SECURITIES EXCHANGE ACT OF 1934
Release No. 59986 / May 27, 2009

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 2978 / May 27, 2009

ADMINISTRATIVE PROCEEDING
File No. 3-13489

IN THE MATTER OF POLLARD KELLEY AUDITING SERVICES, INC. AND TERANCE KELLEY, CPA


In the Order, the Division of Enforcement and the Office of the Chief Accountant allege that Respondents tampered with workpapers to conceal multiple deficiencies in their audit of Pegasus Wireless Corporation’s 2006 financial statements. During the 2006 audit, Respondents violated numerous professional standards by failing to obtain written representations from Pegasus’ management and failing to exercise due care and professional skepticism. In early 2008, nearly one year after completing the audit and after being sued by Pegasus investors for securities fraud, Respondents added additional workpapers to their audit documentation in an attempt to mask deficiencies in the audit. By creating workpapers after the fact and adding them to their audit documentation, without identifying the date they were added or the reason for adding them, Respondents violated Public Company Accounting Oversight Board Auditing Standard No. 3.

The Division of Enforcement and Office of the Chief Accountant further allege that, as a result, Respondents engaged in improper professional conduct as defined in Rules 102(e)(1)(ii) and (iv) in that their conduct (A) constituted intentional or knowing conduct, including reckless conduct, that resulted in violation of applicable professional standards, or in the alternative, (B) constituted negligent conduct, consisting of (1) a single instance of highly unreasonable conduct that resulted in a violation of applicable professional standards in circumstances in which Respondents knew, or should have known, that heightened scrutiny was warranted, or (2) repeated instances of unreasonable conduct by Respondents, each resulting in a violation of applicable professional standards, that indicate a lack of competence to practice before the Commission.

The Order directs that a public administrative hearing be scheduled to determine whether the allegations in the Order are true, to afford Respondents an opportunity to establish any defenses, and to determine what, if any, remedial action is appropriate against Respondents, including, but not limited to, censure and/or the temporary or permanent denial of the privilege of appearing or
practicing before the Commission. The Order requires that an Administrative Law Judge issue an initial decision no later than 300 days from the date of service of the Order, pursuant to Rule 360(a)(2) of the Commission’s Rules of Practice.