

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE
COMMISSION

Admin. Proc. File No. 3-21841

In the Matter of the Application of

**Ahmed Mohidin and George
Weinbaum**

For Review of Action Taken by PCAOB

**BRIEF OF AHMED MOHIDIN IN RESPONSE TO PCAOB'S
OPPOSITION TO APPLICATION FOR COMMISSION REVIEW**

June 4, 2024

Summary:

The PCAOB keeps repeating itself like a broken record. The PCAOB did **not** answer any of my or Weinbaum's questions on statute of limitations (SOL). It keeps talking about my participation in audits based on a few emails despite knowing and acknowledging I had no access to any audit binder or any audit work paper. The PCAOB also keeps repeating the Christopher Andersen (CA) case was not adjudicated, therefore, our sanctions are different ignoring the fact if I had the same deal as CA, I would have accepted it. The PCAOB keeps ignoring the fact that CA was a salaried director during his bar at Deloitte & Touche which was a violation of Section 2(a)(9) of the Sarbanes-Oxley Act of 2002.

Details:

Under Section 19(d)(2) of 15 USC 78s(d)(2) and SEC Rule 440. Ahmed Mohidin (Mohidin) asks the SEC to review and reverse the Public Company Accounting Oversight Board's (PCAOB) December 20, 2023 order sanctioning me, received by counsel January 5, 2024.

The errors of law include: misapplication of facts, reversing the burden of production, creating ex post facto law, ignoring PCAOB precedent and running the statute of limitations (SOL).

- Case 105-2019-007 began June 8, 2018, 71 months ago, when the firm (MJF & Associates, APC, MJF) and Mr. George Weinbaum (Weinbaum), an MJF partner received letters from Craig Seigel, then of the PCAOB. This initiated the PCAOB Division of Enforcement & Investigation (DEI) informal investigation of the restatement of Adamant DRI Processing, Inc's financial statements as of and for the year ended December 31, 2016. The DEI asked for MJF's audit work papers for 2017, 2016 and 2015. The DEI looked at work papers for over six months and found nothing wrong with any Adamant audit. The DEI then abandoned the restatement issue and changed the investigation to look for potential violation of my bar when it found a few emails from me during the bar period. The DEI then focused on e-mails that were not part of any audit. The emails contained questions MJF's staff persons asked me which I responded to. That was my "crime" and perhaps I should have ignored them. My intention was not to participate in any audit and I had no access to any audit work paper binder during my bar period. The PCAOB's DEI claimed I participated in audits and states on page 6 of PCAOB Order No. 105-2019-007 dated March 7, 2023:

"According to the Initial Decision, Mohidin violated the Bar Order in relation to these issuers by:

- Reviewing work papers for issuer audits and forwarding substantive comments to the engagement team members
- Reviewing drafts of issuers clients' filings with the SEC, raising substantive questions about language in those documents with engagement team members, and suggesting specific revisions to those documents before they were filed with the SEC.

- Discussing substantive issues related to significant audit areas with engagement team personnel; and
- Communicating directly with issuer client personnel about substantive accounting questions and how certain issues should be addressed in the clients' financial statements before they were filed with the SEC.

“

However, I did not prepare, sign-off or review any document in any MJF audit binder. Under PCAOB rules, if a work paper is not in the audit binder or not signed off, it is presumed not to exist. The emails which the PCAOB used to support its case of “participating in audits” are few and not part of any audit binder. In addition, Weinbaum, was the engagement partner on all the clients. Weinbaum signed off on the audit reports as the partner and was not influenced by me or any other person.

In addition, I received no compensation from MJF on any issuer client during the bar period. The PCAOB looked at MJF's bank statements and related financial analysis and found no evidence I received anything.

Compare what I did to CA during his bar period (PCAOB Release No. 105-2013-008 dated October 22, 2013.) CA's actions if not more serious than mine were at least equal and therefore, my sanctions should be no greater than his. CA got: no fine, bar or suspension. The PCAOB should bear the burden to explain why I was treated differently than CA. Why was I not offered CA's “deal”? Is this because the PCAOB favors Big 4 CPA firms and their personnel over all others?

For CA's activities during his suspension period, see paragraphs 18-33 of PCAOB Release No. 105-2013-008. CA was a salaried director at Deloitte & Touche (D&T) during his bar. Being compensated by D&T violated his bar order.

