Beginning	Bates Ending
a.	Inquiries of Management/Directors about the Risks of Fraud	SEC-PLSCPA-P-0000370	SEC-PLSCPA-P-0000370
b.	IMMA Understanding the Company and Identifying Risks	SEC-EPROD-000123813	SEC-EPROD-000123821
c.	IMK Audit Program for Cash	SEC-EPROD-000004579	SEC-EPROD-000004582
d.	IMK Audit Program for General Auditing and Comp. Proc.	SEC-EPROD-000017436	SEC-EPROD-000017449
e.	IMK Audit Documentation Checklist	SEC-EPROD-000032428	SEC-EPROD-000032433
f.	IMK Supervision, Review, and Approval Form	SEC-EPROD-000004592	SEC-EPROD-000004598
g.	RTDK Audit Documentation Checklist	SEC-EPROD-000009066	SEC-EPROD-000009071
h.	RTDK Audit Program for General Auditing and Comp. Proc.	SEC-EPROD-000023448	SEC-EPROD-000023461
i.	RTDK Client Information and Business Risks Form	SEC-EPROD-000023977	SEC-EPROD-000023987
j.	RTDK Risk Assessment Summary Form	SEC-EPROD-000024047	SEC-EPROD-000024056
k.	TSOI Audit Documentation Checklist	SEC-EPROD-000011993	SEC-EPROD-000011998
l.	TSOI Engagement Completion Document	SEC-EPROD-000057683	SEC-EPROD-000057686
m.	TSOI Understanding the Company and Identifying Risks	SEC-EPROD-000013504	SEC-EPROD-000013515

II. Witness Testimony and Referenced Exhibits

1. Witness Testimony of Ju-Chi (Sue) Lee, Joseph Yong Yun Lee, and Chang G. Park dated April 8, 2019, April 9, 2019, and April 11, 2019, respectively, and referenced Exhibits. *See* below.

	Description	Bates Beginning	Bates Ending
a.	Witness Testimony Exhibit 6	SEC-PLSCPA-E-0062873	SEC-PLSCPA-E-0062875
b.	Witness Testimony Exhibit 7	SEC-PLSCPA-E-0125250	SEC-PLSCPA-E-0125255
c.	Witness Testimony Exhibit 8	SEC-PLSCPA-E-0125255	SEC-PLSCPA-E-0125255
d.	Witness Testimony Exhibit 9	SEC-PLSCPA-E-0080499	SEC-PLSCPA-E-0080501
e.	Witness Testimony Exhibit 10	SEC-PLSCPA-E-0063808	SEC-PLSCPA-E-0063809

	Description	Bates Beginning	Bates Ending
f.	Witness Testimony Exhibit 11	SEC-PLSCPA-E-0119821	SEC-PLSCPA-E-0119826
g.	Witness Testimony Exhibit 12	SEC-PLSCPA-E-0079898	SEC-PLSCPA-E-0079906
h.	Witness Testimony Exhibit 13	SEC-PLSCPA-E-0079898	SEC-PLSCPA-E-0079916
i.	Witness Testimony Exhibit 14	SEC-PLSCPA-E-0100802	SEC-PLSCPA-E-0100808
j.	Witness Testimony Exhibit 15	SEC-PLSCPA-E-0100833	SEC-PLSCPA-E-0100837
k.	Witness Testimony Exhibit 16	SEC-PLSCPA-E-0082591	SEC-PLSCPA-E-0082603
l.	Witness Testimony Exhibit 17	SEC-PLSCPA-E-0100864	SEC-PLSCPA-E-0100871
m.	Witness Testimony Exhibit 18	SEC-PLSCPA-E-0050121	SEC-PLSCPA-E-0050125
n.	Witness Testimony Exhibit 19	SEC-PLSCPA-E-0037375	SEC-PLSCPA-E-0037386
o.	Witness Testimony Exhibit 20	SEC-PLSCPA-E-0053725	SEC-PLSCPA-E-0053732
p.	Witness Testimony Exhibit 21	SEC-PLSCPA-E-0013555	SEC-PLSCPA-E-0013559
q.	Witness Testimony Exhibit 24	SEC-PLSCPA-E-0018057	SEC-PLSCPA-E-0018057
r.	Witness Testimony Exhibit 25	SEC-PLSCPA-E-0028414	SEC-PLSCPA-E-0028420
s.	Witness Testimony Exhibit 26	SEC-PLSCPA-E-0044841	SEC-PLSCPA-E-0044852
t.	Witness Testimony Exhibit 27	SEC-PLSCPA-E-0022414	SEC-PLSCPA-E-0022420
u.	Witness Testimony Exhibit 28	SEC-PLSCPA-E-0018046	SEC-PLSCPA-E-0018051
v.	Witness Testimony Exhibit 29	SEC-PLSCPA-E-0008007	SEC-PLSCPA-E-0008021
w.	Witness Testimony Exhibit 30	SEC-PLSCPA-E-0050115	SEC-PLSCPA-E-0050121
x.	Witness Testimony Exhibit 31	SEC-PLSCPA-E-0050121	SEC-PLSCPA-E-0050125
y.	Witness Testimony Exhibit 32	SEC-PLSCPA-E-0034183	SEC-PLSCPA-E-0034190
z.	Witness Testimony Exhibit 33	SEC-PLSCPA-E-0014252	SEC-PLSCPA-E-0014317
za.	Witness Testimony Exhibit 34	N/A	N/A
zb.	Witness Testimony Exhibit 37	PLSCPA00939	PLSCPA00943
zc.	Witness Testimony Exhibit 38	SEC-PLSCPA-E-0082688	SEC-PLSCPA-E-0082692

