

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 9920 / September 18, 2015**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 75950 / September 18, 2015**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 3702 / September 18, 2015**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-16821**

**In the Matter of**

**CHRISTOPHER D. WHETMAN, CPA,**

**Respondent.**

**ORDER INSTITUTING PUBLIC  
ADMINISTRATIVE AND CEASE AND  
DESIST PROCEEDINGS PURSUANT  
TO SECTION 8A OF THE SECURITIES  
ACT OF 1933 AND SECTIONS 4C AND  
21C OF THE SECURITIES EXCHANGE  
ACT OF 1934, AND RULE 102(e) OF  
THE COMMISSION'S RULES OF  
PRACTICE, MAKING FINDINGS, AND  
IMPOSING REMEDIAL SANCTIONS  
AND A CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act, Sections 4C, and 21C of the Securities Exchange Act, and Rule 102(e) of the Commission’s Rules of Practice against Christopher D. Whetman (“Whetman” or “Respondent”).

**II.**

Respondent has submitted an Offer of Settlement (the “Offer”), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order, as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that:

#### SUMMARY

1. On or about July 17, 2012, Whetman consented to the inclusion of an audit report reflecting an audit he conducted of La Paz Mining Corp.'s ("La Paz") financial statements in a Form S-1 registration statement filed with the Commission. This audit report falsely stated that "[w]e conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States)" and that the financial statements present La Paz's financial position "in conformity with U.S. generally accepted accounting principles." Additionally, in or about November 2012, while auditing La Paz's interim financial statements, Whetman failed to appropriately respond to an employee's concerns that La Paz was part of a fraudulent scheme. As described below, the audit Whetman conducted was so deficient that it amounted to no audit at all, and Whetman ignored red flags that La Paz was part of a fraud.

2. Whetman also engaged in improper professional conduct by failing to comply with Public Company Accounting Oversight Board ("PCAOB") Standards when leading certain of his firm's audits of Idle Media, Inc.'s ("Idle Media") 2010 and 2011 fiscal year-end consolidated financial statements, which Idle Media restated multiple times.

3. On January 15, 2015, the Commission instituted public administrative and cease-and-desist proceedings captioned In the Matter of John Briner, Esq., et al., Admin. Proc. File No. 3-16339 against Whetman (the "Briner Action"), among others, in connection with Whetman's audit of La Paz's financial statements, described above. The Commission dismissed Whetman from that proceeding in connection with instituting the instant proceeding that makes findings of fact concerning Whetman's audits of both La Paz and Idle Media and imposes remedial sanctions.

#### RESPONDENTS

4. **Whetman**, 47, of Las Vegas, Nevada, is a CPA licensed in the state of Nevada and a partner at De Joya Griffith, LLC ("De Joya"). Whetman served as the engagement partner for an audit of La Paz Mining Corp. ("La Paz"). Whetman also served as the audit manager for De Joya's original audit of Idle Media's 2010 fiscal year-end financial statements and for De Joya's quarterly review of Idle Media's financial statements for the quarter ended December 31, 2010. After March 2012, when Whetman became partner at De Joya, Whetman served as De Joya's engagement partner on all later engagements to perform audits and quarterly reviews of Idle Media's financial statements, including all engagements to audit or review Idle Media's restated financial statements.

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

## RELEVANT ENTITIES AND INDIVIDUALS

5. **John Briner** (“Briner”), 35, is an attorney and a Canadian citizen who resides in Vancouver, British Columbia. Briner’s law firm was MetroWest Law Corporation (“MetroWest”). Briner also controlled Jervis Explorations Inc. (“Jervis”), a British Columbia corporation. In 2010, to resolve a Commission action against him alleging a pump-and-dump and market manipulation scheme, Briner consented to the entry of a federal court judgment that enjoined him from violating the antifraud and securities registration provisions of the federal securities laws; barred him for five years from participating in penny stock offerings; and ordered him to disgorge ill-gotten gains of \$52,488.32 plus prejudgment interest and pay a civil penalty of \$25,000. SEC v. Golden Apple Oil and Gas, Inc., et al., 09-Civ-7580 (S.D.N.Y.) (HB). The Commission subsequently suspended Briner from appearing or practicing before it as an attorney, with a right to apply for reinstatement after five years. John Briner, Exchange Act Release No. 63371, 2010 WL 4783445 (Nov. 24, 2010).

6. **Diane Dalmy** (“Dalmy”), 58, is an attorney who resides in Denver, Colorado and is admitted to practice law in Colorado. Dalmy issued opinion letters for eighteen issuers referred to her by Briner.

7. **Jervis** is a British Columbia corporation whose sole director is John Briner. Jervis purportedly sold certain British Columbia mineral claims to twenty issuers, including La Paz.

8. **De Joya Griffith** is a registered public accounting firm based in Henderson, Nevada. De Joya issued audit reports for nine issuers referred to it by Briner. For all relevant times, Whetman was a partner of De Joya. De Joya has also been Idle Media’s auditor from December 2010 to the present. De Joya also performed quarterly reviews for Idle Media.

9. **La Paz** is a Nevada corporation organized in November 2011. On July 19, 2012, La Paz filed a Form S-1 registration statement with the Commission seeking to register management’s common shares for resale in a \$20,000 public offering. On September 25, 2012, La Paz filed an amendment to its Form S-1 registration statement. La Paz’s registration statement states that it has its principal offices in Peoria, Arizona.

10. **Idle Media** is a Nevada corporation based in Leesport, Pennsylvania. Idle Media develops and operates several websites focusing on music, music videos and gaming. Idle Media became a publicly traded company in May 2010 through a reverse merger with another corporation. Idle Media’s stock was voluntarily registered with the Commission pursuant to Section 12(g) of the Exchange Act from August 2012 to December 2013. During that period, Idle Media’s stock was quoted on the OTC Bulletin Board under the ticker symbol “IDLM.” The stock is currently quoted on the OTC Link, which is operated by OTC Markets Group Inc. Approximately 65% of Idle Media’s outstanding stock is owned by its parent company, Zoeter (f/k/a Idle Media, LLC).

11. **Marcus Frasier**, 30, is a resident of Shoemakersville, Pennsylvania. Frasier is the founder of Idle Media and is its CEO. Frasier also owns Zoeter and is its only member.

## **WHETMAN CONDUCTED A MATERIALLY DEFICIENT AUDIT OF LA PAZ**

### **Background**

12. Beginning in or about November 2011, Briner contacted De Joya to conduct audits of nine issuers' financial statements that were to be included in Form S-1 registration statements. Whetman was the engagement partner for the audit of La Paz, one of the nine issuers, from March 2012 through June 2013 (when De Joya resigned from the engagement).

13. Whetman knew that Briner did the accounting and created the financial statements to be used in La Paz's Form S-1 registration statement. Whetman also knew that Briner maintained all of La Paz's purported funds "in trust" in an account Briner controlled (the "Master Trust Account").

14. Briner and his assistant were the exclusive contacts between De Joya and La Paz's sole officer. Whetman did not directly communicate with La Paz's sole officer. Whetman knew that Briner provided all of the information concerning La Paz and all of the supporting evidence for its audit.