The PCAOB stated CA's case was not adjudicated. If the PCAOB made me the same sanction offer as CA, which was no bar or fine, I would have accepted it. The PCAOB also claims it currently increased its sanctions since the CA's case was concluded. Case law does not allow this as was stated in: *Peugh v. United States* 133 S. Ct. 2072 (2013).

Held: The Constitution's Ex Post Facto Clause prohibits courts from sentencing a defendant based on guidelines promulgated after he committed his crimes, when the new guidelines provide a higher sentencing range than the version in place at the time of the offense, page 2077. This concept should apply to the PCAOB too. Or will the PCAOB admit it has no "guidelines" and its "sentences" are arbitrary.

On page 11 of order No. 105-2019-007, the PCAOB claims it never offered me a \$20,000 fine in its initial offer of settlement. My attorney Mr. Robert Cox of Briglia Hundley, P.C. told me this. I countered with an automatic lifting of the bar after two years without filing a petition, which the PCAOB refused. This SEC should investigated this. I previously sent you my attorney's Mr. Robert Cox's email to support my position. Please see Robert Cox's email on this subject which was sent to the SEC and the PCAOB on January 26, 2024. In addition, what was the PCAOB's basis of increasing the fine from \$20,000 to \$175,000 and a 2-year bar to lifetime? Is this the law of the jungle or the PCAOB has taken cues from the Pakistani military establishment which jailed the most popular political leader, stole the elections by arbitrarily declaring their own candidate a winner on some seats and sold some to the highest bidder.

Statute of limitation (SOL). The SOL has passed. The PCAOB claims the SOL time lapsed and I forfeited it. How could I invoke the SOL before the five-year SOL ran out? What triggering event begins the SOL? When should I have first asserted this? On what basis does the PCAOB claim it has more rights than the SEC? In *SEC vs Brian Sewell...*, No. 1:24-cv-00137-UNA, filed February 2, 2024, the SEC requested tolling of the SOL. The PCAOB keeps repeating itself without any substantive response to my questions above. The DC circuit court said of the PCAOB "repetition is not logic" in *Laccetti v. SEC*, 885 F.3d 724, 728 (D.C. Cir., 2018).

- Also see *Gabelli vs SEC* 133 S. Ct. 1216 (2013): In 2008, the SEC sought civil penalties from petitioners Alpert and Gabelli. The complaint alleged they aided and abetted investment adviser fraud from 1999 until 2002. Petitioners moved to dismiss, arguing in part that the civil penalty claim was untimely. Invoking the five-year SOL in 28 USC § 2462, they pointed out the complaint alleged illegal activity until August 2002 but was not filed until April 2008. The District Court agreed and dismissed the civil penalty claim as time barred. The Second Circuit reversed, accepting the SEC's argument that because the underlying violations sounded in fraud, the "discovery rule" applied, meaning the SOL did not begin to run until the SEC discovered or reasonably could have discovered the fraud.

Held: The five-year clock in 28 USC § 2462 begins to tick when the fraud occurs, not when it is discovered. Pp. 1220-1224. Neither I, MJF, Miguel Figueroa or Weinbaum was accused by the PCAOB of committing any fraud.

Kokesh vs SEC 137 S. Ct. 1635 (2017): In 2009, the SEC brought an enforcement action, alleging that petitioner Charles Kokesh violated various securities laws by concealing the misappropriation of \$34.9 million from four business-development companies from 1995 to 2009. The Commission sought monetary civil penalties, disgorgement, and an injunction barring Kokesh from future violations. After a jury found that Kokesh's actions violated several securities laws, the District Court determined 28 USC § 2462's 5-year limitations period applied to the monetary civil penalties. With respect to the \$34.9 million disgorgement judgment, however, the court concluded 28 USC § 2462 did not apply because disgorgement is not a "penalty" within the meaning of the statute. The Tenth Circuit affirmed, holding that disgorgement was neither a penalty nor a forfeiture.

Held: Because SEC disgorgement operates as a penalty under 28 USC § 2462, any claim for disgorgement in an SEC enforcement action must be commenced within five years of the date

the claim accrued. Pp. 1641-1645. "A 5-year statute of limitations applies to any 'action, suit or proceeding for the enforcement of any civil fine, penalty, or forfeiture, pecuniary or otherwise', 1639. "As to the civil monetary penalties, the District Court determined that § 2462's 5-year limitations period precluded any penalties for misappropriation occurring prior to October 27, 2004-that is five years prior to the date the Commission filed the complaint Statutes of limitations 'set a fixed date when exposure to the specified Government enforcement efforts ends" 1641.

