



Public Company Accounting Oversight Board

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ORDER INSTITUTING DISCIPLINARY
PROCEEDINGS, MAKING FINDINGS, AND
IMPOSING SANCTIONS
)
*In the Matter of Reuben E. Price & Co. Public
Accountancy Corp.*
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Respondent.
)
)

PCAOB Release No. 2006-002
PCAOB No. 105-2005-005
April 18, 2006

Summary

By this Order, the Public Company Accounting Oversight Board ("Board" or "PCAOB") is censuring Reuben E. Price & Co. Public Accountancy Corp. The Board is imposing this sanction on the basis of its findings concerning the respondent's violation of Section 10A(b)(2) of the Securities Exchange Act of 1934 in failing to take prompt and appropriate steps in response to indications that an issuer audit client may have committed an illegal act.

I.

The Board deems it necessary and appropriate, for the protection of investors and to further the public interest in the preparation of informative, fair, and independent audit reports, that disciplinary proceedings be, and hereby are, instituted pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002 ("Act") and PCAOB Rule 5200(a)(1) against Reuben E. Price & Co. Public Accountancy Corp. ("Respondent").

II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondent has submitted an Offer of Settlement ("Offer") that the Board has determined to accept. Solely for the purpose of this proceeding and any other proceedings brought by or on behalf of the Board, or to which the Board is a party, and without admitting or denying the findings herein, except as to the Board's jurisdiction over it and the subject matter of these proceedings, which is admitted, Respondent

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consents to the entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order") as set forth below.

III.

On the basis of Respondent's Offer and information obtained by the Board in this matter, the Board finds^{1/} that:

Facts

1. Respondent is an accounting firm incorporated in the state of California and licensed by the California Board of Accountancy (license no. 3402). Its only office is located in San Francisco, California. Respondent is registered with the Board pursuant to Section 102 of the Act and PCAOB Rules.

2. Universal Communication Systems Inc. ("Universal") is a Nevada corporation headquartered in Miami Beach, Florida. Universal's filings with the Securities and Exchange Commission ("SEC" or "Commission") state that Universal is actively engaged in developing and marketing solar energy systems. Universal's common stock is registered under Section 12(g) of the Exchange Act and is dually quoted on the OTC Bulletin Board and the Pink Sheets. At all relevant times, Universal was an "issuer" as defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

3. On January 13, 2004, Universal filed with the Commission its 2003 Form 10-KSB filing. In that filing, Universal included a document that it claimed was an audit report issued by Respondent with respect to Universal's FY 2003 financial statements. In fact, although Respondent had provided Universal with a draft audit report, Respondent had neither issued the audit report nor completed the audit.^{2/} Also on January 13, 2004, Respondent learned of the unauthorized use of its name in connection with the financial statements included in Universal's Commission filing.

^{1/} The findings herein are made pursuant to Respondent's Offer and are not binding on any other person or entity in this or any other proceeding.

^{2/} Universal acknowledged this point in a Form 8-K that it filed with the Commission on May 4, 2004.

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4. On the day that Respondent learned of Universal's unauthorized use of Respondent's name, Respondent notified Universal's management and a member of Universal's board of directors that its audit of Universal was not complete, and that it had not given Universal its permission to use its name in connection with the financial statements included in Universal's Commission filing.

5. During the 15 weeks following January 13, 2004, Respondent was aware that Universal's management failed to take appropriate remedial actions with respect to the unauthorized use of its name and the representation concerning an audit report, but Respondent took no further steps in response to that failure. On April 23, 2004, Respondent received notice that the PCAOB would be conducting an inspection of Respondent in May 2004. Shortly thereafter, Respondent sent a letter formally notifying Universal that the audits of Universal's financial statements had not been completed, advising Universal not to rely on the draft audit report, and stating that Universal should notify the Commission of the situation. On May 4, 2004, Universal filed with the Commission a Form 8-K disclosing that Respondent was unwilling to be associated with the financial statements Universal filed with the Commission on January 13, 2004, because it had not completed its audit procedures relating to those financial statements.^{3/}

