

ADMINISTRATIVE PROCEEDING
File No. 3-17240

**SEC CHARGES HOUSTON-BASED AUDIT FIRM AND ENGAGEMENT PARTNER
WITH IMPROPER PROFESSIONAL CONDUCT IN AUDIT OF PENNY-STOCK FIRM**

May 2, 2016 – The Securities and Exchange Commission today charged Houston-based audit firm MaloneBailey LLP and former audit partner Jay Phillip Norris with engaging in improper professional conduct while auditing fiscal year 2011 financial statements of Left Behind Games Inc., a penny-stock company that sold religious-themed video games.

An SEC investigation found that MaloneBailey and Norris violated Rule 2-02(b)(1) of Regulation S-X because they issued an audit report stating that they had conducted the audit in accordance with PCAOB Standards when they had not. According to the SEC's order instituting settled administrative proceedings, approximately 88 percent of revenues recorded for Left Behind Games that year resulted from purported sales to one company, Lighthouse Distributors. MaloneBailey and Norris identified revenue recognition as an area requiring heightened scrutiny and further identified what appeared to be circular sham transactions between Left Behind Games and the principal of Lighthouse, Ronald Zaucha, a former Left Behind Games consultant and close friend of Left Behind Games principal Troy Lyndon. But the filings went forward despite these and numerous additional red flags present, including that Lyndon and Zaucha altered language proposed by MaloneBailey and Norris for inclusion in audit documents and the Form 10-K to be filed with the Commission.

MaloneBailey agreed to settle the charges by paying more than \$160,000 to settle the SEC's charges, including a \$100,000 penalty, disgorgement of the \$54,000 in fees collected from the audit, and interest of \$7,519.35. MaloneBailey was also censured and must retain an independent consultant and agreed to a number of other undertakings outlined in the SEC's order.

Norris agreed to be suspended from appearing and practicing before the SEC as an accountant, which includes not participating in the financial reporting or audits of public companies. The SEC's order permits Norris to apply for reinstatement after three years. Norris also agreed to pay a \$10,000 penalty.

MaloneBailey and Norris neither admitted nor denied the SEC's findings. Both were ordered to cease and desist from future violations of Rule 2-02(b)(1) of Regulation S-X.

The SEC [previously charged](#) Lyndon and Zaucha alleging violations of, among other provisions, the securities registration and antifraud provisions of the federal securities laws, and [obtained permanent injunctions and other relief against them](#) in a litigated federal district court action. *SEC v. Troy Lyndon and Ronald Zaucha*, CV 13-00486 SOM-KSC (D. Hawaii).

The SEC's investigation of Left Behind Games, Lyndon, and Zaucha was conducted by Lucee Kirka and Carol Shau and supervised by Marc Blau, and the litigation against Lyndon and Zaucha was conducted by trial counsel Karen Matteson, all of the Los Angeles office. The SEC's investigation of the auditors was completed by Karen Matteson and supervised by John Berry.

See also: [Order](#)