15. La Paz's two largest transactions consisted of the officer's purchase of La Paz stock for \$30,000 and the La Paz's purchase of a British Columbia mineral claim for \$20,000 from Jervis.

16. Whetman conducted La Paz's audit, including auditing the above transactions, and consented to the inclusion of De Joya's audit report in La Paz's Form S-1 registration statement filed with the Commission on or about July 17, 2012. De Joya was paid a total approximately \$4,000 for the La Paz audit. La Paz's audit report stated that "[w]e conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States)" and that the financial statements present La Paz's financial position "in conformity with U.S. generally accepted accounting principles." As described below, the audit was so deficient that it amounted to no audit at all, and Whetman ignored red flags.

### **Whetman Failed to Appropriately Identify and Assess Risks in Accepting and Continuing with La Paz as a Client**

17. Under PCAOB Auditing Standard No. 12 (Identifying and Assessing Risks of Material Misstatement) ("AS 12"), auditors should "evaluate whether information obtained from the client acceptance and retention evaluation process or audit planning activities is relevant to identifying risks of material misstatement" (§ 41).<sup>2</sup>

18. Also, auditors must meet PCAOB standard AU Section 230 (Due Professional Care in the Performance of Work) ("AU 230"), which requires that auditors "exercise professional skepticism" (at .07), "consider the competency and sufficiency of the evidence" (at .08), and "neither assume[] that management is dishonest nor assume[] unquestioned honesty" (at .09).

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<sup>2</sup> The PCAOB standards referenced herein are the standards that were in effect during the time of relevant conduct.

19. De Joya's client acceptance policy instructed its staff to "confirm individuals" and, if there was something to report, to "summarize findings, site [sic] sources, and email Partner." In practice, such check consisted of a simple Internet search.

20. Whetman failed to sufficiently question or otherwise investigate La Paz's management, which would have revealed Briner's undisclosed role as a control person. Nor did he conduct a background check of Briner or Dalmy, which at minimum would have turned up, among other things, the Commission's complaint alleging fraud and suspension order against Briner, and that Briner had been on the OTC Market's Prohibited Attorney List since March 15, 2006, and that Dalmy had also been on the list since September 25, 2009.

21. For the above reasons, Whetman failed to meet AS 12 and AU 230.

### **Whetman Disregarded Red Flags that La Paz's Stock Sale to Its Officer Was a Sham**

22. Under PCAOB Auditing Standard No. 15 (Audit Evidence) ("AS 15"), "[i]f audit evidence obtained from one source is inconsistent with that obtained from another, or if the auditor has doubts about the reliability of information to be used as audit evidence, the auditor should perform the audit procedures necessary to resolve the matter and should determine the effect, if any, on other aspects of the audit" (§ 29). Under AS 12, the auditor should obtain "an understanding of the nature of the company include[ing]...the sources of funding of the company's operations" (§ 10) and "[w]hen the auditor obtains audit evidence during the course of the audit that contradicts the audit evidence on which the auditor originally based his or her risk assessment, the auditor should revise the risk assessment and modify planned audit procedures or perform additional procedures in response to the revised risk assessments" (§ 74). Further, under PCAOB Auditing Standard No. 14 (Evaluating Audit Results) ("AS 14"), auditors should consider "[t]he sufficiency and appropriateness of the audit evidence obtained" (§ 4.f.). In meeting these standards, auditors must apply professional skepticism and due care consistent with AU 230.

23. Whetman failed to resolve significant contradictions and inconsistencies in the audit evidence supporting La Paz's stock sale to its officer in violation of these standards.

24. Specifically, Whetman received contradicting accounting support as to who paid \$30,000 for La Paz's stock. On or about May 29, 2012, Briner sent a purported schedule for La Paz (prepared by Briner purportedly reflecting cash attributable to La Paz in the Master Trust Account) that conflicted with the stock purchase agreement for La Paz stock. The schedule showed that the \$30,000 for the purchase of La Paz stock was paid for by an entity called "Hyperion [Management]." The stock purchase agreement (and La Paz's registration statement), by contrast, described the stock purchase as a transaction between La Paz and La Paz's officer. Despite this red flag, Whetman never resolved the issue of who paid for the La Paz stock.

25. In fact, the back-up documentation Briner provided to support the stock purchase further confused the issue. It showed that another entity apparently provided the funds for the stock purchase. On July 4, 2012, in response to De Joya staff requests for support for the stock purchase, Briner sent an email with information reflecting an alleged deposit into the Master Trust Account on December 29, 2011 for \$39,280.60 from an entity referred to as Ft-Green Omega, Inc. In the email, Briner stated that "\$30,000 was earmarked for the project [i.e., La Paz]."

26. The La Paz audit team then requested the corresponding bank statements. In response, on July 11, 2012, Briner sent an email containing what appear to be computer screen shots reflecting transactions in the Master Trust Account. Briner indicated these screen shots were “bank statements.” No actual bank statements were received by De Joya in connection with the La Paz audit. The computer screen shot Briner provided appeared to show a deposit by Ft-Green Omega, Inc. on December 29, 2011 for \$39,280.60. In this same email, Briner also sent a revised schedule for La Paz changing the date of the stock purchase from November 23, 2011 to December 29, 2011, apparently to make it consistent with the computer screen shots. Briner left the name “Hyperion [Management]” in this later version of the La Paz schedule. Despite the contradicting evidence regarding who paid for (and owned) La Paz’s stock, Whetman took no further action with respect to the stock purchase.

27. For these reasons, Whetman failed to meet AS 14, AS 15, AS 12, and AU 230.

**Whetman Disregarded Red Flags that La Paz’s Mineral Claim Purchase Was a Sham**

28. Like the evidence supporting the stock purchase, the La Paz schedule and the computer screen shots Briner provided to Whetman in support of the mineral claim purchase (the same documents used to support the stock purchase) conflicted with one another. As described below, Whetman failed to resolve these conflicts and therefore violated AS 15, AS 12, and AU 230.

29. First, the La Paz schedule Briner provided to De Joya described the mineral claim purchase as a \$20,000 wire transfer occurring on December 12, 2011. The transaction in the computer screen shots was a \$20,000 debit (not a wire) occurring on December 30, 2011. Further, in the computer screen shot also provided by Briner, this transaction is characterized in the description as “Business Investment Savings.” No mention in the description was made to Jervis or how the cash was transferred. From this, it is impossible to determine whether La Paz actually paid Jervis for the mineral claim. Moreover, if the funds were in fact transferred via a wire, there is no sufficient explanation for the discrepancy between December 12 (the date listed in the La Paz schedule that funds were sent) and December 30 (the date listed in the computer screen shots that funds were sent). Later, in an apparent attempt to cover up the date discrepancies, Briner changed the dates of the mineral claim purchase from December 12 to December 30, 2011 when he sent De Joya a revised schedule for La Paz (like he did for the dates of the alleged stock purchase).

30. Second, on July 17, 2012, Whetman requested additional support for La Paz’s mineral claim purchase. In response, on July 18, 2012, Briner provided a check, numbered 350, that was from MetroWest to Jervis for \$20,000 and was dated December 30, 2011. “La Paz Mining” was written in the memo line. Briner included copies of both the front and back of the check, but the back of the check was obscured such that it was impossible to tell whether the check had been cashed. The \$20,000 transaction listed in the computer screen shots that Briner indicated was for the mineral claim purchase, however, did not reference a check number 350, or any check for \$20,000. The check numbers on the computer screen shots ranged from 1 to 253. Whetman failed to question this discrepancy, despite the fact that the computer screen shots reference approximately thirty other transactions that each appear to identify the check numbers associated with cashed checks.