US v. Core Laboratories, Inc. 759 F. 2d 480 (5th Cir.,1985). The gist is: It is intended the general 5-year limitation imposed by § 2462 of title 28 shall govern. Under that section, the time is reckoned from the commission of the act giving rise to the liability, and not from the time of imposition of the penalty, and it is applicable to administrative as well as judicial proceedings. In SEC vs, Marian P Young, Fifth Circuit case No. 23-20179, the petitioner reply in support of her writ of mandamus to the SEC, "It is irrelevant whether SEC commenced its administrative prosecution of Petitioners within five years of their alleged violations. To collect any penalties SEC might impose at this point, the agency would need to timely file a new proceeding in a federal district court to enforce those penalties. ... That five-year deadline expired many years ago", *Reply*, 6, footnote 3. My case, it expired eleven months ago. The SEC apparently abandoned its case against Ms. Young in June 2023.

Article III Court Requirement: For Actions taken by the PCAOB, particularly in administrative proceedings, the SOL is relevant. Actions taken solely within the PCAOB's administrative hearings do not count towards satisfying the statute of limitations unless a case has been filed in an Article III court.

. Therefore, the SOL applies, and the cases are time barred.

- The PCAOB Claims Applicants are not likely to succeed-

My case has merit as I did not prepare, sign-off or review any documents in MJF's audit binders. Under PCAOB rules, if a work paper is not in the audit binder or not signed off, it is presumed not to exist. The emails which the PCAOB used to support its case of "participating in audits" are few and not part of any audit binder. In addition, I had no access to any audit binder. Weinbaum, was the engagement partner on all the clients. Weinbaum signed off on the audit reports as the partner and was not influenced by me or any other person.

In addition, I received no compensation from MJF from any issuer client during the bar period. The PCAOB looked at MJF's bank statements and related financial analysis and found no evidence I received anything.

- The PCAOB Claims Applicant will not suffer irreparable injury- The PCAOB already informed the California State Board of Accountancy (CBA) about its Order 105-2019-007. CBA piggybacks on PCAOB's order and imposes sanctions because of which I will not be able to practice public accounting for the rest of my life thus depriving me of my livelihood. The CBA did not react yet as it waits for the final disposition of the PCAOB's order and result of my Appeal to the SEC. If the PCAOB counsels are disbarred, won't they suffer irreparable harm? The PCAOB claims lifting the stay will cause me no "irreparable injury" is absurd!

Will the PCAOB also claim a CPA's practice bar is no "irreparable injury"? If so,

Why have a practice bar? The PCAOB quotes Davis Accountancy Group's ("DAG's) case, which is irrelevant as the DAG had already lost its license to practice and Davis was convicted in a state court on two counts of professional misconduct for practicing without a license. In its brief in response to the SEC's March 26, 2024, Order, the PCAOB repeats the DAG's case. The Davis case is not relevant as discussed before in my response of April 23, 2024. For Davis, there was no need for the PCAOB to file a motion to lift the stay as Davis's firm could not perform public company audits anyway. There is no legal point in DAG's case as I see it.

- The PCAOB claims the stay is harming the public. By the PCAOB's own admission 97% of US market cap is audited by the Big 4 firms; the next 10 largest firms audit approximately 1.5% of US market cap and the remaining 2,000 or so firms audit approximately 1.5% of US market cap. Therefore, one firm out of 2,000 firms can't measurably harm any investor. The PCAOB claims investors in a small issuer are deprived of protection from PCAOB Standards. Small investors also invest in the issuers which make up 98.5% of market cap audited by the big 4 and the next 10 larger firms. One percent is still 1% not 99%. Therefore, small investors can't be materially harmed by me or Mr. Weinbaum. We and other 2,000 or so CPA firms audit only 1.5% of the US market cap. Justice Gorsuch commented in the Michelle Cochran case," No harm no foul." The PCAOB was supposedly created to prevent "big" accounting disasters. There is nothing big here. I believe I am a first line of defense to protect investors from issuers filing misleading financial statements because I have the knowledge and experience to audit public companies. The last PCAOB inspection report I received was a clean report for the inspection of MJF& Associates audit practice for 2015. The PCAOB inspection team selected two issuer clients of MJF & Associates in both of which I was the engagement partner and the PCAOB inspection team issued a clean report. Please see copy of PCAOB's inspection report on MJF attached. I believe the PCAOB itself harms the public. Since the formation of the PCAOB, it has created mindless drones out of the accountants:

1. Mindless Form-Filling Habit: The PCAOB's focus on compliance and documentation led to a culture of mindless form-filling in accounting firms. Instead of fostering critical thinking and deep understanding of audit issues, accountants prioritize completing forms without grasping the underlying audit complexities and economics of the transaction.

2. Lack of Understanding: Due to pressure to comply with PCAOB requirements, some accountants may fill out forms without a comprehensive understanding of the audit issues they are facing. This can result in superficial or inadequate assessments of audit risks and procedures.

3. **Relevance of Standards:** PCAOB inspectors' inquiries about why a particular standard was not considered, regardless of its relevance to the audit engagement, can divert attention from focusing on material audit matters. This emphasis on checklist-style compliance may detract from the auditor's ability to exercise professional judgment and tailor audit procedures to the specific risks of each engagement.

4. **Compliance Over Judgment:** The PCAOB's regulatory framework, while intended to enhance audit quality, may sometimes prioritize checkbox compliance over the exercise of professional judgment. This can lead to auditors feeling compelled to follow rigid procedures rather than adapting their approach based to nuanced audit considerations.

5. **Impact on Audit Quality:** The unintended consequence of the PCAOB's emphasis on documentation and standards compliance, without sufficient consideration of context and materiality, could be a potential decline in audit quality. Auditors may prioritize form-filling and checklist completion over critical thinking and thorough risk assessment, ultimately impacting the reliability and effectiveness of audit processes.

- The PCAOB questions whether a stay will serve the public interest. Please see response in bullet point above. The PCAOB admitted it looked at nine of MJF's audits and found no problems.
- PCAOB used the word "recidivist" for me. The PCAOB did not call CA of D&T a recidivist even though CA's actions were more egregious than anything I am accused of. Perhaps, there is an element of racism here. The PCAOB has been accused of racism before. That the PCAOB talked about racism in its Brief and Motion may indicate a guilt of being so. The PCAOB's own conduct is not stellar. In the Cynthia Reinhart case, PCAOB order No. 105-2012-003 the SEC ordered the PCAOB's sanctions against Cynthia Reinhart be cancelled. The PCAOB's website

shows the same case number as James R Waggoner CPA. Was this an error or oversight, or was it deliberately done to conceal the PCAOB's loss? The SEC should investigate this.

The PCAOB also states, applicants' suggestion that "small investors can't be materially harmed" by applicants based on their market capitalization theory is both incorrect and reflects their fundamental misunderstanding of their role as auditors. What I said was small investors investing in smaller reporting companies can't be materially harmed as compared to investing in say Microsoft or Google. The PCAOB can't distinguish between a small investor and a small SEC registrant. For example, suppose a "small investor" had say \$100,000 in mutual funds in 2017. How much did he have in Adamant, if he had a diversified portfolio? Less than one cent! Since Adamant was 1 / 32 millionth of the total market cap (MC) at the relevant time, he would need a \$320,000 portfolio to have one cent in Adamant. Similarly, since Smarheat was 1 / 10 billionth the total MC, he would need a \$100 million portfolio to have one cent in Smarheat. The PCAOB is wasting investors' money by looking at obscure SEC registrants like these. A person with a \$100,000 portfolio would have about \$5,600 in Microsoft.

Who cares more about small investors? Us or the PCAOB? Why is the PCAOB worried about a penny in a \$320,000 portfolio?

PCAOB says: Applicant's SOL argument is unintelligible, forfeited and baseless even under the case law we cite. Is the PCAOB's statement your claim is "unintelligible" an "adverse party admission"? The Case law is clear and simple as articulated in our response dated April 23, 2024, mentioned above. Why is our argument on the SOL "unintelligible"? Is 71 more than 60? Why is it baseless? How was it forfeited? When should it have been raised? There were approximately 2,130 (71 x 30) days since June 8, 2018. I believe the PCAOB should go through each of the 2,130 days and state which of them would be appropriate to raise the issue. Literally, day-by-day for 2,130 days. Further, I believe this argument was made in bad faith. If

the SEC is subject to a 5-year SOL, why isn't the PCAOB?

