

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934  
Release No. 53326 / February 16, 2006

ACCOUNTING AND AUDITING ENFORCEMENT  
Release No. 2376 / February 16, 2006

ADMINISTRATIVE PROCEEDING  
File No. 3-12208

IN THE MATTER OF KEVIN M. HALL, CPA, AND ROSEMARY K. MEYER, CPA

The United States Securities and Exchange Commission (Commission) announced the issuance of an Order Instituting Public Administrative Proceedings Pursuant to Rule 102(e) of the Commission's Rules of Practice (Order) against Kevin Hall, CPA, and Rosemary Meyer, CPA. In the Order, the Division of Enforcement (Division) and the Office of the Chief Accountant (OCA) allege that Hall and Meyer engaged in improper professional conduct in the audit of U.S. Foodservice, Inc. (USF) for fiscal year 1999 and interim review for the second quarter of fiscal year 2000. Hall and Meyer were the engagement partner and senior manager, respectively, for the audit and review work that KPMG LLP performed for USF.

In the Order, the Division and OCA allege that Hall and Meyer found numerous instances where USF recognized income when it should not have, but Hall and Meyer refused to act upon or failed to recognize these and other "red flags." The Division and OCA assert that Hall and Meyer discovered that USF had recognized substantial unearned "prepayments" of income and Hall and Meyer documented those as "audit exceptions" in their audit working papers. The Division and OCA contend that the existence of prepayments directly and explicitly contradicted USF management's repeated representations that USF did not obtain vendor prepayments. The Division and OCA also allege that Hall and Meyer obtained and reviewed audit evidence that directly contradicted USF's accounting for payments used to improperly reduce aging accounts receivable balances.

Additionally, the Division and OCA allege in the Order that Hall and Meyer were responsible for a flawed audit design that allowed third party confirmations to go to persons without any apparent knowledge about the underlying information being confirmed, in violation of Generally Accepted Auditing Standards. The Division and OCA also charge that Hall and Meyer were aware that USF incurred substantial penalties under a long-term supply contract, but Hall and Meyer did not require USF to expense these payments and furthermore failed to require USF to assess its exposure to a contingent liability under the contract.

Finally, the Division and OCA allege that Hall and Meyer did not take the necessary additional steps to either clarify inconsistencies or bring problems to the attention of USF's Audit Committee or others.

A hearing will be scheduled before an Administrative Law Judge to determine whether such allegations are true, to afford the respondents an opportunity to establish defenses to the allegations, and to determine whether respondents should be censured by the Commission or temporarily or permanently denied the privilege of appearing or practicing before the Commission. The Administrative Law Judge is directed to issue a decision no later than 300 days from the date of service of the Order Instituting Proceedings, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.