Violations

6. When conducting audits of issuer financial statements required pursuant to the Securities Exchange Act of 1934 ("Exchange Act"), auditors must comply with the requirements of Section 10A of the Exchange Act. Section 10A(b) requires an auditor to take certain actions if, in the course of an audit, the auditor detects or otherwise becomes aware of information indicating that an illegal act has or may have occurred. Unless the illegal act is clearly inconsequential, Section 10A(b)(1) requires that the auditor inform the appropriate level of management about the illegal act and assure itself that the issuer's

^{3/} Universal acknowledged in its Form 8-K that "[n]otwithstanding the fact that [Respondent] had not completed its audit and the Financial Statements were only in draft form, the 2003 Report, including the Financial Statements and the Firm's preliminary report thereon, was filed with the SEC." On June 30, 2004, Universal filed an amended report on Form 10-KSB/A that included Respondent's audit report dated June 2, 2004.

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audit committee, or board of directors in the absence of an audit committee, is adequately informed with respect to the illegal act.

7. In addition, under Section 10A(b)(1) and PCAOB auditing standards, if an auditor concludes that it is likely that an illegal act occurred, the auditor must consider the effect of the illegal act on the issuer's financial statements.^{4/} If the auditor concludes that the illegal act has a material effect on the financial statements, that senior management has not taken (and the board of directors has not caused them to take) timely and appropriate remedial actions, and that the absence of remedial action is reasonably expected to warrant departure from a standard report of the auditor, when made, or warrant resignation from the engagement, then Section 10A(b)(2) requires the auditor to report those conclusions to the board of directors as soon as practicable. If the board of directors fails to take certain required actions in response to such a report, Section 10A(b)(3) requires the auditor to resign from the engagement or report its Section 10A(b)(2) conclusions to the Commission.^{5/}

8. When Respondent learned, on January 13, 2004, that Universal filed an unauthorized audit report falsely representing that the FY 2003 financial statements had been audited by Respondent, Respondent became aware that Universal had or may have violated federal securities laws and regulations. Those laws and regulations include a requirement that small business issuers file audited financial statements as part of their annual reports on Form 10-KSB,^{6/} and a requirement that periodic reports contain all

^{4/} See Section 10A(b)(1)(A) of the Exchange Act; AU § 317, *Illegal Acts by Clients*, at § 317.12.

^{5/} If the auditor resigns from the engagement pursuant to Section 10A(b)(3)(A), the auditor must report the matter to the Commission pursuant to Section 10A(b)(4).

^{6/} See, e.g., Exchange Act Section 13(a); Exchange Act Rule 13a-1; Regulation S-B, Item 310(a).

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information necessary to ensure that statements made in such reports are not materially misleading.^{7/}

9. Respondent knew that the apparently illegal act had a material effect on Universal's financial statements.^{8/} During the 15 weeks following its notification to Universal's management and a member of Universal's board, Respondent also knew that Universal did not take appropriate remedial action. Finally, Respondent realized that Universal's failure to take remedial action would warrant Respondent's resignation from the engagement. Under Section 10A(b)(2), Respondent was obligated to directly report those conclusions to Universal's board of directors "as soon as practicable." Respondent, however, waited 15 weeks before taking any further action to address the matter, and then did so only when prompted by the prospect of an imminent PCAOB inspection. In failing to take appropriate steps sooner, Respondent violated section 10A(b)(2) of the Exchange Act.

^{7/} See Exchange Act Rule 12b-20; see also SEC v. Parklane Hosiery, Inc., 558 F.2d 1083, 1085 n.1 (2d Cir. 1977) (implicit in requirement to file annual report is requirement that report not be materially false or misleading).

^{8/} Universal's representation that its financial statements were audited, as the law and Commission regulations required them to be, was material to the financial statements. Cf. SEC Staff Accounting Bulletin No. 99, Materiality (materiality not limited to quantitative degree of misstatement but also encompasses matters that affect the registrant's compliance with regulatory requirements).

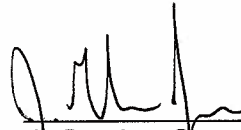
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IV.

In view of the foregoing, and to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports, the Board determines it appropriate to impose the sanctions agreed to in the Respondent's Offer. Accordingly, it is hereby ORDERED that:

- i. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Reuben E. Price & Co. Public Accountancy Corp. is censured.

ISSUED BY THE BOARD.



J. Gordon Seymour
Secretary

April 18, 2006