PCAOB further contends, Mohidin may not have received compensation or touched the official audit binder, as he contends, is neither exonerating nor mitigating. The question is what is exonerating and mitigating? Wasn't CA's conduct of participating in issuer audits and receipt of compensation from D&T exonerating and mitigating? In *Grayscale vs The SEC*. US Ct. of Appeal, DC circuit No 22-1142 (2023) “. It is a fundamental principle of administrative law that agencies must treat like cases alike” So why was CA treated differently from me? Why did the PCAOB pursue this case in the first place?

The PCAOB again brings up race and religion questions. The PCAOB has been accused of being racist in the past and the fact CA was treated differently from me despite violating the PCAOB Order indicates the PCAOB's charge of fine and permanent bar against me could have been racially motivated. Any impartial judge would have exonerated me. However, the Hearing Officer could not see the difference. Was he blinded by his loyalty to the PCAOB and the Hearing Officer's hundred percent record of agreeing with the PCAOB proves my point.

PCAOB further repeats itself by saying: Applicants make no showing that this amply proven, largely uncontested case against them for fundamental, egregious wrongdoing was motivated by improper considerations. My response, this is PCAOB's opinion. Please see our response dated April 23, 2024, to PCAOB's motion to lift stay.

I ask the SEC to reverse the PCAOB action in its Order No. 105-2019-2023 dated December 20, 2023 and dismiss this case with no fine, suspension or bar for the following reasons:

- I had no access to the any binder; I did not review and sign-off any work paper inside any audit binder. Therefore, I did not participate in the audit.
- I was not compensated.
- I was not part of any engagement team which approved the issuance of any report.

- The emails on which the PCAOB spent all of its time are not part of the engagement work papers and were not in any audit binder. Therefore, I did not participate in any audit.
- The engagement partner, Mr. Weinbaum, signed the audit reports based on his and the engagement teams' work.
- The SOL applies and the PCAOB's order should be dismissed.

Very truly yours,

A black rectangular redaction box covering the signature of Ahmed Mohidin.

Ahmed Mohidin

cc: PCAOB with enclosures

CERTIFICATION OF COMPLIANCE WITH SEC RULE 154(c)

I, Ahmed Mohidin, certify that the foregoing Brief in response to public company accounting oversight board's opposition to application for commission review complies with the word count limitations set forth in Rule 154(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.154(c), and that the foregoing response has 3,662 words, exclusive of pages containing the attachment, as counted by the Word Count feature of Microsoft's Word word-processing program used to prepare the response.

[REDACTED]

Ahmed Mohidin

[REDACTED]

CERTIFICATION OF COMPLIANCE WITH SEC RULE 151

I, Ahmed Mohidin, certify that I have complied with Rule 151 of the Commission's Rules of Practice by filing my response to public company accounting oversight board's response to public company accounting oversight board's opposition to application for commission review, which omits or redacts any sensitive personal information described in Rule of Practice 151(e).

[Redacted]

Ahmed Mohidin

[Redacted]

CERTIFICATE OF SERVICE

I, Ahmed Mohidin, certify that on June 4, 2024, I caused a copy of my response to public company accounting oversight board's response to public company accounting oversight board's opposition to application for commission review to be served through the SEC's eFap system on:

Vanessa A. Countryman
The Office of the Secretary
U.S. Securities and Exchange Commission
100 F St., NE
Room 10915
Washington, DC 20549-1090

I further certify that, on this date, I caused a copy of my response to public company accounting oversight board's response to public company accounting oversight board's opposition to application for commission review to be served by electronic service on:

Public Company Accounting Oversight Board
Office of the Secretary
1666 K Street, N.W.
Washington, D.C. 20006

And

Jerome P. Sisul
Associated General Counsel

[Redacted]

Ahmed Mohidin

[Redacted]

RE: Happy New Year

Robert H. Cox <rcox@brigliahundley.com>

Thu 1/25/2024 11:26 AM

To: Ahmed Mohidin [REDACTED] >

Cc: Nini Daker <ndaker@brigliahundley.com>

Ahmed,

I have been through my notes and have the following to relay:

In October 2020, I note that the PCAOB DEI staff had previously offered to settle with you for a permanent bar.