31. Finally, Briner provided evidence to Whetman indicating that La Paz's mineral claim purchase may not have been the result of arms-length negotiation because Briner appeared to have been behind the sale. Specifically, the purchase agreement Whetman relied on to support La Paz's mineral claim purchase contained an invoice for the claim listing Briner's name (in typeface) as the signatory on behalf of Jervis. Whetman did not do any additional investigation into whether the purchase was a related party transaction.

32. In this regard, Whetman also violated PCAOB standard AU Section 334 (Related Parties) ("AU 334") (because Briner appeared to control Jervis and Whetman failed to, among other things, "review the extent and nature of business transacted with [Jervis] for indications of previously undisclosed relationships" (.08(e))), and PCAOB Auditing Standard No. 13 (The Auditor's Responses to the Risks of Material Misstatement) ("AS 13"), which states that "[t]he auditor's responses to the assessed risks of material misstatement, particularly fraud risks, should involve the application of professional skepticism in gathering and evaluating audit evidence" (§ 7).

### **Whetman Failed to Resolve Discrepancies in the Audit Evidence Supporting the Officer's Fee**

33. Whetman accepted evidence that purported to support fees paid to La Paz's officer that did not in fact provide support. On or about October 28, 2012, a De Joya staff accountant asked for documents reflecting the payment of fees to, among others, La Paz's officer. The next day, Briner's assistant sent documents appearing to reflect wire transfers from MetroWest to, among others, Crown Capital Partners for \$6,000. The La Paz schedule indicated that its officer was paid \$2,000 and does not mention Crown Capital Partners. Although Briner's assistant indicated in an email that the wire to Crown Capital Partners was for La Paz's officer (for services to three companies), she did not provide any other evidence of this or how the \$6,000 was allocated. And Whetman did not ask La Paz's officer whether he was paid his fee or how the \$6,000 was allocated among the issuers he served as the officer. Nonetheless, Whetman accepted these documents as support for La Paz's officer's fees.

34. Whetman failed to resolve these conflicts or obtain sufficient appropriate audit evidence to support De Joya's opinion and therefore violated AS 15, AS 12, and AU 230.

### **Whetman Failed to Properly Audit La Paz's Cash**

35. Under PCAOB standard AU Section 330 (The Confirmation Process) ("AU 330"), when "information about the respondent's [i.e., the person or entity from which a confirmation is requested] competence, knowledge, motivation, ability, or willingness to respond, or about the respondent's objectivity and freedom from bias with respect to the audited entity comes to the auditor's attention, the auditor should consider the effects of such information on designing the confirmation request and evaluating the results" and, in circumstances where "the respondent is the custodian of a material amount of the audited entity's assets," the auditor should exercise "a heightened degree of professional skepticism" and "should consider whether there is sufficient basis for concluding that the confirmation request is being sent to a respondent from whom the auditor can expect the response will provide meaningful and appropriate audit evidence" (at .27).

36. Additionally, under AS 15, “[t]he auditor must plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for his or her opinion” (¶ 4). To be appropriate, audit evidence must be both relevant and reliable in providing support for the conclusions on which the auditor’s opinion is based. “The reliability of evidence depends on the nature and source of the evidence and the circumstances under which it is obtained” (¶ 8). Under AS 13, “[t]he auditor’s responses to the assessed risks of material misstatement, particularly fraud risks, should involve the application of professional skepticism in gathering and evaluating audit evidence” (¶ 7).

37. Whetman exhibited no concern about Briner’s handling of La Paz’s alleged cash. Whetman knew that Briner held all of La Paz’s purported funds in his Master Trust Account and that La Paz did not have its own bank account. Whetman also knew that Briner was a “consultant” to La Paz and that MetroWest was a law firm. Whetman did not seek any appropriate audit evidence about what, if any, limitations governed Briner’s use of the cash in his Master Trust Account. Nor did he ask for a reconciliation between Briner’s Master Trust Account and the schedules Briner provided purportedly showing how much cash in his account was attributable to La Paz.

38. In addition, Whetman violated the above standards by failing to apply professional skepticism in gathering and evaluating the evidence obtained, such as Briner’s confirmation of La Paz’s cash, and consider Briner’s “objectivity and freedom from bias with respect to the audited entity” in relation to the cash confirmation Briner provided.

**Whetman Disregarded Red Flags that Briner’s Services to La Paz Were Not Given Accounting Recognition**

39. Under AU 334, transactions that are indicative of the existence of related parties include, among other things, “transactions [that] are occurring, but are not being given accounting recognition, such as receiving or providing accounting, management or other services at no charge” (at .08(f)). Further, under AS 15, “[i]f audit evidence obtained from one source is inconsistent with that obtained from another, or if the auditor has doubts about the reliability of information to be used as audit evidence, the auditor should perform the audit procedures necessary to resolve the matter and should determine the effect, if any, on other aspects of the audit” (¶ 29). Finally, auditors must exercise professional skepticism throughout the course of the engagement consistent with standard AU 230.

40. During the La Paz audit, the audit team requested details concerning Briner’s fee arrangement with La Paz. In a November 29, 2012 email response, Briner indicated that he would charge between \$10,000 and \$25,000 for his services, but was not “comfortable” estimating his bill because he told his “client” he “would work out a fair bill at the end of the project and [his client] would find interim billing in the financials without their prior approval to be offensive.” Whetman failed to investigate further and allowed this material liability to remain undisclosed.

41. For the above reasons, Whetman failed to meet AU 334, AS 15, and AU 230.

**Whetman Failed to Adequately Respond to Concerns that Briner and Dalmy May Have Been Engaging in Fraud**

42. In early November 2012, while Whetman was reviewing La Paz’s interim financial statement, a De Joya staff member raised concerns to Whetman and another De Joya partner, who was auditing the other eight Briner-referred issuers, that Briner and Dalmy may be engaging in fraud with respect to the issuers they were auditing, including La Paz.

43. Under AS 12, “[t]he auditor’s assessment of the risks of material misstatement, including fraud risks, should continue throughout the audit. When the auditor obtains audit evidence during the course of the audit that contradicts the audit evidence on which the auditor originally based his or her risk assessment, the auditor should revise the risk assessment and modify planned audit procedures or perform additional procedures in response to the revised risk assessments” (¶ 74).

44. Further, under AS 13, “[t]he auditor’s responses to the assessed risks of material misstatement, particularly fraud risks, should involve the application of professional skepticism in gathering and evaluating audit evidence [including] . . . modifying the planned audit procedures to obtain more reliable evidence regarding relevant assertions and (b) obtaining sufficient appropriate evidence to corroborate management’s explanations or representations concerning important matters, such as through third-party confirmation, use of a specialist engaged or employed by the auditor, or examination of documentation from independent sources” (¶ 7).

45. Whetman failed to (a) properly consider the risks associated with La Paz’s audit, (b) apply professional skepticism in evaluating audit evidence indicating Briner and Dalmy may be engaging in fraud, and (c) re-evaluate his risk assessments for the La Paz audit in light of such evidence in violation of AS 12 and AS 13.