III. Publicly Available PCAOB Rules and Auditing Standards, Guidance, and Interpretations

1. PCAOB Auditing Standard No. 3, *Audit Documentation.*

2. PCAOB Release No. 2004-006, *Audit Documentation And Amendment To Interim Auditing Standards*, June 9, 2004.

3. PCAOB Auditing Standard No. 7, *Engagement Quality Review.*

4. PCAOB Auditing Standard No. 9, *Audit Planning.*

5. PCAOB Auditing Standard No. 10, *Supervision of an Audit Engagement.*

6. PCAOB Auditing Standard No. 12, *Identifying and Assessing Risks of Material Misstatement.*

7. PCAOB Auditing Standard No. 13, *The Auditor's Responses to the Risks of Material Misstatement.*

8. PCAOB Auditing Standard No. 15, *Audit Evidence.*

9. AU Section 230, *Due Professional Care in the Performance of Work.*

10. PCAOB Staff Audit Practice Alert No. 14, *Improper Alteration of Audit Documentation.*

11. PCAOB ET Section 102, *Integrity and Objectivity.*

12. PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards.*

13. PCAOB Rule 3101, *Certain Terms Used in Auditing and Related Professional Practice Standards.*

14. PCAOB Rule 3200, *Auditing Standards.*

15. PCAOB Rule 3500T, *Interim Ethics and Independence Standards.*

16. PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations.*

17. PCAOB Rule 4006, *Duty to Cooperate With Inspectors.*

18. PCAOB Quality Control Standard Section 20, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice.*

19. PCAOB ET Section 100, *Independence, Integrity, and Objectivity*.

20. PCAOB Speeches & Statements, *Restoring Public Confidence*, September 15, 2003, Daniel L. Goelzer, PCAOB Board Member.

21. PCAOB Speeches & Statements, *Testimony Concerning the PCAOB*, September 23, 2003, William J. McDonough, Chairman.

22. PCAOB Release No. 2009-004, *Engagement Quality Review And Conforming Amendment To The Board's Interim Quality Control Standards,* July 28, 2009.

23. PCAOB Rule 4000 – Rule 4020T, Section 4. *Inspections*.

24. PCAOB Speeches & Statements, *Statement on Consideration of Proposing an Auditing Standard on Engagement Quality Review*, February 26, 2008, Daniel L. Goelzer, PCAOB Board Member.

25. PCAOB Speeches & Statements, *Statement on Auditing Standard No. 7: Engagement Quality Review*, July 28, 2008, Daniel L. Goelzer, PCAOB Board Member.

IV. Publicly Available Annual Reports Associated With The Audits

1. Interactive Multi-Media Auction Corporation (IMMA) Fiscal Year Ended October 31, 2014 and October 31, 2015 Form 10-K Filed On February 12, 2015 and February 10, 2016, respectively.