May 11, 2021: I had a call with Brett Collings and Ian Anderson of DEI. They offered to recommend a settlement in which you took a 2-year bar and paid a \$20,000 civil monetary penalty. They would drop the Rule 5302 charge against you for submitting false affidavits.

May 11, 2021: I had a call with you where I relayed the settlement offer. You said that you wanted to think about it and also explore with the California State Board of Accountancy what effect the settlement would have on your CPA license.

May 14, 2021: I had a call with someone at the California Board. They said that they reviewed PCAOB orders on a case by case basis. You would have to report the order to the State Board.

May 21, 2021: I had a call with you in which you told me to make a settlement counteroffer 1-year limitation on activities or suspension and a \$15,000 civil money penalty.

May 25, 2021: I had a call with Brett Collings and Ian Anderson and relayed your counteroffer. They rejected it saying that the Division cannot recommend a settlement lower than a 2 year bar with a civil monetary penalty.

July 7, 2021: I had a call with Brett Collings. The Division was still willing to settle for a two year bar and \$20,000 civil monetary penalty (prehearing conference was July 8, 2021).

You rejected that offer.

Regards,

Bob

Robert H. Cox

Partner

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OS Received 06/04/2024



2015 INSPECTION OF MJF & ASSOCIATES, APC

Preface

In 2015, the Public Company Accounting Oversight Board ("PCAOB" or "the Board") conducted an inspection of the registered public accounting firm MJF & Associates, APC ("the Firm") pursuant to the Sarbanes-Oxley Act of 2002 ("the Act").

Inspections are designed and performed to provide a basis for assessing the degree of compliance by a firm with applicable requirements related to auditing issuers. For a description of the procedures the Board's inspectors may perform to fulfill this responsibility, see Part I.C of this report (which also contains additional information concerning PCAOB inspections generally). The inspection included reviews of portions of selected issuer audits. These reviews were intended to identify whether deficiencies existed in the reviewed audit work, and whether such deficiencies indicated defects or potential defects in the Firm's system of quality control over audits. In addition, the inspection included a review of policies and procedures related to certain quality control processes of the Firm that could be expected to affect audit quality.

The Board is issuing this report in accordance with the requirements of the Act. The Act restricts the Board from publicly disclosing portions of an inspection report that discuss certain types of deficiencies or certain other nonpublic information. Because the inspection did not identify instances of such deficiencies, and because the report does not otherwise disclose protected information, the Board is making the entire report available to the public.



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Report on

**2015 Inspection of MJF & Associates, APC
(Headquartered in Los Angeles, California)**

Issued by the

Public Company Accounting Oversight Board

April 28, 2016

PART I

INSPECTION PROCEDURES AND CERTAIN OBSERVATIONS

Members of the Board's inspection staff ("the inspection team") conducted primary procedures for the inspection from December 14, 2015 to December 17, 2015.⁴

A. Review of Audit Engagements

The inspection procedures included a review of portions of two issuer audits performed by the Firm. This review did not identify any audit performance issues that, in the inspection team's view, resulted in the Firm failing to obtain sufficient appropriate audit evidence to support an audit opinion.

B. Review of Quality Control System

In addition to evaluating the quality of the audit work performed on specific audits, the inspection included review of certain of the Firm's practices, policies, and procedures related to audit quality. This review addressed practices, policies, and procedures concerning audit performance, training, compliance with independence standards, client acceptance and retention, and the establishment of policies and procedures. The inspection team did not identify anything that it considered to be a quality control defect that warrants discussion in a Board inspection report.

C. Information Concerning PCAOB Inspections that is Generally Applicable to Triennially Inspected Firms

A Board inspection includes a review of certain portions of selected audit work performed by the inspected firm and a review of certain aspects of the firm's quality control system. The inspections are designed to identify deficiencies in audit work and defects or potential defects in the firm's system of quality control related to the firm's audits. The focus on deficiencies, defects, and potential defects necessarily carries

⁴ For this purpose, "primary procedures" include field work, other review of audit work papers, and the evaluation of the Firm's quality control policies and procedures through review of documentation and interviews of Firm personnel. Primary procedures do not include (1) inspection planning, which is performed prior to primary procedures, and (2) inspection follow-up procedures, wrap-up, analysis of results, and the preparation of the inspection report, which extend beyond the primary procedures.