46. On or about November 5, 2012, a De Joya staff member became concerned that Briner might be engaging in fraud in connection with the issuers referred from Briner. Her concern stemmed from conversations she had with certain issuers’ officers in which nearly all her questions about the issuers were deferred to Briner. These conversations caused her to conduct an internet search on Briner. She found, among other things, the Commission’s complaint against him. Additional searches yielded news articles describing Briner and Dalmy as repeat securities fraud offenders.

47. As a result, the De Joya staff member sent four emails over three days sharing the negative information she found concerning Briner and Dalmy. First, on November 5, 2012, she sent Whetman and the other De Joya partner an email containing links to the Commission’s complaint against Briner (SEC v. Golden Apple Oil and Gas, Inc., et al., 09-Civ-7580 (S.D.N.Y.) (HB)) and a Canadian news article stating, among other things, that the British Columbia Securities Commission issued an order (reciprocal to the Commission’s order suspending Briner) banning Briner from trading shares in British Columbia or “acting in a management or consultative capacity in any securities related matter.”<sup>3</sup> In the email, she asked Whetman and the other De Joya partner to “review the links” and stated that she “will call [the other De Joya partner] tonight.”

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<sup>3</sup> <http://www.canadianjusticereviewboard.ca/article-securities%20lawyer.htm>

48. Second, that same day, the De Joya staff member sent another email to Whetman and the other De Joya partner with a link to an article posted on Pumpsanddumps.com stating that Briner and Dalmy “together and apart, the pair has been involved in dozens of schemes on the Vancouver market as well as the Pink sheets and OTC Bulletin Board, writing many a dubious legal opinion resulting in millions of dollars lost by thousands of investors.”<sup>4</sup>

49. Third, on November 7, 2012, the De Joya staff member sent yet another email to Whetman and the other De Joya partner attaching an article about a De Joya client, MoneyMinding International Corp., and its counsel, Dalmy, who was described as having “a reputation for helping scoundrel promoters take dubious companies public on the U.S. over-the-counter markets.” The article also specifically mentions De Joya as having “similarly helped many dubious companies go public on the bulletin board.”<sup>5</sup>

50. Finally, the same day, the De Joya staff member forwarded the email and article to one of De Joya’s two managing partners stating, “I thought I should forward this to you as well. I was doing research on Diane Dalmy and John Briner as we are working on some of their jobs and that’s how I can [sic] across this article.” The managing partner then forwarded her email with the attached article to De Joya’s other managing partner without comment.

51. In light of the negative background the De Joya staff member found and the officers’ apparent inability to answer questions about the issuers, the staff member found it suspicious that Briner and Dalmy were working together on eight of the nine De Joya issuers. The staff member discussed her concerns with the other De Joya partner. Whetman and that De Joya partner then discussed the staff member’s concerns and resolved that the other De Joya partner would raise them with De Joya’s two managing partners, which he did.

52. Whetman did not follow-up with the De Joya partner on the matter, nor did he do anything further regarding the La Paz audit, such as considering whether to withdraw the audit reports on La Paz’s financial statements that had been filed. Nor did Whetman do anything further with respect to La Paz’s interim financial statements, which he was reviewing at the time. Whetman, therefore failed to meet PCAOB standard AU Section 561 (Subsequent Discovery of Facts Existing at the Date of the Auditor’s Report) (“AU 561”), which provides that “[w]hen the auditor becomes aware of information which relates to financial statements previously reported on by him, but which was not known to him at the date of his report, and which is of such a nature and from such a source that he would have investigated it had it come to his attention during the course of his audit, he should, as soon as practicable, undertake to determine whether the information is reliable and whether the facts existed at the date of his report” (at .04).

53. None of the above purported discussions were documented in any workpaper, or otherwise, in violation of PCAOB Auditing Standard No. 3 (Audit Documentation) (“AS 3”), which provides that auditors “must document significant findings or issues, actions taken to

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<sup>4</sup> <http://www.pumpsanddumps.com/2011/06/all-that-glitters-is-not-greenwood-gold.html>

<sup>5</sup> <http://blogs.vancouversun.com/2011/03/17/david-baines-two-victoria-startups-wade-into-bulletin-board-swamp/>

address them (including additional evidence obtained), and the basis for the conclusions reached in connection with each engagement” (§ 12).

## **WHETMAN CONDUCTED MATERIALLY DEFICIENT AUDITS OF IDLE MEDIA**

### **Background**

54. In 2005, Marcus Frasier formed Zoeter, a company he wholly owned, to hold and run certain web development projects he created. Zoeter held datpiff.com, a website that enabled customers to upload and share music. In 2008, Frasier formed Datpiff, LLC (“Datpiff”), to hold and run the datpiff.com website.

55. Although Frasier intended Datpiff to operate separately from Zoeter, Frasier used accounts in Zoeter’s name to receive cash and pay expenses for Datpiff.

56. In May 2010, Idle Media was formed following a reverse merger with a shell company. At the same time, Frasier made Datpiff a wholly-owned subsidiary of Idle Media. Zoeter received 40 million shares of Idle Media stock, representing a 65% share, and thereby became the parent company of Idle Media. After the merger, Frasier continued to own 100% of Zoeter, and he became Idle Media’s chief executive officer. Datpiff was the primary revenue generating business of Idle Media.

57. Following Idle Media’s formation, Zoeter and Datpiff continued to share employees, including Frasier, and commingled their funds in Zoeter accounts. Payroll expenses for shared employees and certain operating expenses for both companies were paid using Zoeter accounts.

58. In December 2010, Idle Media engaged De Joya to perform independent public accountant services. The company filed its Form 10-K for the fiscal year ended September 30, 2010 on January 13, 2011, and its Form 10-Q for the quarter ended December 31, 2010 on February 22, 2011. Six days after issuing the Form 10-Q, on February 28, 2011, Idle Media filed a Form 8-K announcing that its previously issued financial statements should not be relied upon due to unspecified accounting errors that may require adjustments.

59. These accounting errors stemmed from Idle Media’s misallocation of revenue and expenses between Datpiff and Zoeter.

60. Whetman served as the audit manager on the engagements to audit or review the financial statements contained in the filings referenced in the February 28, 2011 Form 8-K. During the quarterly review for the quarter ended December 31, 2010, Idle Media informed Whetman that it had failed to record certain of Datpiff’s revenue and expenses that were processed through Zoeter’s accounts. Around the same time, through discussions with Idle Media’s bookkeeper, Whetman became aware of Idle Media’s significant books and records deficiencies in allocating revenue and expenses between Idle Media and Zoeter as a result of their failure to segregate funds, among other things.

61. More than a year later, and without having issued restated financial statements, Idle Media filed a Form 15 on March 8, 2012, terminating its voluntary SEC registration. Also in March 2012, De Joya promoted Whetman from manager to partner. Whetman became the new engagement partner for Idle Media engagements.

62. Three months later, Idle Media filed a Form 10 to recommence its voluntary registration. In this Form 10, filed on June 13, 2012, the company issued restated financial statements for the fiscal year ended September 30, 2010 and for the first time issued financial statements for its fiscal year ended September 30, 2011.