2. IMK Group, Inc. (IMKG) Fiscal Year Ended February 28, 2015 Form 10-K Filed On July 29, 2015.

3. RadTek, Inc. (RDTK) Fiscal Year Ended December 31, 2015 Form 10-K Filed On April 27, 2016.

4. Therapeutic Solutions International, Inc. (TSOI) Fiscal Year Ended December 31, 2014 Form 10-K Filed On June 15, 2016.

V. Other Publicly Available Information

1. Sarbanes-Oxley Act of 2002.

2. PCAOB Release No. 104-2018-009A, Report on 2016 Inspection of PLS CPA A Professional Corporation, October 30, 2017, expanded to include portions of Part II of the full report that were not included in PCAOB Release No. 104-2018-009.

3. Court documents related to *SEC v. McDiarmid et al.*, Case 2:17-cv-07201, including: Complaint, filed September 28, 2017; Plaintiff Securities and Exchange Commission's Notice of Motion and Motion for Default Judgment Against Defendant Interactive Multi-Media Auction Corp. (Aka Stop Sleep Go Inc.), filed May 1, 2018; and Judgment of Default Against Defendant Jason McDiarmid, filed October 25, 2018.

4. SEC Press Release 2015-69, Released April 16, 2015, *SEC Charges 10 Individuals in Scheme to Sell Stock in Blank Check Companies Secretly Bound for Reverse Mergers.*

5. SEC Release No. 34-49787, *PCAOB Rulemaking: Public Company Accounting Oversight Board; Order Approving Proposed Rules Relating to Inspections of Registered Public Accounting Firms*, June 1, 2004.

6. AICPA Code of Professional Conduct and Bylaws, as of June 1, 2011.

APPENDIX C

ISSUER OVERVIEW

Issuer Name	Year End	Revenue	Net Income (Loss)	Total Assets	Total Equity (Deficit)
Interactive Multi-Media Auction Corporation	October 31, 2014	$0	($29,773)	$0	($75,465)
	October 31, 2015	$0	($38,458)	$5,886	($113,923)
IMK Group, Inc.	February 28, 2015	$52,099	($109,806)	$891,331	$449,980
RadTek, Inc.	December 31, 2015	$459,929	($822,324)	$1,455,954	($1,620,848)
Therapeutic Solutions International, Inc.	December 31, 2014	$0	($288,750)	$201,217	($131,288)

All amounts in USD and derived from each respective issuer's publicly available Form 10-K.

APPENDIX D

LISTING OF ALTERED OR SUBSEQUENTLY CREATED AUDIT DOCUMENTATION

Issuer Name	Year End	Audit Report Date	45 Day Deadline	Audit Documentation	Bates Beg.	Created	Last Modified	Created	Modified
Interactive Multi-Media Auction Corporation	October 31, 2014	February 12, 2015[1]	March 29, 2015	Engagement Acceptance and Continuance Form	SEC-PLSCPA-E-0119821	July 21, 2016	July 21, 2016	X	X
				Understanding the Company and Identifying Risks	SEC-PLSCPA-E-0079898	June 22, 2016	July 21, 2016	X	X
				Inquiries of Management/Directors about the Risks of Fraud	SEC-PLSCPA-P-0000370	[3]	[3]	X	X
	October 31, 2015	February 10, 2016	March 26, 2016	Engagement Completion Document	SEC-PLSCPA-E-0082688	July 27, 2016	July 27, 2016	X	X
				Audit Program for General Planning Procedures	SEC-PLSCPA-E-0100802	November 11, 2014	July 26, 2016	[4]	X
				Engagement Acceptance and Continuance Form	SEC-PLSCPA-E-0100833	November 11, 2014	July 26, 2016	[4]	X
				Understanding the Company and Identifying Risks	SEC-EPROD-000123813	July 21, 2016	July 26, 2016	X	X
				Risk Assessment Summary Form	SEC-PLSCPA-E-0082591	September 12, 2016	September 12, 2016	X	X
				Supervision, Review, and Approval form	SEC-PLSCPA-E-0100864	November 11, 2014	July 27, 2016	[4]	X
IMK Group, Inc.	February 28, 2015	July 29, 2015	September 12, 2015	Engagement Completion Document	SEC-PLSCPA-E-0013555	October 12, 2016	October 13, 2016	X	X
				Audit Program for General Planning Procedures	SEC-PLSCPA-E-0028414	October 12, 2016	October 12, 2016	X	X
				Risk Assessment Summary Form	SEC-PLSCPA-E-0044841	October 14, 2016	October 14, 2016	X	X
				Audit Program for Cash	SEC-EPROD-000004579	October 14, 2016	October 14, 2016	X	X
				Audit Program for General Auditing and Completion Procedures	SEC-EPROD-000017436	October 13, 2016	October 13, 2016	X	X
				Audit Documentation Checklist	SEC-EPROD-000032428	October 13, 2016	October 13, 2016	X	X
				Supervision, Review, and Approval Form	SEC-EPROD-000004592	October 13, 2016	October 13, 2016	X	X
RadTek, Inc.	December 31, 2015	April 27, 2016 [2]	June 11, 2016 [2]	Audit Program for General Planning Procedures	SEC-PLSCPA-E-0050115	October 18, 2016	October 18, 2016	X	X
				Engagement Completion Document	SEC-PLSCPA-E-0050121	October 19, 2016	October 19, 2016	X	X
				Supervision Review and Approval Form	SEC-PLSCPA-E-0034183	October 19, 2016	October 19, 2016	X	X
				Audit Documentation Checklist	SEC-EPROD-000009066	October 19, 2016	October 19, 2016	X	X