PROFILE OF THE FIRM¹

Offices	2 (Glendale and Los Angeles, California)
Ownership structure	Professional corporation
Partners/professional staff ²	2/2
Issuer audit clients	8
Lead partners on issuer audit work ³	3

¹ The information presented here is as understood by the inspection team, generally as of the outset of the inspection, based on the Firm's self-reporting and the inspection team's review of certain information. Additional information, including additional detail on audit reports issued by the Firm, is available in the Firm's filings with the Board, available at http://pcaobus.org/Registration/rasr/Pages/RASR_Search.aspx.

² The number of partners and professional staff is provided here as an indication of the size of the Firm, and does not necessarily represent the number of the Firm's professionals who participate in audits of issuers.

³ The number of lead partners on issuer audit work represents the total number of Firm personnel who had primary responsibility for an issuer audit (as defined in AS No. 10, *Supervision of the Audit Engagement*) during the twelve-month period preceding the outset of the inspection.

identify every deficiency in the reviewed audits. Accordingly, a Board inspection report should not be understood to provide any assurance that a firm's audit work, or the relevant issuers' financial statements or reporting on ICFR, are free of any deficiencies not specifically described in an inspection report.

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 No. 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 reaching its conclusions, an inspection team considers whether audit documentation or any other evidence that a firm might provide to the inspection team supports the firm's contention that it performed a procedure, obtained evidence, or reached an appropriate conclusion. 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.

Identified deficiencies in the audit work that exceed a significance threshold (which is described in Part I.A of the inspection report) are summarized in the public portion of the inspection report.⁶

The Board cautions against extrapolating from the results presented in the public portion of a report to broader conclusions about the frequency of deficiencies throughout the firm's practice. Individual audits and areas of inspection focus are most often selected on a risk-weighted basis and not randomly. Areas of focus vary among selected audits, but often involve audit work on the most difficult or inherently uncertain areas of financial statements. Thus, the audit work is generally selected for inspection

⁶ The discussion in this report of any deficiency observed in a particular audit reflects information reported to the Board by the inspection team and does not reflect any determination by the Board as to whether the Firm has engaged in any conduct for which it could be sanctioned through the Board's disciplinary process. In addition, any references in this report to violations or potential violations of law, rules, or professional standards are not a result of an adversarial adjudicative process and do not constitute conclusive findings for purposes of imposing legal liability.

through to reports on inspections and, accordingly, Board inspection reports are not intended to serve as balanced report cards or overall rating tools. Further, the inclusion in an inspection report of certain deficiencies, defects, and potential defects should not be construed as an indication that the Board has made any determination about other aspects of the inspected firm's systems, policies, procedures, practices, or conduct not included within the report.

C.1. Reviews of Audit Work

Inspections include reviews of portions of selected audits of financial statements and, where applicable, audits of internal control over financial reporting ("ICFR"). For these audits, the inspection team selects certain portions of the audits for inspection, and it reviews the engagement team's work papers and interviews engagement personnel regarding those portions. If the inspection team identifies a potential issue that it is unable to resolve through discussion with the firm and any review of additional work papers or other documentation, the inspection team ordinarily provides the firm with a written comment form on the matter and the firm is allowed the opportunity to provide a written response to the comment form. If the response does not resolve the inspection team's concerns, the matter is considered a deficiency and is evaluated for inclusion in the inspection report.

The inspection team selects the audits, and the specific portions of those audits, that it will review, and the inspected firm is not allowed an opportunity to limit or influence the selections. Audit deficiencies that the inspection team may identify include a firm's failure to identify, or to address appropriately, financial statement misstatements, including failures to comply with disclosure requirements,⁵ as well as a firm's failure to perform, or to perform sufficiently, certain necessary audit procedures. An inspection may not involve the review of all of the firm's audits, nor is it designed to

⁵ When it comes to the Board's attention that an issuer's financial statements appear not to present fairly, in a material respect, the financial position, results of operations, or cash flows of the issuer in conformity with the applicable financial reporting framework, the Board's practice is to report that information to the Securities and Exchange Commission ("SEC" or "the Commission"), which has jurisdiction to determine proper accounting in issuers' financial statements. Any description in this report of financial statement misstatements or failures to comply with SEC disclosure requirements should not be understood as an indication that the SEC has considered or made any determination regarding these issues unless otherwise expressly stated.

whether identified deficiencies in individual audits indicate a defect or potential defect in a firm's system of quality control, the inspection team considers the nature, significance, and frequency of deficiencies;⁸ related firm methodology, guidance, and practices; and possible root causes.