63. In the Form 10, the company did not correct its accounting deficiencies resulting from the misallocation of revenue and expenses between Datpiff and Zoeter. Rather, the company stated that the balances it reported in its financial statements consolidated Zoeter's financial statements with those of Idle Media because Zoeter was a VIE and Idle Media was its primary beneficiary. On July 31, 2012, September 25, 2012, September 26, 2012, and October 29, 2012, Idle Media issued amendments to the Form 10 on Forms 10/A for various reasons, but each included Idle Media's financial statements consolidating Zoeter. Through Whetman, De Joya consented to the inclusion of its audit report for each of these filings opining that Idle Media's consolidated financial statements were presented fairly, in all material respects, in conformity with GAAP (hereafter collectively referred to as the "Consolidation Timeframe Audits").

64. Idle Media's consolidated financial statements in its Form 10 and in its first Form 10/A amended filing did not consolidate Zoeter's accounts despite purporting to do so. In addition, when presenting the amount of the consolidated company's net income that belonged to Idle Media's shareholders, Idle Media's income statement improperly *added*, rather than subtracted, the amount of net income attributable to Zoeter's owner. Idle Media's second Form 10/A filing on September 25, 2012, restated the presentation of the consolidated financial statements to correct these fundamental errors.

65. Despite issuing consolidated financial statements in its Form 10 and in four Forms 10/A, each audited by Whetman, Idle Media filed a Form 8-K on January 15, 2013, announcing it would restate its financial statements again, this time to deconsolidate Zoeter. Idle Media acknowledged that its consolidation of Zoeter had never been proper. Almost a year after this announcement, Idle Media filed restated financial statements deconsolidating Zoeter in a fifth amendment to the Form 10, filed on December 30, 2013, for its fiscal years 2010 and 2011 and related quarterly periods. This amendment to the Form 10 was also audited by Whetman. The restatement demonstrated that, as a result of Idle Media's improper consolidation of Zoeter and revenue and expense allocation errors, the company had materially misstated revenue and net income by 18% and 24%, respectively, for 2010. Idle Media had also materially misstated net income by 24% for 2011.

66. For the Consolidation Timeframe Audits, the engagement team consisted of Whetman as the engagement partner and a staff auditor. There was also a concurring review

partner.<sup>6</sup> The staff auditor performed the audit fieldwork and created the workpapers for the Consolidation Timeframe Audits. As the engagement partner, Whetman was responsible for planning and performing the audits to obtain reasonable assurance about whether Idle Media’s financial statements were free of material misstatement. Since no manager was assigned to the engagement team, Whetman also directly supervised the staff auditor and was responsible for her work. At the time of the first Consolidation Timeframe Audit, the staff auditor had barely a year of audit experience and had not yet earned a CPA license. Whetman was fully aware of the staff auditor’s inexperience.

### **Whetman’s Deficient Audits of Idle Media’s Consolidation Approach Under VIE Accounting Standards**

67. The GAAP standards for consolidation of a VIE are contained in Accounting Standards Codification (“ASC”) 810, Consolidation. Under ASC 810, among other requirements, three conditions must be met in order for a reporting entity to consolidate another entity as a VIE: (1) the reporting entity must hold a variable interest in the other entity; (2) that other entity must be a VIE; and (3) the reporting entity must be the primary beneficiary of that VIE.

68. Whetman appreciated the significance of the VIE consolidation issue and characterized it as a “critical audit objective” during the planning stage of the Consolidation Timeframe Audits. He continued to characterize the VIE consolidation issue as a “critical matter” throughout the course of the Consolidation Timeframe Audits.

69. Among other things, in the audit of Idle Media’s consolidation of Zoeter’s financial statements, Whetman considered the conclusions that: (1) Idle Media held a variable interest in Zoeter because of a related party receivable; (2) Zoeter was a VIE because it required Idle Media’s subordinated financial support; and (3) Idle Media was the primary beneficiary of Zoeter. As explained below, Whetman failed to perform sufficient procedures to obtain sufficient evidence about any of these conclusions.

### **Whetman Did Not Perform Adequate Procedures to Assess the Conclusion that Idle Media Held a Variable Interest in Zoeter**

70. Pursuant to ASC 810-10, the reporting company must hold a “variable interest” in an entity before that entity is subject to potential consolidation as a variable interest entity. Generally, a variable interest arises from an ownership, or other contractual or pecuniary, interest which requires the holder to absorb fluctuations in value of that entity that are exclusive of fluctuations in the ownership or contractual interest.

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<sup>6</sup> PCAOB Auditing Standard No. 7 (Engagement Quality Review) did not become effective until Idle Media’s fiscal year 2011, which began October 1, 2010. Beginning on this date, the concurring review function was performed by an “engagement quality review” partner.

71. At the time Idle Media consolidated Zoeter's financial statements, Idle Media held a purported related party receivable for amounts due from Zoeter. Whetman's audit identified this related party receivable as Idle Media's variable interest in Zoeter.

72. The purported related party receivable balance was asserted to be a result of material transactions between Zoeter and Idle Media's subsidiary, Datpiff. Because this related party receivable was Idle Media's singular variable interest in Zoeter identified by Whetman, it was fundamental to the variable interest entity consolidation analysis.

73. Whetman knew that Zoeter and Datpiff commingled their funds in Zoeter accounts, that no promissory note existed between Zoeter and either Datpiff or Idle Media, and that Zoeter had no obligation to use its future profits to pay back any funds it received from Datpiff or Idle Media. However, during the audit, Whetman's procedures confirmed only that the receivable's balance eliminated in consolidation. Whetman failed to perform any procedures to determine the purpose, nature, and extent of the transactions making up the purported related party receivable, nor did he obtain sufficient, competent evidence to show that a receivable actually existed.

74. Had Whetman performed sufficient audit procedures, he would have likely discovered that Idle Media had improperly recorded these amounts on its balance sheet as a receivable. In fact, when Whetman later re-audited Idle Media's fiscal year-end 2010 financial statements upon Idle Media's deconsolidation of Zoeter, Whetman concluded that Idle Media had properly reclassified these amounts as Idle Media's expenses and not a receivable due from Zoeter.

75. As a result of the above failures, Whetman's procedures provided no reasonable basis for concluding that the related party receivable existed. The existence of the receivable as a variable interest was the fundamental basis Whetman relied upon to support that Idle Media should potentially consolidate Zoeter's financial statements. As a result, Whetman obtained insufficient evidence to assess the conclusion that Idle Media indeed held a variable interest in Zoeter.

**Whetman Did Not Perform Adequate  
Procedures to Assess the Conclusion  
That Zoeter was a VIE**

76. Whetman's procedures to test the conclusion that Zoeter qualified as a variable interest entity also were inadequate. Whetman concluded that Zoeter was a variable interest entity under ASC 810-10-15-14a because, by design, the total equity investment at risk was not sufficient to permit Zoeter to finance its activities without additional subordinated financial support provided by Idle Media or Datpiff. When testing the assertion that Zoeter was a VIE, Whetman considered whether Zoeter required subordinated financial support: (1) as of the date of Datpiff's inception in September 2008; and (2) during subsequent fiscal periods.