				Audit Program for General Auditing and Completion Procedures	SEC-EPROD-000023448	October 19, 2016	October 19, 2016	X	X
				Client Information and Business Risks Form	SEC-EPROD-000023977	October 20, 2016	October 20, 2016	X	X
				Risk Assessment Summary Form	SEC-EPROD-000024047	September 29, 2016	September 29, 2016	X	X
Therapeutic Solutions International, Inc.	December 31, 2014	June 15, 2016	July 30, 2016	Risk Assessment Summary Form	SEC-PLSCPA-E-0037375	October 24, 2016	November 1, 2016	X	X
				Supervision, Review, and Approval form	SEC-PLSCPA-E-0053725	October 31, 2016	November 1, 2016	X	X
				Audit Program for General Planning Procedures	SEC-PLSCPA-E-0022414	October 24, 2016	November 1, 2016	X	X
				Audit Documentation Checklist	SEC-EPROD-000011993	October 31, 2016	November 1, 2016	X	X
				Engagement Completion Document	SEC-EPROD-000057683	October 31, 2016	November 1, 2016	X	X
				Understanding the Company and Identifying Risks	SEC-EPROD-000013504	October 27, 2016	October 31, 2016	X	X
				General Auditing and Completion Procedures	SEC-PLSCPA-E-0008007	October 31, 2016	November 1, 2016	X	X

[1] The audit report date in IMMA's fiscal year 2014 Form 10-K SEC filing is February 12, 2014, for the October 31, 2014 audit, presumed to be in error *(i.e.*, date should presumably be February 12, 2015). *See* 10-K filing pg. F-1.

[2] RDTK filed an amended Form 10-K for its fiscal year 2015 on August 24, 2016. The Amended RDTK Form 10-K included a PLS audit report that was amended as to one note to the consolidated financial statements only; that report was dual dated related to the one note for August 22, 2016. The applicable documentation completion date was October 6, 2016.

[3] The Respondent Answers, ¶ 45, PLS and each of the Auditors admitted that "… after PLS received the July 2016 Commission Subpoena on or around July 5, 2016, Juchi Lee prepared an audit form entitled "Inquiries of Management/Directors about the Risks of Fraud" for the IMMA 2014 audit. Juchi Lee admitted that she had searched the IMMA 2015 audit work papers for that audit's version of the same form; hand copied the responses from that version onto a blank form, which she then signed and backdated to make it look like it had been prepared in 2015; and produced the backdated form to the Commission along with the IMMA 2014 audit work papers."

[4] Auditor testimony indicates that the created date of November 11, 2014 reflects the original creation date of the document by PPC, a third-party vendor providing audit tools, software, and work paper templates to which PLS subscribes for purposes of completing audit documentation associated with its audits. *See*, for example, Ms. Lee's testimony at page 156, line 25, and page 157, lines 1-8, and Mr. Park's testimony at page 56, lines 21-25 and page 57, lines 1-25, page 58, lines 1-12. In each case, Auditor testimony indicates that the respective audit documentation was created and/or altered on or around the Last Modified Date in anticipation of the July 2016 Commission Subpoena or the Inspection.

[X] Created/Modified Date subsequent to 45-day Documentation Completion Date.