Inspections also include a review of certain of the firm's practices, policies, and processes related to audit quality, which constitute a part of the firm's quality control system. This review addresses practices, policies, and procedures concerning audit performance, training, compliance with independence standards, client acceptance and retention, and the establishment of policies and procedures.

END OF PART I

⁸ An evaluation of the frequency of a type of deficiency may include consideration of how often the inspection team reviewed audit work that presented the opportunity for similar deficiencies to occur. In some cases, even a type of deficiency that is observed infrequently in a particular inspection may, because of some combination of its nature, its significance, and the frequency with which it has been observed in previous inspections of the firm, be cause for concern about a quality control defect or potential defect.

based on factors that, in the inspection team's view, heighten the possibility that auditing deficiencies are present, rather than through a process intended to identify a representative sample.

Inclusion of an audit deficiency in an inspection report does not mean that the deficiency remained unaddressed after the inspection team brought it to the firm's attention. When audit deficiencies are identified after the date of the audit report, PCAOB standards require a firm to take appropriate actions to assess the importance of the deficiencies to the firm's present ability to support its previously expressed audit opinions. Depending upon the circumstances, compliance with these standards may require the firm to perform additional audit procedures, or to inform the issuer of the need for changes to its financial statements or reporting on ICFR, or to take steps to prevent reliance on previously expressed audit opinions.⁷

C.2. Review of a Firm's Quality Control System

QC 20, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*, provides that an auditing firm has a responsibility to ensure that its personnel comply with the applicable professional standards. This standard specifies that a firm's system of quality control should encompass the following elements: (1) independence, integrity, and objectivity; (2) personnel management; (3) acceptance and continuance of issuer audit engagements; (4) engagement performance; and (5) monitoring.

The inspection team's assessment of a firm's quality control system is derived both from the results of its procedures specifically focused on the firm's quality control policies and procedures, and also from inferences that can be drawn from deficiencies in the performance of individual audits. Audit deficiencies, whether alone or when aggregated, may indicate areas where a firm's system has failed to provide reasonable assurance of quality in the performance of audits. Even deficiencies that do not result in an insufficiently supported audit opinion may indicate a defect or potential defect in a firm's quality control system. If identified deficiencies, when accumulated and evaluated, indicate defects or potential defects in the firm's system of quality control, the nonpublic portion of this report would include a discussion of those issues. When evaluating

⁷ An inspection may include a review of the adequacy of a firm's compliance with these requirements, either with respect to previously identified deficiencies or deficiencies identified during that inspection. Failure by a firm to take appropriate actions, or a firm's misrepresentations in responding to an inspection report, about whether it has taken such actions, could be a basis for Board disciplinary sanctions.



February 4, 2016

Ms. Helen A. Munter
Director
Division of Registration and Inspections
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, DC 20006

Re: Response to Part I of the 2015 Draft Inspection Report of MJF & Associates, APC

Dear Ms. Munter:

We are pleased to provide you with your response to the draft report on the 2015 Inspection of MJF & Associates conducted by the PCAOB staff. We support the PCAOB's goals and believe that the inspection process has been effective, will continue to improve audit quality, and has also helped maintain the public's confidence in the U.S. capital markets.

We are very pleased that your inspection team reported no performance issues or quality control defects based on their review of selected audit engagements. Nevertheless, be assured that MJF & Associates, APC is committed to continuously improving our audit quality.

We appreciate the opportunity to provide this response and we look forward to working with the PCAOB staff in future inspections.

Very truly yours,

MJF
Associates, APC

MJF & Associates, APC

PART II

RESPONSE OF THE FIRM TO DRAFT INSPECTION REPORT

Pursuant to section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the Firm provided a written response to a draft of this report. Pursuant to section 104(f) of the Act and PCAOB Rule 4007(b), the Firm's response, minus any portion granted confidential treatment, is attached hereto and made part of this final inspection report.