77. With respect to the first analysis, Whetman failed to adequately test whether, by design, Zoeter required subordinated financial support as of September 2008. In fact, financial

information included in Whetman’s audit workpapers indicated that Zoeter earned sufficient revenue to support its own activities at that time.

78. With respect to the second analysis, Whetman concluded that subsequent transfers of funds between Zoeter and Datpiff, as evidenced by the purported related party receivable, demonstrated Zoeter’s continuing need for financial support. However, Whetman’s audit did not provide adequate support for these conclusions since Whetman did not test whether Zoeter’s revenue was sufficient to cover its expenses or, as discussed above, whether the related party receivable existed. Indeed, since Idle Media had not accurately allocated revenue and expenses between Zoeter and Idle Media at the time of the Consolidation Timeframe Audits, the conclusion that Zoeter required Datpiff’s financial support was not substantiated.

**Whetman Did Not Perform Adequate Procedures to Assess  
the Conclusion That Idle Media Was the Primary  
Beneficiary of Zoeter**

79. Whetman’s procedures to test whether Idle Media was the primary beneficiary of Zoeter similarly were inadequate. In order for Idle Media to be the primary beneficiary and therefore consolidate Zoeter under the VIE consolidation guidance, Idle Media must have had both (1) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and (2) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant. ASC 810-10-05 and ASC 810-10-15-14b.

80. Whetman did not obtain sufficient evidence to determine whether Idle Media had an obligation to provide potentially significant funding to Zoeter or to determine whether Idle Media had the right to potentially benefit significantly from Zoeter’s activities. Whetman did not test whether Idle Media had power over the most significant economic activities of Zoeter. Finally, it was evident to Whetman that Idle Media and Zoeter were under the common control of Frasier, which should have resulted in additional testing. As a result, Whetman failed to obtain sufficient competent evidence supporting the conclusion that Idle Media was the primary beneficiary of Zoeter.

**Whetman’s Deficient Audit of the Noncontrolling Interest**

81. Notwithstanding the flaws in the consolidation analysis described above, Idle Media’s presentation of consolidated financial statements was not in conformity with GAAP. Whetman missed these clear presentation errors in certain audits of Idle Media’s financial statements, as discussed below.

**Whetman Failed to Sufficiently Test Whether Idle Media’s  
Revenue, Expenses, and Net Income Were Reported as  
Consolidated Amounts**

82. A reporting company’s revenue, expenses, and net income should “be reported in the consolidated financial statements at the consolidated amounts, which include the amounts attributable to the owners of the parent and the noncontrolling interest.” ASC 810-10-45-19.

Accordingly, when Idle Media claimed to consolidate Zoeter's financial results, it should have combined Zoeter's account balances within the appropriate line items of the consolidated income statement and then separately reported the noncontrolling interest of the net income or loss.

83. When Idle Media first presented consolidated financial statements in the Form 10 filed on June 13, 2012 and in the first Form 10/A filed on July 31, 2012, Idle Media failed to combine Zoeter's account balances within the appropriate line items of its consolidated income statement, including the consolidated net income line item. Instead, Idle Media reported account balances for Idle Media only.

84. When auditing the financial statements contained in these two filings, Whetman reviewed the audit workpaper containing the company's consolidating trial balance. However, Whetman failed to perform a fundamental audit procedure: that is, recalculation to verify that the rows of numbers were properly totaled. Had Whetman simply added up rows of numbers on the workpaper, he would have noticed that the totals for the consolidated amounts improperly excluded Zoeter's accounts. Since he failed to perform this fundamental procedure, Whetman failed to identify the fact that the account balances Idle Media reported in its consolidated financial statements did not actually include Zoeter's accounts and thus did not reconcile with the supporting documents. Whetman also failed to properly supervise his staff auditor by not addressing these important omitted procedures.

85. Whetman failed to identify these fundamental misstatements despite reviewing a different audit workpaper that stated that "[Zoeter] is not included [in these line items] because they are reported separately within the income statement as part of VIE reporting requirements." This workpaper specifically highlighted the fact that Zoeter's revenue and expenses were excluded from the applicable line items of the consolidated financial statements.

**Whetman Failed to Test Whether Idle Media's Consolidated Net Income Was Properly Apportioned Between Idle Media's Shareholders and the Noncontrolling Interest**

86. GAAP requires that, after a company reports its consolidated net income, the "[n]et income or loss... shall be attributed to the parent and the noncontrolling interest." ASC 810-10-45-20. Accordingly, after presenting the net income for the consolidated company on its income statement, Idle Media should have then subtracted the portion of the consolidated net income belonging to Zoeter's owner (Frasier) as being allocated to the noncontrolling interest since Idle Media did not own Zoeter. Idle Media should have then shown the remaining portion of the consolidated net income as belonging to Idle Media's shareholders.

87. In the financial statements included in its Form 10 filed on June 13, 2012 and its first Form 10/A filed on July 31, 2012, Idle Media reported a consolidated net income amount that did not include Zoeter's net income. Below the consolidated net income line, Idle Media presented Zoeter's net income as an amount attributable to the noncontrolling interest. Idle Media then *added* this figure to the net income amount, rather than *subtracting* it, when Idle Media reported the amount of net income attributed to Idle Media's shareholders. These clear,

fundamental errors resulted in a substantial overstatement of the consolidated net income apportioned to Idle Media's shareholders.

88. Whetman's procedures failed to identify these errors even though the income statement reported that the net income allocated to Idle Media shareholders was substantially greater than the total consolidated net income – a treatment that was clearly not in conformance with GAAP.

89. Whetman's deficient procedures relating to the allocation of revenue and expenses between Zoeter and Idle Media also impacted his ability to audit the amount of income Idle Media apportioned to the noncontrolling interest. Since Whetman did not perform sufficient procedures to assess the accuracy of Zoeter's accounts, Whetman's procedures could not provide a reasonable basis for assessing the accuracy of the net income Idle Media attributed to the noncontrolling interest.

#### **Whetman's Deficient Documentation of the Idle Media Audits**

90. In addition to the failures discussed above, Whetman failed to adequately document and retain requisite documentation related to certain of his audits.

#### **Whetman Failed to Prepare Adequate Audit Documentation**

91. On December 30, 2013, Idle Media filed a Form 10/A containing restated financial statements to correct: 1) errors relating to the allocation of revenue and expenses between Zoeter and Datpiff, and 2) the improper consolidation of Zoeter's financial statements. Whetman's audit workpapers relating to the deconsolidation stated that "V.I.E. consolidation was not appropriate since Zoeter, LLC did not need subordinated financial support to fund its activities[.]" However, the workpapers did not present any analysis or reference evidence to support this revised conclusion that no subordinated financial support was needed. For example, the workpapers did not demonstrate that the auditor had examined any evidence indicating that Zoeter generated sufficient revenue to fund its level of activity at the assessment date.

92. At the time of Idle Media's deconsolidation of Zoeter, the audit workpaper referenced a change in the date for the transfer of the datpiff.com website as support for Idle Media's deconsolidation decision. However, to the extent the transfer date for the datpiff.com website was significant to the deconsolidation decision, Whetman's audit workpapers did not explain that significance. While the audit workpapers explained how the new date impacted the allocation of revenue and expenses between Zoeter and Datpiff, the workpapers notably failed to analyze why the new date impacted the separate issue of whether Idle Media should consolidate Zoeter. Moreover, the workpapers showed multiple inconsistencies regarding what the transfer date actually was.

93. Whetman's deconsolidation workpaper also quoted Idle Media's disclosure that "it is no longer able to conclude that Zoeter constitutes a variable interest entity, necessitating the restatement of its financial statements" under GAAP. However, the workpapers did not clarify, much less explain, whether Zoeter had previously been a VIE but was no longer a VIE going

forward, or whether Zoeter had never been a VIE. This analysis would have been necessary in order to determine whether it was appropriate for Idle Media to restate its historical financial statements.

94. Whetman also failed to properly supervise his audit staff with respect to procedures to evaluate and document the deconsolidation analysis.

#### **Whetman Failed to Retain Audit Documentation**

95. When preparing workpapers for the Consolidation Timeframe Audits, Whetman's audit team incorporated, but did not retain, the workpapers from the original audit of Idle Media's fiscal year 2010 financial statements. As a result, workpapers which reflect the planning and performance of the work and the procedures performed, the evidence obtained, and the conclusions reached as of the time that De Joya issued its audit report on January 12, 2011 no longer exist.

### **Whetman's Violations of Professional Standards In Performing the Idle Media Audits**

#### **Failure to Exercise Due Professional Care**

96. AU 230 requires that "[d]ue professional care is to be exercised in the planning and performance of the audit and the preparation of the report" (at .01). 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 (at .06). Also, "[d]ue professional care requires the auditor to exercise professional skepticism. Professional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence" (at .07). "Gathering and objectively evaluating audit evidence requires the auditor to consider the competency and sufficiency of the evidence. Since evidence is gathered and evaluated throughout the audit, professional skepticism should be exercised throughout the audit process" (at .08). "The auditor neither assumes that management is dishonest nor assumes unquestioned honesty. In exercising professional skepticism, the auditor should not be satisfied with less than persuasive evidence because of a belief that management is honest" (at .09).

97. As the engagement partner, Whetman was responsible for each of the relevant audit engagements and their performance, for proper supervision of the work of the engagement team members, and for compliance with PCAOB standards.

98. Whetman violated AU 230 by conducting the Consolidation Timeframe Audits without exercising due professional care or professional skepticism. Whetman did not perform sufficient procedures or analysis to support his audit conclusions that Idle Media's consolidation of Zoeter conformed with GAAP. Whetman also violated AU 230 when he failed to notice that Idle Media had not actually consolidated Zoeter's accounts in the first set of consolidated financial statements it filed, and that Idle Media had clearly improperly presented the amount of the consolidated company's net income attributable to Idle Media's shareholders. He also failed to exercise due professional care in failing to document the analysis and conclusions supporting the deconsolidation approach for Idle Media's deconsolidated financial statements. Additionally,

Whetman failed to supervise his audit staff with respect to the sufficiency of the procedures performed and whether those procedures were adequately documented.

### **Failure to Obtain Sufficient Competent Evidential Matter**

99. PCAOB standard AU Section 326, (Evidential Matter) (“AU 326”) requires that “[s]ufficient competent evidential matter is to be obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit” (at .01). “The auditor tests underlying accounting data by (a) analysis and review, (b) retracing the procedural steps followed in the accounting process and in developing the allocations involved, (c) recalculation, and (d) reconciling related types and applications of the same information. . . . Additionally, the auditor’s substantive procedures must include reconciling the financial statements to the accounting records” (at .19). “To be competent, evidence, regardless of its form, must be both valid and relevant” (at .21).

100. Whetman violated AU 326 by concluding the Consolidation Timeframe Audits without obtaining sufficient competent evidential matter through his audit procedures. Notably, Whetman failed to obtain sufficient, competent evidential matter during his procedures to assess whether Idle Media’s consolidation conclusions were appropriate under the relevant accounting standards for VIE consolidation. Whetman also violated AU 326 by failing to obtain sufficient, competent evidential matter in the form of a correctly totaled consolidating trial balance. Whetman further failed to recalculate the underlying accounting data contained in the consolidating trial balance and reconcile this data to the financial statements. Because of this, he failed to identify Idle Media’s fundamental errors in presenting consolidated financial statements – by failing to actually consolidate Zoeter’s accounts in its consolidated income statement line items and by failing to present the noncontrolling interest as a deduction from the consolidated net income figure -- when Idle Media first filed its consolidated financial statements filed on Form 10 on June 13, 2012 and the first Form 10/A filed on July 31, 2012.

### **Failure to Apply Heightened Scrutiny to Related Party Transactions**

101. AU 334 requires that “[t]he auditor should place emphasis on testing material transactions with parties he knows are related to the reporting entity” (at .07). “After identifying related party transactions, the auditor should apply the procedures he considers necessary to obtain satisfaction concerning the purpose, nature, and extent of these transactions and their effect on the financial statements. The procedures should be directed toward obtaining and evaluating sufficient competent evidential matter and should extend beyond inquiry of management” (at.09).

102. Whetman violated AU 334 during the Consolidation Timeframe Audits when he failed to place emphasis on testing material transactions between related parties, including his failures to apply heightened scrutiny to analysis of the purported related party receivable balance, Zoeter’s purported need for subordinated financial support from Idle Media, and which related party would be Zoeter’s primary beneficiary if Zoeter was a VIE. Although the consolidation analysis as a whole was characterized in the workpapers as both a “critical audit objective” and

as a “critical issue,” and involved related party transactions, Whetman failed to apply heightened scrutiny when he audited any of the three bases for the consolidation conclusion.

### **Failure to Maintain Requisite Audit Documentation**

103. AS 3 requires that “[a]mong other things, audit documentation includes records of the planning and performance of the work, the procedures performed, evidence obtained, and conclusions reached by the auditor” (¶ 2). “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 understand the nature, timing, extent, and results of the procedures performed, evidence obtained, and conclusions reached” (¶ 6). “The auditor must retain audit documentation for seven years from the date the auditor grants permission to use the auditor’s report in connection with the issuance of the company’s financial statements (report release date), unless a longer period of time is required by law” (¶ 14). “Audit documentation must not be deleted or discarded after the documentation completion date, however, information may be added” (¶ 16).

104. Whetman violated AS 3 during his audit of the restatement to deconsolidate Zoeter when he failed to document his analysis in a manner which would allow an experienced auditor having no previous connection with the engagement to understand the evidence obtained or audit conclusions. Notably, the workpapers did not explain the analysis underlying the decision to deconsolidate Zoeter or the decision to restate historical financial statements for the deconsolidation of Zoeter. Additionally, Whetman violated AS 3 in his failure to retain workpapers related to the original audit of fiscal year 2010.

### **Failure to Issue Accurate Audit Reports**

105. PCAOB standard AU Section 508, Reports on Audited Financial Statements (“AU 508”), states that “[j]ustification for the expression of the [auditor’s] opinion rests on the conformity of his or her audit with generally accepted auditing standards and on the findings” (at .03). “The auditor’s standard report states that the financial statements present fairly, in all material respects, an entity’s financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. This conclusion may be expressed only when the auditor has formed such an opinion on the basis of an audit performed in accordance with generally accepted auditing standards” (at .07).

106. Whetman violated AU 508 when he signed, on behalf of his audit firm, audit reports contained in Idle Media’s Forms 10, 10A/1, 10A/2, 10A/3, 10A/4, and 10A/5, filed on June 13, 2012, July 31, 2012, September 25, 2012, September 26, 2012, October 29, 2012, and December 30, 2013, respectively, falsely stating that De Joya had conducted its audits in accordance with the standards of the PCAOB. The audits referenced in these audit reports were not conducted in accordance with PCAOB standards, as evidenced by Whetman’s failures to exercise due professional care in the planning and performance of the audit, to obtain sufficient competent evidential matter, to apply heightened scrutiny to related party transactions, and to maintain requisite audit documentation.

**WHETMAN VIOLATED SECTION 17(a) OF THE SECURITIES ACT, RULE 2-02 OF REGULATION S-X, AND ENGAGED IN IMPROPER PROFESSIONAL CONDUCT**

107. De Joya falsely stated in its audit report filed with La Paz's Form S-1 registration statement that it "conducted [its] audit in accordance with the standards of the Public Company Accounting Oversight Board (United States)" and that the financial statements present La Paz's financial position "in conformity with U.S. generally accepted accounting principles." Whetman signed or consented to the filing of this audit report.

108. For this false audit report, De Joya collected approximately \$4,000 in fees.

109. Whetman knew, or was reckless in not knowing, that La Paz was a device, scheme, or artifice to defraud in violation of Section 17(a)(1) of the Securities Act. Further, by providing La Paz's audit report, Whetman acted unreasonably and caused La Paz's violations of Sections 17(a)(1), (2), and (3) of the Securities Act. Whetman also violated Sections 17(a)(2) and (3) of the Securities Act by falsely claiming that the La Paz audit complied with PCAOB standards.

110. Additionally, for failing to meet the PCAOB audit standards identified above in auditing La Paz and Idle Media, Whetman engaged in improper professional conduct pursuant to the Commission's Rules of Practice Rule 102(e)(1)(ii) by engaging in at least one instance of highly unreasonable conduct or repeated instances of unreasonable conduct under Rule 102(e)(1)(iv).

111. Whetman also caused a violation of Rule 2-02(b)(1) of Regulation S-X by consenting to the filing of an audit report included in La Paz's Form S-1 Registration statement that falsely states that La Paz's audit was conducted in accordance with PCAOB standards.

112. Further, as described above, Whetman willfully violated Sections 17(a)(1), (2), and (3) of the Securities Act thereby engaging in conduct subject to the Commission's Rules of Practice Rule 102(e)(1)(iii).

**IV.**

**COMMISSION FINDINGS**

Based on the foregoing, the Commission finds that Respondent:

- A. willfully violated Sections 17(a)(1), (2), and (3) of the Securities Act;
- B. engaged in improper professional conduct pursuant to Section 4C(a)(2) of the Exchange Act and Rule 102(e)(1)(ii) of the Commission's Rules of Practice;
- C. caused a violation of Rule 2-02(b)(1) of Regulation S-X; and
- D. willfully violated Sections 17(a)(1), (2), and (3) of the Securities Act thereby engaging in conduct subject to Section 4C(a)(3) of the Exchange Act and Practice Rule 102(e)(1)(iii) of the Commission's Rules of Practice.

**V.**

**UNDERTAKINGS**

Respondent has undertaken to:

- A. appear and be interviewed by Commission staff at such reasonable times and places as the staff requests upon reasonable notice in connection with the Briner Action;
- B. accept service by mail or facsimile transmission of notices or subpoenas issued by the Commission for documents or testimony at depositions, hearings, or trials, or in connection with any investigation by Commission staff related to the Briner Action;
- C. appoint Respondent's attorney, Sean T. Prosser, as agent to receive service of such notices and subpoenas;
- D. with respect to such notices and subpoenas, waive any objections to such notices and subpoenas, the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules, provided that the party requesting the testimony reimburses Respondent's travel, lodging, and subsistence expenses at the then-prevailing U.S. Government per diem rates; and
- E. consent to personal jurisdiction over Respondent in any United States District Court for purposes of enforcing any such subpoena.

In determining whether to accept Respondent's Offer, the Commission has considered these undertakings.

**VI.**

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Section 8A of the Securities Act and Sections 4C and 21C of the Exchange Act, it is hereby ORDERED that:

- A. Respondent shall cease and desist from committing or causing any violations and any future violations of Sections 17(a)(1), (2), and (3) of the Securities Act and Rule 2-02(b)(1) of Regulation S-X.
- B. Respondent is denied the privilege of appearing or practicing before the Commission as an accountant.
- C. After five years from the date of entry of this Order, Whetman may request that the Commission consider his reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:
  - a) a preparer or reviewer, or a person responsible for the preparation or review,

of any public company's financial statements that are filed with the Commission. Such an application must satisfy the Commission that Respondent's work in his practice before the Commission will be reviewed either by the independent audit committee of the public company for which he works or in some other acceptable manner, as long as he practices before the Commission in this capacity; and/or

b) an independent accountant. Such an application must satisfy the Commission that:

i. A public accounting firm with which Respondent is associated, is registered with the Public Company Accounting Oversight Board ("Board") in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;

ii. A registered public accounting firm with which Respondent is associated, has been inspected by the Board and that inspection did not identify any criticisms of or potential defects in the respondent's or the firm's quality control system that would indicate that the respondent will not receive appropriate supervision;

iii. Respondent has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and

iv. Respondent acknowledges his responsibility, as long as Respondent appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

D. The Commission will consider an application by Whetman to resume appearing or practicing before the Commission provided that his state CPA license is current and he has resolved all other disciplinary issues with the applicable state board of accountancy. However, if state licensure is dependent on reinstatement by the Commission, the Commission will consider his application on other merits. The Commission's review may include consideration of, in addition to the matters referenced above, any other matters relating to Respondent's character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

E. Whetman shall pay a civil penalty of \$15,000.00, to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3), which shall be paid in the following installments: \$3,000.00 within 10 days of the entry of this Order, and \$12,000.00 in four installments of \$3,000.00 due on October 1, 2015, January 1, 2016, April 1, 2016, and one year from entry of this Order. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

F. Payment of civil penalties must be made in one of the following ways:

a) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

b) Respondent may make direct payment from a bank account via Pay.gov

through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or

c) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying the Respondent by name in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Lara Shalov Mehraban, Division of Enforcement, Securities and Exchange Commission, 200 Vesey Street, NY 10281.

G. The Division of Enforcement ("Division") may, at any time following the entry of this Order, petition the Commission to: (1) reopen this matter to consider whether Respondent provided accurate and complete financial information at the time such representations were made; and (2) seek an order directing payment of disgorgement and pre-judgment interest. No other issue shall be considered in connection with this petition other than whether the financial information provided by Respondent was fraudulent, misleading, inaccurate, or incomplete in any material respect. Respondent may not, by way of defense to any such petition: (1) contest the findings in this Order; (2) assert that payment of disgorgement and interest should not be ordered; (3) contest the amount of disgorgement and interest to be ordered; or (4) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

H. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

## VII.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S. C. §523, that the findings in this Order are true and admitted

by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields  
Secretary